Viemed Healthcare, Inc.

Third Quarter 2022 Earnings

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Presenters

Todd Zehnder - Chief Operating Officer

Casey Hoyt - Chief Executive Officer

Q&A Participants

Brooks O'Neil - Lake Street Capital Markets

Doug Cooper - Beacon Securities

Prasath Pandurangan - Bloomberg

Nick Corcoran - Acumen Capital

Operator

Greetings. Welcome to the Viemed Third Quarter 2022 Earnings Conference Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press “*” and “0” on your telephone keypad.

Please note this conference is being recorded.

And I'll now turn the conference over to host Todd Zehnder. You may begin.

Todd Zehnder

Thank you. Good morning, everyone. Please note that our remarks in this conference call may include forward-looking statements under the U.S. federal securities laws or forward-looking information under applicable Canadian securities legislation, which we collectively refer to as forward-looking statements.

Such statements reflect the company's current views and intentions with respect to future results or events and are subject to certain risks and uncertainties, which could cause actual results or events to vary from those indicated in the forward-looking statements.

Examples of such risks and uncertainties are discussed in our disclosure documents filed with the SEC or the securities regulatory authorities in certain provinces of Canada. Because of these risks and uncertainties, investors should not place undue reliance on forward-looking statements.

The forward-looking statements made in this conference call are made as of today, and the company undertakes no obligation to update or revise any forward-looking statements as required by law. The third quarter financial results news release, including the related financial statements, are available on the SEC's website.

I'll now turn it over to Casey to get things started.

Casey Hoyt
Okay. Thank you, Todd. Good morning, everyone, and thank you for joining our third quarter earnings call. Today, I'll be providing commentary on our positive operational results for the third quarter, as well as our current view and outlook of the industry.

I'd like to begin, as always, by acknowledging and thanking our dedicated team of respiratory therapists, behavioral health specialists, staffing professionals and administrative support staff who worked, tirelessly, to deliver the best-in-class care to our patients.

We are privileged to have these employees within the communities that we serve, as they pride themselves with their service mentality.

As of September, our Viemed family grew to 722 employees. Underlying these numbers is a substantial increase in sales hiring, offset by natural turnover in administrative functions. Our rate of hiring for sales position is at an all-time high, thanks to the support of our BHS staffing division.

Through September, we have hired 52 sales reps and converted four existing employees to sales reps. We're also seeing positive retention trends with our existing sales force, contributing to an overall 34% net growth in sales force, compared to the beginning of the year.

In the third quarter, we added eight new geographic areas, bringing our net new areas for the year up to 23, which puts us in a position to surprise our goal of adding on 25 new areas, by the end of the year.

Based on the historic productivity curve of new hires in our sales force, we are optimistic about the robust organic growth potential coming through the pipeline over the next six to 12 months, strengthening our 2023 growth optimism.

In addition to investing in growth and with the help of our maturing digital process improvement investments, we were able to reverse margin compression associated with the increased labor and inflation costs.

Our competitive advantage and organizational value comes from our ability to leverage the best available technology, combined with the best people. Technology, like our proprietary digital health platform, Engage, has enabled us to monitor our patients in greater volumes, reduce overhead and continue to treat patients in a way so that they can be met efficiently and effectively.

With over half of our VIP patients now on the Engage Connected Health platform, we are able to leverage data and the division of labor that comes with our scale. E-prescribing and e-ordering platforms that we offer are also being rapidly adopted by providers, patients and payers, further contributing to our efficiencies.

These platforms reduce on paperwork and time, creating a more timely and frictionless patient and provider experience.

We've also recently completed a refresh of our website with an emphasis on the digital patient experience. A new digital ordering page and educational resource center, complete with patient tutorial videos, is now available on the web.

In addition to the innovative business approach through the use of technology, we are also innovating our approach to clinical services. Through our Behavioral Health division, Viemed Clinical Services, we were able to provide targeted clinical responses to patients requiring specialized mental and environmental care for our referral sources.

The combination of our Engage technology, coupled with human touch, supported by behavioral health, is generating improved compliance, which is leading to improved levels of care driving patient longevity.

Our high-touch, high-tech approach also continues to open doors and make Viemed an attractive partner to large institutional providers, like the VA and regional hospital networks.

We are in various stages of partnership development with a number of large health care institutions, including a recent engagement with the VA, during the third quarter.

We have been awarded a solicitation contract to place our people in the homes of veterans in need of pulmonary disease management, social services and behavioral health. The VA has asked us to track the patient results using our Engage platform and shared the results on clinical outcomes and patient satisfaction.

I'm very excited about this opportunity to work with the VA on this project, which has the potential to, dramatically, improve the lives of veterans living with COPD on a widespread national level.

Value-based and at-risk administrators are seeking specialty care solutions and Viemed's Health tech offerings are solving the problems that major networks are facing, within large COPD populations.

During the third quarter, a study authored by our Chief Medical Officer was published in respiratory medicine, a peer-reviewed medical journal. The study is being regarded as groundbreaking in the industry for the first of its kind findings related to the overall health care cost savings.

Using the largest data set to date, this study also reaffirmed that the sooner CRF patients initiated noninvasive ventilation treatment, the greater the mortality and hospital readmission improvements. In addition to the academic presentations of findings by Dr. Frazier, our sales reps have been actively discussing the study with our referral network of prescribing physicians.

Concurrently, our payer development team has been, vigorously, engaged with commercial payers amongst our network to ensure that the right patients are getting the right care in a timely, effective and cost-efficient manner.

Despite signs that the overall economy may weaken in upcoming periods, our operating environment is actually stabilizing and showing signs of significant improvement. As a respiratory focused health care company, we faced unique and significant challenges, during and after the pandemic.

Labor and supply chain constraints led to increased costs and shortages, across the industry. Today, labor markets are stabilizing, and a number of new manufacturers have entered the supply chain and are delivering equipment at lower cost than ever before.

The OIG review is closer to complete resolution with nearly all of the original findings overturned. Our access to physicians and referral sources are now restored with clinics seeking innovative ways to free up beds by sending patients home with our equipment and services.

Reimbursement rates for Medicare and most commercial plans are expected to rise during 2023, as a result of established inflation adjustments.

When considering the positive trends in patient growth, reimbursement rate increases and supply chain improvement, we are very excited about the future potential for our organizational growth and the creation of shareholder value in the year ahead.

During the quarter, we spent a significant amount of time working through our processes to onboard potential acquired companies with our executive leaders and departments. Our new M&A team is extremely active and supportive of our disciplined approach with our current pipeline of targets.

With that said, we are excited and expect to supplement our growth with acquisitions in the coming quarters. We also continue to execute on our share repurchase program, while at attractive valuation levels.

Our organic growth in non-vent product and service lines continues to add opportunity and diversification to our business. Our sleep business is setting records for new patient setups, which has pushed, first, our more profitable resupply revenue stream into greater numbers.

Our oxygen business is also growing at a rapid pace, which allows us to fully support the patient's care journey, across all stages of their progressive respiratory disease.

In addition to supporting Viemed's internal staffing needs, our staffing division is exceeding revenue and profitability expectations for the external staffing services it provides to hospital and government agencies.

Although we are growing ventilator patient count at the highest rate since before the pandemic, our non-ventilator revenue growth continues to perform better than expected. The result is that we are, successfully, adding diversity to our portfolio mix ending the quarter with 33% of our revenue derived from non-vent resources.

In addition to the strong revenue growth of our existing service lines, we are continuously developing new services and programs to address the needs of an evolving health care market and the growth of Viemed.

With more on our operations, financials, the buyback and the regulatory landscape, I'll now turn the call over to our Chief Operating Officer, Todd Zehnder.

Todd Zehnder
All right. Thank you, Casey. In reviewing the financial results, all figures are in U.S. dollars and the full results have been made available on the SEC website, as well as SEDAR.

Our core business generated net revenue of $35.8 million during the quarter, third quarter, as compared to net revenues of $27.8 million in the third quarter of 2021, which equates to a 29% increase.

Our sequential growth for the core business was 8%. As indicated last quarter, we are now back to seeing growth across all of our major product lines and have very little restrictions to our access, around the country.

Our gross and EBITDA margin percentages are, once again, very healthy and are now back to being just from our core business lines.

As indicated last quarter, we anticipated our margins to begin to turn around towards the end of the year or next year, and we're pleased that we were able to show a slight increase in EBITDA margin, sequentially.

We continue to see our margin profile be influenced by our product mix and continue to be pleased by the notional growth.

Our gross and EBITDA margins during the quarter came in at 61% and 20%, respectively. Our third quarter growth in EBITDA amounts came in at $21.7 million and $7 million, respectively.

Our third quarter revenue from Vents was approximately 67% of our core, as compared to 78% in the third quarter of 2021.

We saw our active patients grow across all product lines and now have four products that we are comfortable saying are rolled out across a significant portion of the country. We should continue to see economies of scale, as we continue to grow these lines.

Our SG&A for the quarter totaled approximately $17.7 million, as compared to $13.3 million in the third quarter of 2021 and is flat with the prior quarter.

As indicated last quarter, we have ramped up hiring to serve our growing patient count around the country and expand our organic growth model in new areas.

We did front-load many of our significant hiring initiatives, as evidenced by a flat G&A quarter, but we continue to pursue talent to help with our ongoing growth initiatives.

Following on our last quarter comments, we have managed the inflationary effects that we are seeing in our business but doing so in the spirit of not sacrificing patient growth or bottom-line growth.

For the quarter, we invested approximately $6.3 million on capital expenditures. The CapEx continues to be spent across all of our major product lines, as we have continued to grow all products and manage this, through a diversified supplier network.

As we have managed through the Philips recall, we are happy that we have maintained adequate supplies to service our growing patient base. We will continue to diligently monitor supply chain issues in the future, in order to maintain adequate inventory levels.

We once again funded all of our CapEx with discretionary cash flow, during a quarter where organic patient growth is as high as we have seen in a couple of years.

We continue to have a pristine balance sheet, where at September 30, we had a cash balance of $21.5 million and an overall working capital of $22.3 million.

Our total long-term debt stands at $4.2 million.

We have continued to, opportunistically, capitalize on our previously announced stock buyback. During the third quarter, we bought back 323,053 shares for total expenditures of approximately $1.9 million. As of September 30, we had purchased approximately 1.67 million shares out of the total available approximately 2 million shares, under the plan.

We are pleased that we've been able to execute on our organic growth strategy, as well as our stock buyback, all while remaining an extremely low leverage company. Historically, organic growth in the buyback took precedent from a capital allocation standpoint.

Now that our M&A team is building out a pipeline of opportunities, we are confident that we have a third leg of the stool to add shareholder value. We believe there will be ample opportunities to capture inorganic growth in the coming years.

Moving on to the ongoing OIG and CMS issue related to our NIB claims, we are down to eight patients that have been deemed ineligible for several factors. And the company is having a hearing at the ALJ, this week.

We are hopeful that this will be the last phase of the appeal ,and we anticipate having a successful outcome during this process. The company paid the $1.1 million that is still being debated, and it was recorded as a prepaid asset. We are hopeful to have the outcome of the ALJ hearing, before year-end.

Moving on to the fourth quarter, we have provided net revenue guidance in the $37.1 million to $38.1 million range, related to our core business. Our core revenue has guided up 30% to 31%, over the fourth quarter of 2021.

At this time, I'd like to turn the call back to Casey to wrap it up.

Casey Hoyt

Thank you, Todd. I'm extremely proud of how our team executed in the third quarter. We have successfully reversed an EBITDA margin compression trend, through the efforts of creating operational efficiencies, through our investment into good people and good technology. We are also well positioned in this current and forward-looking economic environment.

While most are experiencing a labor shortage, our investment into staffing has allowed us to not only elude this challenge but flip it into an opportunity that is generating growth for our company.

The ability to provide staffing solutions to our referral sources is putting us into a wonderful position to execute on strategic hospital partnerships that go into the home.

We continue to thrive in this fee-for-service world, but this has not changed our relentless pursuit nor our view of value-based arrangements being the future of reimbursement for our industry.

Trends in the current regulatory landscape continue to reaffirm the value of home-based health care. The organic business model is back to growing at impressive rates, and we have the team and structure in place to expand the model further with an underserved population of patients in need.

While we have not yet completed an acquisition, we see M&A as a major prong of our future growth model, going forward. We recognize there are challenges in the country but remain excited about the near term and long term of our business.

History has shown where others perceive headwinds, Viemed sees tailwinds. We love to be opportunistic during challenging times, and this often leads us to being on the forefront of technology and clinical solutions for our payers, referral sources and ultimately, our patients.

We want to thank all of our investors for their continued trust in our company and look forward to driving further shareholder value.

This concludes our prepared remarks. I want to thank everyone for taking time to join our call, today. We look forward to answering further questions.

Operator
And at this time, we will be conducting a question-and-answer session. If you would like to ask a question, please press “*”, “1” on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press “*”, “2” if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys.

One moment, please, while we pull for questions.

Our first question comes from the line of Brooks O'Neil with Lake Street Capital Markets. Please proceed with your question.

Brooks O'Neil
Thank you. Good morning, guys. Terrific quarter and frankly, a terrific review of all the many things you have going on. So, I appreciate that very much.

Casey Hoyt
Thank, Brooks.

Brooks O'Neil
I have a couple of questions. So first, I heard you mention reimbursement, and I think the primary change relates to an inflation adjustment, but have there been any underlying sort of changes in the fundamental reimbursement structure in the areas you guys are focused on?

Casey Hoyt
No. We have not heard of anything. So right now, our--we are anticipating just whatever comes out through inflationary, mainly driven by the CPI.

Brooks O'Neil
Okay. Great. So you talked about the acquisition opportunity, which I personally believe is huge. I'm just curious if you think the most likely scenario is to kind of be opportunistic about trying to expand your core business operations, or is it more likely you might view an acquisition in a technology area or something like that?

Casey Hoyt
More likely to expand our core business. We are looking at other ways to expand our technology business, as well. But I would say, Brooks, a way to answer that question might be that 80% of the pipeline is really related to growing the core business and the other 20% might be more strategic with technology.

Brooks O'Neil
Okay. That's helpful. Appreciate that, Casey. So, one area I'm curious about, I actually spent quite a bit of my time on an area that I call remote patient monitoring, and I know you guys are involved in this area. But my sense is that there's a growing number of reimbursement codes that can, that doctors can utilize to be paid to monitor patients, remotely.

But candidly, my sense is there isn't a doctor in America that has that capability inherently in his practice—his or her. And so, I sense that there's a growing opportunity for technology and service providers to support doctors and help them to collect that reimbursement.

Is that something, A, you see in the areas you focus on and/or B, is it an area that has any appeal for you guys in respiratory care.

Casey Hoyt
Yeah, that's how we started, Brooks, with the rollout of our RPM devices is going straight to the doctors and presenting it in a way where they could make some additional revenue streams and keep a better clinical watch on their patients from afar.

However, I'm seeing the trend more leading for RPM going towards directly to the payer and to the hospital systems who are now faced, as it relates to the hospital systems, they're faced with a labor shortage and they're trying to fill up their beds, but they don't have the clinicians to really support that.

They're looking for ways of treating more patients in the home, and that's got them keeping their eye on the ball on remote devices that might be helpful in that hospital to home type of program.

So bigger fish, that's the bigger fish or the bigger win, if you will, is with those payer groups and those hospital systems that want to embrace it. Yes, the position who wants to make a little bit more money is certainly going to do so, but it won't drive the volumes that the hospital systems and payers can bring.

Brooks O'Neil
Okay. That makes total sense to me. I appreciate that commentary, Casey. So, the last thing, obviously, you've been very successful with the stock buyback. It sounded to me like you're kind of getting towards the tail end of your current authorization. I'm curious if you've had any conversations with the Board given any thought to expanding the authorization or renewing it, once you get to the 2 million shares.

Casey Hoyt
Yeah, we haven't had any preliminary discussions on that, Brooks. We're going to--we're going to be patient and finish this one off in due time. And now that we have the M&A team, we're also mindful that keeping some dry powder ready to go deploy in some sort of acquisition is another good use of the capital. So, until we get there, we haven't made any decisions, though.

Brooks O'Neil
Totally get it. Thanks a lot. Great quarter. Great job, you guys. Thank you very much for taking my question.

Casey Hoyt
Thanks, Brooks.

Operator
Our next question comes from the line of Doug Cooper with Beacon Securities. Please proceed with your question.

Doug Cooper
Hi, good morning, guys. Casey, did I--I just wanted to confirm that I heard you you've hired 52 sales reps, year-to-date. Is that what you said?

Casey Hoyt
Yes, that's correct.

Doug Cooper
Okay. So how many in terms does that bring you to total?

Casey Hoyt
And we upgraded another four. Sorry, we upgraded another four, so that’s roughly, 56 new sales reps. But go ahead with your question.

Doug Cooper
And how many do you have in in total, then?

Casey Hoyt
Ninety, almost 100; just shy of 100.

Doug Cooper
Okay. And how long does it take an average sales guy to ramp up to full productivity?

Casey Hoyt
It varies, but we usually give them six months, and that's something that is all over the map. Very hard to put your finger on. We’ve got folks that start really fast and then some that take the full six months to ramp up, but end up being in our top 10% of sales reps.

So, we pay very close attention to that, and we give folks a lot of training and support and rope to give them the opportunity to be successful. Yes, it's a hard question to answer.

Doug Cooper
Okay. I guess I'm just trying to get at to when everybody's full productivity, what do you--what does that mean for a sales guy in terms of an annualized target for revenue, per sales person?

Casey Hoyt
We don't really track that.

Doug Cooper
You had 100 sales guys today and you started the year at about, or end of the last year around 44, I guess, right?

Casey Hoyt
No, we've had turnover on, included in those numbers, Doug

Doug Cooper
Okay. Okay. I guess I'm just trying to get at when these guys--that's a bunch of new sales guys and they ramp up, like how incremental should the revenue increase?

Casey Hoyt

And so, I'd rather you pay more attention to the net new areas, which is what I commented on this quarter. The first quarters were up, just wanted to give you all some color on how many reps it took to get to the 23 net new areas. And that's really 23 incremental businesses that we've added on this year, business areas that we've added on. Does that make sense?

Doug Cooper

Yeah, and what--

Casey Hoyt

--We set a goal at the beginning of the year to get to 25, and we're sitting at 23 at the end of the third quarter. So, we're going to be ahead of that goal, that year-end goal.

Doug Cooper

Okay. So that 23 would represent a year-over-year increase of what, for example?

Casey Hoyt

Of another area where we set up a sales rep that's, oftentimes, supported by another type of assisted sales rep that could have maybe two or three respiratory therapists underneath them. So, there's a lot going on there, but it's the best way to think about how is Viemed expanding.

We've gone 60 miles down the road and we have set up a new area. So, rather than buying a business, we have incrementally added on to our organic engine, by setting up that new area. Does that make sense?

Doug Cooper

Yeah, I get that. I'm just wondering like as a percentage of increase, the 23 net new areas represent the 20% year-over-year growth in areas or--

Casey Hoyt

--It's a 34% growth.

Doug Cooper

Thirty four percent. Okay. And on your wish list, when I look forward 12 months from now, how many net new areas would you want to add this time,, next year? Or how many are capable of adding given the resources you have, and I'm assuming the M&A will also augment that growth in the new areas in testing?

Casey Hoyt

We haven't set that number yet. But I mean, you can figure, as we always like to be growing around that 30% number or setting our goals in that area, if you will, when we're working with our team for the organic piece of the business. So, just figure it another 30-something percent jump.

Doug Cooper
Okay. Todd, just on the, can you just remind us on the phantom shares, the impact on G&A this quarter was 450 grand. That's real dollars; just remind me of how that works and it's reflective of the increase in the stock price?

Todd Zehnder
Yeah, so that's a--it is a real expense, but it's settled in cash, once a year, Doug. So, that's just a mark-to-market of those plans, which, as we've signaled to the market is definitely going down, over time. because it is settled in cash, whereas the restricted units that we use that go through the stock-based compensation are settled in stock, you actually have a mark to market incentive.

Doug Cooper
Okay. And my final one, I noticed that that data percentage of revenue dropped, I think it was 4.1% in the quarter, down from 8% given last quarter. So pretty low. Any comments on that?

Todd Zehnder
Yeah, I think we've gotten a little more sophisticated on the reserving earlier in the year where it may be a little bit more difficult to collect. And we were a little higher in the first and second quarter than we want to be. I would just say that--we want to keep that number in the 6% to 8% range on an annualized basis over time and are hoping to drive it down.

But it's, as collections, have gotten stronger and everything is just getting more systematic, I would hope to drive that down, every year.

Doug Cooper
Okay. And I think that's, oh, just on the CPI adjustment. Is that my understanding it'd be around 5%, is that sort of in the ballpark of what you're thinking?

Todd Zehnder
If we look at historical data, what the CMS typically uses is the June CPI, which came in at 9.1%, and then there's a productivity adjustment made. So, if we are able to use historical averages, it would be in the upper 8%, but we won't know that number probably until late November, early December.

Doug Cooper
And that will take effect Jan. 1?

Todd Zehnder
That's correct.

Doug Cooper

Okay. And what do you think the commercial payers are due? That's what Medicare will increase, will the commercial payers increase as well or would just be on the Medicare side of the business?

Todd Zehnder
That really just comes down to individual negotiations, last discussions. Some of our contracts are tied to Medicare rates. So those would just get it passed through, immediately. But on the ones where you have fixed fee schedules, it just takes our network development team getting back on the phone and hoping for some sort of inflationary relief.

Doug Cooper
Okay. That's great. Thanks, guys. Great quarter.

Todd Zehnder
Alright, Doug. Thanks.

Casey Hoyt
Thank you.

Operator
And as a reminder, if anyone has any questions, you may press "*", "1" on your telephone keypad to join the question-and-answer queue.

Our next question comes from the line of Prasath Pandurangan with Bloomberg. Please proceed with your question.

Prasath Pandurangan
Hi, good morning. Thanks for taking my questions. First, on the SG&A expenses, which is about $17.7 million this quarter, how are these split between kind of six component, which is the operating leverage and the variable component which kind of goes up and down with the top line?

Casey Hoyt
I would say the majority of our SG&A is somewhat fixed. When I say majority, probably at least three quarters. The biggest component of that is the wages for everybody that's not touching patients--so roughly 500 or so employees. But commissions, things like fuel, things like bonus programs and so forth, those are variable. That probably makes up 20% to 25%.

Prasath Pandurangan
Okay. Okay. That's useful. And do you expect this split to be like stable, going forward?

Todd Zehnder

I would. Yeah. Those numbers have stayed relatively flat. We would hope that we can drive down SG&A as a percentage of revenue over time, as we create more operating leverage. But I would expect the components between fixed and variable to stay somewhat consistent.

Prasath Pandurangan
Okay. Got it. Got it. And then on the M&A strategy, given the significant changes in the broader economy and financial markets, are there any changes to your kind of the areas that you target and the companies and the multiples you'd be willing to pay for these companies?

Todd Zehnder
Yes. I mean, some of these companies have been in our pipeline for two years and are coming back around to us with a reset of multiples in the market, if you will. So, that's a positive for our guys who are out there having the conversations, right now.

Casey Hoyt
And I just think the other part to that is the components of any financing. Now you have to consider a higher leverage rate and so forth. So, I think that will inherently bring down multiples just because the cost of capital is going, up as well.

Prasath Pandurangan
Okay. Okay. Yeah, that makes sense. And then just to confirm, the CPI adjustment, your baseline expectation is in the 8% range for next year?

Todd Zehnder
That's our expectation, Prasad. We're obviously going to wait for CMS to come out with the number. But if we use historical context, then that should be where they come in.

Prasath Pandurangan
Great. All right. That's useful. Thank you very much.

Todd Zehnder
Thanks.

Operator
And our next question comes from the line of Nick Corcoran with Acumen Capital. Please proceed with your question.

Nick Corcoran
Good morning and congrats on the record quarter.

Casey Hoyt
Thanks.

Todd Zehnder
Thanks, Nick.

Nick Corcoran
Most of my questions have already been asked. I guess my first, or my only question is, you added 23 areas in kind of year-to-date. How long does it take for an area to fully mature?

Casey Hoyt
Again, it's kind of going back to Doug's question. It really revolves around the rep's development. So some of, all areas are different.

It depends on how seasoned the rep is, what their historical sales experience and contacts have been. And so, those typically will start up a little bit faster than the ones you are starting without contacts. But we've had both end up in the top 10% of successful reps and areas. So, it's all over the map. It's hard to answer.

Nick Corcoran
And if we think of your maybe like 75 areas, I guess there's a range of organic growth just depending on the maturity of the areas. Is that a fair assumption?

Casey Hoyt
Yes, on an area-by-area basis?

Nick Corcoran
Yeah, exactly.

Casey Hoyt
Yeah, absolutely. So you, if you have a relatively newer area that, let's just say they became established in the first quarter of this year and started having an impact. Their organic growth rates are going to be much higher than, say, some--an area that's been around for seven or eight years, just because that the more established area has attrition of just the 17-month length of stay, you're losing patients from a gross new patient add.

Those are some of the most important areas, which is your larger areas. But if you're just looking at it on a percentage basis, relatively immature successful areas are going to drive the most percentage bang.

Nick Corcoran
Okay. Thanks. That's all for me.

Casey Hoyt

Alright, Nick. Thanks.

Operator
And we have reached the end of the question-and-answer session. I'll now turn the call back over to Casey Hoyt for closing remarks.

Casey Hoyt
Okay. Thanks for everyone joining our call today. We appreciate it. We're getting back to business. Have a good one.

Operator
And this concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.