

Assure Holdings Corp. (IONM) CEO John Farlinger on Q3 2021 Results - Earnings Call Transcript

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Assure Holdings Corp. (NASDAQ: IONM) Q3 2021 Earnings Conference Call November 15, 2021 4:30 PM ET

Company Participants

Scott Kozak - Director, Investor & Media Relations

John Farlinger - Executive Chairman & CEO

John Price – CFO

Paul Webster – VP, Managed Care

Conference Call Participants

Jim Sidoti - Sidoti & Company

Bill Sutherland - Benchmark Company

David Schechter - Perspective Capital Management

Nate Nahirny - ThinkEquity

Operator

Good day, and welcome to the Assure Holdings 3rd Quarter 2021 earnings conference call. All participants will be in listen-only mode. Please note event is being recorded.

I would now like to turn the conference over to Scott Kozak. Please go ahead.

Scott Kozak - Director, Investor & Media Relations

Hello everyone, thank you for participating in today's conference call to discuss Assure Holdings' financial results for the third quarter ended September 30, 2021. On the call today are Executive Chairman and CEO, John Farlinger and CFO John Price. After the market closed this afternoon, the company issued a press release announcing its

results for the third quarter of 2021. The release in investors presentation are available in the investor section of our website.

Before we begin the prepared remarks, I would like to remind you that some of the statements made will be forward-looking and are made under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected or implied due to a variety of factors. We refer you to Assure's recent filings with the SEC, including our quarter report on Form 10-Q for the third quarter for a more detailed discussion of the risks that could impact the company's future operating results and financial condition. Also on today's call, management will reference certain non-GAAP financial measures, which we believe provide useful information for investors.

For a reconciliation of these non-GAAP measures, please consult the most recently filed 8-K associated with the filing of the earnings release for the three months ended September 30, 2021, which is available on the SEC website. In addition, please note that Assure reports in U.S. dollars and all amounts to be expressed today are in U.S. currency.

Finally, I would like to remind everyone that this call will be recorded and made available for replay via link on the company's website. Now I would like to turn the call over to the Executive Chairman and CEO of Assure Holdings, John Farlinger. John?

John Farlinger - Executive Chairman & CEO

Thank you, Scott, and hello, everyone. For those that dialed into the call by telephone you may want to join our webcast or download our third quarter 2021 earnings presentation on Assure's investor Relations site found at ir.assureneuromonitoring.com. This will allow you to see the slides.

Today, we'll provide an update on our drivers for success and discuss our vision for sustained rapid growth over the next several years. I'll start with an update on our third quarter results. This was a very active quarter for sure. We secured an agreement with Premier, the country's second largest group purchasing organization. And through that, we became the sole contracted provider of intraoperative neuromonitoring services for its network of 4,400 hospitals. Additionally, we ramped our high margin remote neurology services platform. We organically expanded into two new states, and we completed our uplist onto Nasdaq.

In terms of financial flexibility, Assure completed a small surgical private placement transaction, which we announced today, raising just enough funds from institutional investors as well as support from our board and management team to fuel our most promising growth initiatives in 2022, while at the same time minimizing dilution.

Key financial metrics in the third quarter were sharply positive, including a notable increase in revenue to \$8.5 million dollars. We showed a net profit of \$100,000 dollars and adjusted EBITDA rose to \$1.2 million dollars. Our adjusted EBITDA improvement

really stands out as it occurred during a quarter in which we had a heavy focus on Sentry integration and building out infrastructure. Going forward, we will continue to focus on minimizing cash burn and generating positive EBITDA while striving to deliver rapid growth.

Assure reiterates our guidance to perform 17,000 managed procedures in 2021. In fact, we expect to exceed 17,000 and deliver a record fourth quarter in terms of managed procedures. All of this is happening despite the lingering impact of COVID-19.

Also, we are guiding towards 25,000 managed procedures in 2022. And I want to be clear that this target of 25,000 managed procedures excludes any growth generated from the Premier relationship. It also excludes any growth coming out of further M&A. Managed case volume from Premier or M&A would add to this target of 25,000 managed procedures that we are forecasting for 2022. We will talk much more about why she was growing so rapidly, while a significant majority of our industry peers are stagnant or in many cases shrinking.

Next, I'm going to jump onto slide four and talk about how Assure is pivoting away from our historical model. Assure's bread and butter has long been providing a highly trained board-certified technologist in the operating room and pairing that with a contractor providing remote neurology services. This one-to-one model we've established matched an Assure technologist with a surgeon in the operating room, which is illustrated in blue in the diagram on the left.

Assure technologists typically performed approximately two hundred surgeries per year. This repeatable revenue structure has served as the basis for our success to date. Remote neurology services, which is featured in orange on the right side of the slide is a one-to-many model. And as a result, it has a different financial profile. Physicians provide remote neurology services from an off-site location, each one having the ability to handle 2,500 or more procedures annually. Earlier this year, Assure began transitioning surgeries from our remote neurology contractors to Assure utilized physicians.

To summarize this pivot in a nutshell, Assure technologists have created a baseline for our business. Assure neurologists are simply consuming the volume created by this relationship. At this point, it's simply a matter of scheduling and delivery because the patient volume has already been established. Our focus in Q4 and 2022 is on controlling the quality of our neurology service and driving that cost of delivery lower.

As we move on to slide five, you see one remote neurology professional working from an off-site location, and you see them reviewing multiple screens and managing multiple surgeries simultaneously. While we will continue to outsource that function to trusted partners in certain geographies as we ramp, Assure has begun delivering the service ourselves in our largest markets, including Texas and Colorado. This accomplished a number of key positives and objectives for the company: Firstly, we are

able to oversee quality of service for providing remote neurology services. This commitment to quality supports our efforts to sign new in-network agreements and facility-wide outsourcing agreements with hospitals.

Secondly, by bringing the neurologist function in-house, we will be able to significantly reduce cost of delivery, allowing the company to improve our profitability on every case we perform going forward. Our objective is to cut costs and delivery from remote neurology services by over 50% going forward. Additional scale will serve as a catalyst for margin improvement in the future.

Thirdly, we're driving top-line benefits. For mostly cases we perform, remote neurology services represents the creation of a new revenue stream.

Fourth, our integrated offering will add significant value for each new market and every new M&A opportunity we pursue going forward.

Fifth and finally, providing remote neurology services for IONM opens the door for new opportunities in adjacent markets where similar remote neurology services are utilized.

I want to be clear that our shift to providing remote neurology is simple and straightforward. We've already built that platform. We already have the patient volume. We are simply replacing contractors with Assure controlled physicians to absorb the volume. The result will be higher margins, a new revenue stream, and turning cash over much more quickly.

On slide six we take a closer look at the trajectory of our remote neurology business. I want to emphasize this is not something we are planning. This is something we are doing. In September, the two Assure readers working on our team recorded a record 330 remote neurology procedures. With a third reader joining the organization in mid-November and a fourth starting at the end of November, the number of cases we are performing will only continue to accelerate.

We are guiding to a range of 1,000 to 1,200 remote neurology procedures in the fourth quarter of 2021. I consider Assure's telehealth neurology offering to be one of the company's most important growth opportunities.

On slide seven, I will focus my comments on the platform we spent the last two years building and what it means for future growth and development. Assure's platform is summarized in the center of the circle in blue and includes the following: Maintaining exceptional clinical operations. Automating our revenue cycle management function and collecting cash faster. Boosting managed care, which refers to deciding more in network agreements. Minimizing the bottlenecks in business operations, particularly around onboarding and credentialing. We instituted an ongoing training and development program for clinical staff. And we've successfully executed our M&A strategy. In a highly fragmented market, we have made three accretive transactions over the last two years.

This platform was built with the intent of having these functional areas support intraoperative neuromonitoring. And you see those verticals on the left: spine, neurosurgery, vascular, ENT and orthopedic. And indeed, it was done, and I believe we've done a good job in supporting those verticals. As we transition to becoming a provider of remote neurology services, we expect that our expertise in intraoperative neuromonitoring will assist us in entering adjacent markets in which our Assure neurologists can also provide remote neurology services.

We are planning and hoping to be able to provide services into such new verticals as EEG, epilepsy, sleep study and stroke by leveraging our existing key competencies, which we have focused on building over the past 24 months.

Next, we'll jump on to slide eight and look at our geographic footprint. The twelve states in green represent our current operations. We expanded service into four new states in 2021 alone. Missouri and Kansas through the acquisition of Sentry Neuromonitoring. Nebraska and most recently Nevada through organic growth. Putting the spotlight on Nevada for a minute. We signed an agreement to provide intraoperative neuromonitoring services for eight hospitals in the state. And we are currently ramping those procedures up and hope to get to a run rate of almost two thousand procedures annually. In addition, we see further expansion to add at least one more state by the end of 2021.

Our expansion has been supported by the build-out of our distributor channel. Partnerships with medical devices distributors have helped us open new markets in Nevada and Nebraska and extended our reach in Texas, just within the last few months. The other catalyst for Assure's expansion is the winning of a system-wide hospital facility contract. I'm pleased to report a very big win on that front which we believe will be a game changer for Assure.

Specifically, on slide nine, I'm referring to a system-wide contract we secured with Premier, the second largest group purchasing organization, or GPO, in the United States. Over the life of the three-year agreement, Assure will serve as the sole contracted supplier for intraoperative neuromonitoring services to an alliance of approximately 4,400 U. S. hospitals and 225,000 other providers. We were honored to be chosen by Premier following an RFP process that included our largest competitors in the industry.

Our selection provides Assure with a hunting license, to pursue opportunities within this network. It also underscores Premier's recognition of the reputation Assure established for delivering high quality service at a competitive price. Also, that Assure has the capacity to scale and support coverage for the second largest GPO in the U. S. This agreement is consistent with our strategy to build a platform that enables hospitals and medical facilities to outsource IONM for thousands of cases annually. We'll be devoting resources to make sure that Assure harnesses the substantial Premier opportunity.

Next on slide ten. I'm going to note another key milestone. Assure began trading on Nasdaq in September. Assure is a first intraoperative neuromonitoring focused company trading on a major U. S. exchange. We believe that Assure has reached the level of maturity necessary to take advantage of the accelerating benefits and opportunities that the Nasdaq listing can provide, including enhancing Assure's visibility, industry profile and market liquidity.

Before handing off the call, I want to highlight a few additional updates among our 2021 corporate objectives listed on slide eleven. We've already talked quite a bit on Assure's expanding scale. So I will just quickly add that we anticipate a buyers' market for high quality IONM assets in 2022 as many of our competitors continue to struggle with in-network billing, collections, and the continued impact of COVID-19, as well as a general inability to raise the capital sufficient to capitalize their businesses.

To those points, we now have approximately 30% of our total commercial insurance volume in contractual rates, either directly with payors or indirectly through third party administrators, and anticipate expanding this to more than 50% by the end of 2022.

We recently signed an agreement with MultiPlan that we believe has significant potential for Assure. The MultiPlan agreement will provide network access to help plan members who access MultiPlan's national primary and complementary networks. More than one million healthcare providers participate in MultiPlan's network, and 60 million health plan members have access to the company's services. Assure believes the MultiPlan agreement will improve network utilization for the companies IONM claims and attract a substantially higher proportion of eligible claims to our contracted rates.

Another catalyst on the horizon that could significantly change our landscape for network agreements is the No Surprises Act federal legislation. This bill allows for the first time, companies like ours to arbitrate cases at a batch level where we are not being paid. To date, our only remedies for non-payment have been litigation or state regulators. Going forward, we believe the dispute resolution process will help us get paid on as many claims as possible, and also force many insurance companies to strike fair in-network agreements with companies like ourselves.

Before turning the call over to John Price, I want to reiterate that I believe this is the best position that Assure has been in. From a capitalization perspective. From a platform perspective. And from a business catalyst perspective. The opportunities ahead of us with Premier, remote neurology services, organic growth in new states and M&A will be keeping us very busy over the next six to twelve months and beyond.

Now, I'll turn the meeting over to Assure CFO John Price to go through the company's financials. John?

John Price - CFO

Thank you, John. Hello everyone and thank you for joining us today. I will start by calling out highlights from Assure's third quarter 2021 financial results. Assure experienced strong revenue and improved profitability in the quarter as illustrated on slide twelve. Managed case volumes increased as anticipated relating to the acquisition of Sentry, which we completed on April 30, transitioning cases from remote neurology contractors to Assure readers, and seasonality which typically improves over the course of the year as patients schedule surgical procedures to align with meeting their health insurance deductibles.

Our revenue accrual rate was stable overall. Digging a bit deeper, that stability reflects some revenue per case compression on the technical bill balanced with some improvement on the remote neurology professional rate. We continue to see improvement in collections as a greater proportion of our commercial insurance volume become set through contracted rates. We expect in-network rates with payors to add more stability in revenue.

From Q2 to Q3, our managed case volume increased 17%. On a year-over-year basis, our Q3 2021 managed cases increased by 86% from 2,685 during the third quarter of 2020. Adjusted EBITDA was a profit of approximately \$1.2 million dollars compared to a loss of \$0.7 million dollars in the second quarter of 2021.

The positive EBITDA result and transition to profitability we achieved in the third quarter reflected faster improvement driven primarily by delivering on remote neurology services. On a sequential basis, our operating expenses decreased to \$3.7 million dollars compared to \$4.5 million dollars. The company's second quarter operating expenses included several one-time costs such as legal expenses to support our Nasdaq application, start-up costs associated with our remote neurology business, IT investments to support data analytics initiatives, infrastructure costs to support anticipated growth and one-time stock-based compensation.

On slide thirteen we'll review balance sheet and cash flow. Our cash collections in the third quarter were impacted by an uncharacteristically slow July that we believe was an industry-wide issue. Since July, our monthly collections have returned to normalized levels. Looking forward, we anticipate collections to improve in the fourth quarter, and into 2022 driven by our investments in automation and the benefit of in-network contracting, and our remote neurology billing. We ended the quarter with \$0.9 million dollars in cash compared to \$4.4 million dollars at the end of 2020. However, our cash position is substantially different today. The company strengthened its balance sheet with the closing of an institutional investor-led private placement of approximately \$5 million dollars providing additional financial flexibility, liquidity and capital to execute our 2022 initiatives.

The company's accounts receivable increased to \$22.7 million dollars during the third quarter. This was primarily due to the 86% increase in year-over-year managed case volume, including additional volume from acquisitions, and several million dollars of

accounts receivables from our remote neurology business. Further, there was no meaningful adjustment to our provision for bad debt.

From a financial strength and liquidity perspective, I think it is useful to highlight our nearly 10-to-1 current ratio as of September 30, which has been further strengthened with the closing of approximately \$5 million dollars of additional financing.

Next, I want to highlight our financial goals of tightly managing expenses while continuing to improve cash collections. During Q3, we reduced our cost profile by reducing operating expenses 18% sequentially, which we anticipate will continue during the fourth quarter of 2021. Taking a step back, Assure's overall financial strength has greatly improved, and our current capitalization is the best we've ever had at Assure.

Before concluding, I want to note that John Farlinger and I have spoken with many of our investors in recent months. During these discussions, we have heard a desire to better streamline how Assure presents the business to help facilitate a better understanding of our volume, mix and business catalysts. We are working to realign how we present the business model to make it more digestible. We anticipate setting the business performance for fiscal 2021 and the outlook for 2022 in a more streamlined fashion during our fourth quarter call. And with that, I'll turn the call back over to our operator for Q&A.

Question-and-Answer Session

Operator

Thank you. We will now begin the question-and-answer session. Our first question comes from Jim Sidoti with Sidoti and Company. Please go ahead.

Jim Sidoti - Sidoti & Company

Good afternoon. Thanks for taking the question. I cover a couple of different companies that are involved in spine procedures and almost all the other ones have had to lower guidance in 2021 because of the recent surge in the Delta variant. So, to what extent is the Delta variant impacting you?

John Farlinger - Executive Chairman & CEO

Hey, Jim. Listen great question. We're still seeing the lingering effects of COVID. This morning we did a quick assessment. As you probably know, Colorado has went through another surge. We're seeing a slowdown in some cases in parts of Western Colorado. There's still a lingering impact in Texas and to a lesser degree in Louisiana. But for the most part, it's kind of just lingering noise rather than a complete slowing down of the business like we experienced in 2020. And we gave guidance earlier that we felt we would be at 17,000 procedures.

We would have been higher than that except for the impact of COVID. But we are expecting a record fourth quarter in procedures, and obviously, we're halfway through the quarter so we have some perspective on how we think it's going to end up. The other thing is surgeons are very creative. They went through this exercise in April, May and June of 2020 where their business models got shut down. They have been very adaptable and are moving in certain markets more and more business to ASC's, or ambulatory surgery centers, in advance of when hospitals are slowed down by COVID. And that's really been the difference in not forcing us to be at the mercy of what could have been probably having a larger impact on our business in Q3 and Q4.

Jim Sidoti - Sidoti & Company

As you look into the fourth quarter, typically the fourth quarter is the highest quarter in terms of procedure volumes. What does that mean for you though? In terms of revenue mix, do you think you'll have more of a commercial business in the fourth quarter or more of the government insured business and what is the impact on margins?

John Farlinger - Executive Chairman & CEO

Great question. We're going through our planning exercise right now for 2022. I will let our CFO John Price respond to you with the assessment of mix and the seasonality impact on our business.

John Price - CFO

And Jim, based on some of our prior discussions we've had with you, one, we really see the mix change over the course of the year. The first part of the year, it's really focused more from a government perspective. And as we get further into Q3, we've seen this in September, the mix really starts to accelerate and change, basically moving to the high 50s as we wrap up the year from a commercial payer perspective, with the residual piece being government oriented. And the other part, we also start to see that hockey stick in just pure case volume as well in Q4.

So, Jim, just to summarize, we kind of go through and reset every year. In Q1 it shifts with a higher propensity of government cases, probably in the high fifties and lower margins. And then we kind of sequentially progress higher volume, higher margins as it shifts to Q4 where it's the complete opposite and you're almost at sixty in terms of commercial dominance because of the race to get procedures completed by Q4. And we've seen that pretty much every year the last couple of years.

Jim Sidoti - Sidoti & Company

And when you look at the business today, what do you think the primary growth drivers are because you can expand geographically, you can add more technicians, you can add more neurologists. These M&A opportunities, which one gets the highest priority, which initiatives?

John Farlinger - Executive Chairman & CEO

Well, short term, we're very focused on really two or three of the initiatives. Number one is ramping up our remote neurology services. And we're demonstrating what we're doing in Q3. That will have a significant impact on both our existing business, new states and M&A opportunities, and it will drive more margin. The focus there is really to deliver higher quality of service with a lower cost of delivery hence making all parts of our business more valuable. And we've been pretty transparent with our plans to have four full time and onboarded by the end of this fiscal year. There are hires we are ramping. And then as we go into next year, we'll continue that progression in cadence of moving more business onto to our platform.

Secondly, we've got to be able to ramp up on the corporate development side to support the Premier opportunity. It's a significant milestone for us and we don't want to misstep here. So, we are ramping, we're planning now as that is all happening in real time.

The third thing is really just execution. Opening up probably at least one more state before the end of the year and then just delivering on the business we've got in front of us. To your point on M&A, we'll turn our attention to M&A probably in Q1. We're looking, we're always active, we're always looking for opportunities. There are buying opportunities out there. But right now, for the balance of the year, it's simply execution of remote neurology, delivering on the Premier contract, ramping up our corporate development function and opening up at least one more state.

Jim Sidoti - Sidoti & Company

And when you do turn to M&A, do you think there'll be more deals like Sentry out there or is there possibly another type of target that you'd be looking at?

John Farlinger - Executive Chairman & CEO

Great question. We're active now. Our plan is to always be active. And we believe there will be buying opportunities. There are buying opportunities now, it's just with a small team we're taxed delivering on the business in front of us. But going into Q1, we're in position. We can offer people that Nasdaq currency. And by the way, that currency was critical to getting the Sentry deal done. Offering stock back to the founders where they maybe didn't get the price they wanted upfront, but they probably will get it over the medium-term with the appreciation of the value of our currency. I think going into Q1 as you look at our trajectory next year, we laid out kind of a cadence of getting the 25,000 managed procedures. We'd like to add to that as we did this year with additional M&A, but like this past year, we want to be patient and look for buying opportunities.

Jim Sidoti - Sidoti & Company

Now this morning, you announced you raised some money from a private placement. Why now?

John Farlinger - Executive Chairman & CEO

Well, we needed capital to expand our remote neurology services. The Premier opportunity needs bodies. We need a corporate dev team, we want to be able to get access to data, there are host of things that we need to integrate with Premier. And then we're hiring more neurologists. We've announced Nevada. We need to hire more people there and we're hoping to enter one more state this year.

And I think we just wanted to make sure that we were capitalized to take advantage of the growth opportunities in front of us right now. And we were conscious of dilution, the price of our stock, and we didn't want to raise a lot of money. We wanted to raise just enough money, deliver and execute on the business in front of us.

Jim Sidoti - Sidoti & Company

Right. A couple more. You mentioned the No Surprises Act in your script. What do you think the impact of that will be on your business and your ability to sign more in-network agreements?

John Farlinger - Executive Chairman & CEO

It's going to be a significant catalyst for driving behavior. I know Paul Webster is listening on the call. Paul is working pretty extensively on positioning us to arbitrate cases starting in the first quarter of 2022. Why this is important for companies? If we're not paid by a major insurer, the only option that has been available to us is to litigate or go to the state regulators. Neither of those usually work out.

In the new order, with the No Surprise Act, in states where there was no legislation, we can now file and batch claims in arbitration. We just went through our first exercise of arbitration. We were able to successfully arbitrate against the insurance company, so we believe we can. That then forces the discussion around network contracting, right? And we believe ultimately this will be a catalyst for driving more of our business into in-network rates. Right now, we kind of held off wanting to go in-network and taking rates that were probably lower than we felt we had to take in the short-term because we're kind of doubling down on our ability to get successful results in Q1, and then push for in-network rates as we start to win some of these arbitration cases. And the arbitration numbers are predicated based upon a formula, which is typically an average of collections by payors on a state level and federally.

Jim Sidoti - Sidoti & Company

All right. And then last one from me on the balance sheet. You're accounts receivable was up I think about four million in the quarter. Was this based on a rapid increase in procedures or is there anything else driving it and are you confident you'll be able to collect that revenue?

John Farlinger - Executive Chairman & CEO

John, do you want to answer that? You went through a fairly detailed analysis of all the A/R.

John Price - CFO

Yes. We talked about this a bit on the script as well. One, it's really driven by the increase in volume and the balance was really in line with our expectations. When you take a look at the volume on a year-over-year basis, we've grown volume 86%, So we were expecting some growth in accounts receivable. The other aspect of this just on a quarter-to-quarter sequential basis, a good portion of accounts receivable, I'd say in excess of \$2 million dollars, is really related to our remote neurology services. And some of the additional volume that we had this quarter in comparison in Q2.

And the last thing, Jim, to note is that again, we've done a deep dive in our allowance with doubtful accounts during the quarter. We had no additional meaningful write-offs which is critical for us. Really, I think it's showing the benefit of us being in-network.

Jim Sidoti - Sidoti & Company

And do you expect accounts receivable will pickup again in the fourth quarter and then maybe start to go down in Q1?

John Farlinger - Executive Chairman & CEO

Yes. I would expect Q4 to be up again. Again, we're expecting volumes to increase quite significantly in Q4. We are also going to continue to move more volume onto our remote neurology platform and that obviously is going to continue to drive higher billing because it's at a higher rate on the professional bill.

John Price - CFO

Then we'll see kind of a drop in the A/R numbers going into Q1 and Q2. As volumes taper off, the other thing is we are speeding up the rate at which cash is collected on the file, so we're being paid. It's just we've had big lift in volume. You have to expect an increase in the size of the A/R.

Jim Sidoti - Sidoti & Company

And do you think with the money you raised through the private placement, you'll be able to fund this rapid rise in procedure growth and are there any steps you can do now to manage cash, so you don't have to go back right away and raise more?

John Farlinger - Executive Chairman & CEO

We've been pretty focused on running leaner. And during Q3 we reduced our workforce by over 8%. We're moving from an IONM focused business into a remote neurology business, so you're going to see a migration of spending from the traditional core business towards remote neurology. And our focus has really been, we've been saying every quarter, it's all about automation. It's all about data. It's with analytics. Our planning now is around being at 75,000 procedures and building a platform that allows us to scale without a linear increase in staff. And right now, the biggest need for spending is really around technologists to deliver more intraoperative neuromonitoring business some additional neurologists we expect to hire in 2022 and some additional staff to support growth. With this infusion of capital, and we were into positive in the quarter. The spending right now will be investment around getting to a higher level of volume, which has been our goal all the way around in 2021. Do you have any other questions?

Jim Sidoti - Sidoti & Company

I think that's it for me. Thank you.

Operator

Our next question comes from Bill Sutherland with the Benchmark Company. Please go ahead.

Bill Sutherland - Benchmark Company

Thank you. Congrats on all the progress. I wanted to talk a little bit about the Premier relationship. Are the member health systems that you're going to be going to currently using another third party for their neuromonitoring?

John Farlinger - Executive Chairman & CEO

Yes, a number of them are. That third party, their contract ended on October 31, so Bill we're really going through a process now where we're gathering data, starting discussions with some hospitals who already reached out. And then we're getting contractual data on the pricing that competitor had been using. Now we're going to start our outreach program with various hospitals.

Bill Sutherland - Benchmark Company

I didn't realize this was a previous sole contract for IONM prior to you. So, to what degree did they have that entire universe of members? Premier members?

John Farlinger - Executive Chairman & CEO

We don't have data yet on the penetration numbers they have, but they had the exclusive relationship, we believe, over a three-year period.

Bill Sutherland - Benchmark Company

Is it your guess that the rest of it would be more or less greenfield? Or is it I mean, is it safe to assume that even if they didn't use that vendor, they have got some relationship in place?

John Farlinger - Executive Chairman & CEO

Yes, I think that is safe to assume.

Bill Sutherland - Benchmark Company

Yes. So, you're going to bring remote neurology to these deals as well aren't you?

John Farlinger - Executive Chairman & CEO

We'll be augmenting the intraoperative neuromonitoring expansion with remote neurology. Going back to the slide in the presentation, it's now supporting all of our intraoperative neuromonitoring growth and we have plans to expand that vertical in 2022.

Bill Sutherland - Benchmark Company

Is the limitation neurologists or just the pace of being able to get through the contracting process?

John Farlinger - Executive Chairman & CEO

As it relates to Premier, the limitation right now is just we are building a corp dev team to support this opportunity, which we believe is significant. We know the prior competitor had meaningful success in delivering on the contract with Premier. It is divided into five territories. We're now ramping up and trying to gather data. We're into our first month in the deal starting on November 1, still low on the learnings curve but we're moving quickly, part of the funding that we brought in is really to help ramp that up.

Bill Sutherland - Benchmark Company

Because you're going to need to geographically expand?

John Farlinger - Executive Chairman & CEO

We are. They have capabilities across the entire United States. Now obviously we are in twelve states now, there'll be some overlap. And we've already started outreach in states where we are currently operating. But again, we needed capital to really start to aggressively go after this business.

Bill Sutherland - Benchmark Company

And is your push with remote neurology changing your M&A focus in terms of what you want to emphasize?

John Farlinger - Executive Chairman & CEO

Good question. I think as it relates to core intraoperative neuromonitoring - does it change our valuation? Well, it potentially makes certain IONM acquisitions more valuable to us. And hopefully it doesn't change the pricing decision on our part.

But well, for example, the Sentry transaction, if we were providing remote neurology at that point in time we acquired Sentry, it would have affected our valuation of the business, no doubt. So, it's only made that acquisition more valuable in hindsight because they were using third parties and paying a premium. Now by bringing it in-house, using our own proprietary model where we are able to preserve and keep margin, it just makes that book of business more valuable to us.

Bill Sutherland - Benchmark Company

Sure. Makes sense. And you'd be looking I suppose at M&A as a way to speed up the pace of getting into adjacent markets like neurology?

John Farlinger - Executive Chairman & CEO

Yes, Yeah, didn't I don't really want to go down on that path yet. I think from our standpoint, in the medium term, we're focused on ramping up and we have a couple of tactical directions we're taking, both focused on improving quality of service and lowering cost of delivery. And frankly, as we bring it in-house, we're looking at a 35% to 40% reduction out of the gate by using our own delivery team and through negotiating contracts with existing vendors.

So again, we expect margins to improve as we scale that business and as we continue to drive our IONM business, because intraoperative neuromonitoring is driving the remote neurology platform and generating more margin.

Bill Sutherland - Benchmark Company

Right. And then last, I did also as the prior analyst noticed your very impressive ability to drive your managed procedure target, given the surge. I was thinking what portion of cases are in ASC's or surgical facilities?

John Farlinger - Executive Chairman & CEO

It varies a little bit based upon the level of COVID. Ballpark probably 30% of procedures are in ASC's right now. However, last year it shifted as the hospitals were faced with issues, with surgeons migrating more business to ASC's.

Bill Sutherland - Benchmark Company

Obviously, that's a pretty good portion of your business in the ASC, so that helps. Okay. Exciting times. Thanks, guys. Appreciate it.

John Farlinger - Executive Chairman & CEO

Thanks, Bill.

John Price - CFO

Thanks, Bill.

Operator

Our next question comes from David Schechter with Perspective Capital Management. Please go ahead.

David Schechter - Perspective Capital Management

Hi, John. Hi, Scott. And John again, congratulations on all the great stuff that's going on there. As you look out a year from now, and assuming things go as you hope they will, breaking IONM cases away from neurology cases, what kind of profit per case and again, I understand there's different states and there's different types of surgeries. Is there any way for an outsider to model? What kind of profit on a per case basis do you think you should have perhaps a year from now or two years from now, whatever you think is the right time timeframe?

John Farlinger - Executive Chairman & CEO

John, you want to respond that?

John Price - CFO

Yes, David, it's been really a primary focus since I joined the company and as we discussed on script there, we've met with a number of investors and we're trying to streamline the way that we're presenting the business. I would say for Q4 and taking a look out, for 2022. We'll be in a better position to give you a bit of an outlook. Historically, we really haven't discussed our margins or rates on a per case basis. And as we kind of roll out this new model in the way we're presenting the business I'm hoping to give a little more transparency to help you with your own independent models.

David Schechter - Perspective Capital Management

Thanks, John. Yeah, it would be very helpful because you do forecast a total case number next year, albeit without Premier or acquisitions, to 25,000 cases, but that's hard

to translate into some kind of sequential profit number or even a revenue number without at least some guidance towards the modeling?

John Price - CFO

Yeah. David, I completely understand, and it's like I said, I'm anticipating that we'll have disclosure on those various elements, it's going to allow you to ahead and kind of put you monthly...

John Farlinger - Executive Chairman & CEO

On the Q4 earnings call.

John Price - CFO

Yeah, for year end.

David Schechter - Perspective Capital Management

All right. So, thank you very much for all.

John Farlinger - Executive Chairman & CEO

Yeah. David just give us time until the next quarter. It's kind of a moving target. You can probably take our existing numbers extrapolate that over 25,000 procedures. But frankly, the upside is significant in the remote neurology side and getting additional margin off of that business going forward, even an extra \$200 to \$250 dollars per procedure has a significant impact on profitability next year. Separately, we're going to do an assessment probably as early as January, February around other M&A targets. And again, it's not in that 25,000. But I believe it will have an impact on growth next year as it did this year. We think there are going to be buying opportunities again, and we want to be selective. We want to be active next year.

David Schechter - Perspective Capital Management

Look forward to that. One last quick question in the financing that just closed in the press release you mentioned that management and the Board would be buying up to another seven hundred thousand dollars of the securities. When would you expect that deal, maybe even considered a kind of a green shoe for the management and board. When do you expect that to close?

John Farlinger - Executive Chairman & CEO

Over the next couple of days. Management and the board wanted the market to be able to react to the funding and the earnings before pricing per our corporate guidelines around insiders and allow the market to react, see the results and then we would participate after that in the public domain.

David Schechter - Perspective Capital Management

I appreciate that. Thank you very much.

John Price - CFO

Thanks, David.

Operator

Our next question comes from ThinkEquity. Please go ahead.

Nate Nahirny - ThinkEquity

Yes. Thank you for taking my question. Congratulations on the quarter, guys. Can you maybe expand upon the MultiPlan agreement and how that impacts the acceleration of your in-network revenue stream?

John Farlinger - Executive Chairman & CEO

Yeah, happy to. Paul are you, are you on the line right now. Paul Webster?

Paul Webster – VP, Managed Care

Yes. Can you hear me?

John Farlinger - Executive Chairman & CEO

Yeah, I want you to just walk Nate through the opportunity that's developed through MultiPlan, and the effect it is having on our business.

Paul Webster – VP, Managed Care

Sure. So, Nate we had an agreement with MultiPlan previously, which was a different kind of structured plan. It was a discount arrangement. This is a true PPO network agreement and we've included all of our provider entities across all of our states in this new agreement. A couple of things, we focused on pricing this agreement so that it would be more attractive to payors and participation. The initial structure was based on a percent of built charges. This one is various multiples of the Medicare fee schedule. And so, with that pricing arrangement, it was MultiPlans belief and it is our belief that there will be a higher participation in processing claims through those discount ranges, thereby increasing in-network participation.

John Farlinger - Executive Chairman & CEO

And we're seeing, Paul, could you share that we're seeing a material impact of the plan already?

Paul Webster – VP, Managed Care

Right. And, to provide some context for the effectiveness of this contract so far. The effective date of the agreement was August 15th for dates of service. So, obviously, there's some timing where the claim has to go through adjudication and payment so forth. So, we start seeing the impact of the agreement in late September, early October. Now that we're into mid-November we can see a fairly material impact. I would hesitate to give you any numbers at this point only because it's early in the process and the communication of MultiPlan out to their partners and clients is still underway. And so, what we've seen so far is encouraging, but it's by no means where we expect it will be. We think it will improve over time.

Nate Nahirny - ThinkEquity

Got it.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to John Farlinger for any closing remarks.

John Farlinger - Executive Chairman & CEO

Thank you. We'd like to thank everyone for listening to today's call. Before concluding I'd like to have a few last comments. I want to summarize what we believe our Assure's greatest opportunities and the areas of focus in the near term. Again, just to reiterate, number one, expanding our remote neurology services platform, two taking a full advantage of our position as the sole contracted provider of IONM for the Premier network. Three, organic growth extending our reach within existing states and into new states. Four, opportunistic M&A that leverages our public company Nasdaq currency, an advantage none of our intraoperative neuromonitoring focused competitors can duplicate.

We'll continue to focus on using data, analytics and automation to strengthen revenue cycle management and to facilitate signing of new in-network agreements. With that, revenue cycle management and managed care contracting with in-network providers will continue to be a focus for us going into early 2022. With that I'm going to conclude, we thank all of you for your participation today. We look forward to speaking to you again on our fourth quarter earnings call. Thank you.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.