



## Third Quarter 2023 Earnings Call November 2, 2023

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### **Presenters**

**Casey Hoyt - Chief Executive Officer**  
**Todd Zehnder - Chief Operations Officer**

### **Q&A Participants**

**Brooks O'Neil - Lake Street Capital**  
**Doug Cooper - Beacon Securities**  
**Michael Freeman - Raymond James**

### **Operator**

Greetings and welcome to the VieMed's 3Q 2023 earnings call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press \* 0 on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce you to your host, Todd Zehnder, COO. Thank you, Todd, you may begin.

### **Todd Zehnder**

Hi, 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 forward-looking statements.

Examples of such risk and uncertainties are discussed in our disclosure documents filed with the SEC or the security 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, except as required by law. The third quarter financial news release, including the related financial statements, are available on the SEC's website.

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

### **Casey Hoyt**

Okay. Thank you, Todd. And good morning, everyone. Welcome to our third quarter 2023 earnings call. Today, we'll explore the financial achievements, market trends, and strategic insights that have contributed to our continued success. We will provide details on how VieMed is not only thriving, but also actively shaping the landscape of at-home respiratory care. We are executing, at a very high level, on our strategic initiatives, driving growth to financial results and remarkable growth.



Our seamless integration of the HMP acquisition has accelerated our expansion of the core complex respiratory business, and is rapidly diversifying our respiratory offerings. This significant stride is a testament to our steadfast focus on reaching more patients, enhancing their lives, and improving outcomes. Before we delve further into our results, I want to take a moment to thank our team for their hard work and dedication.

Our success is built on the shoulders of an incredible team of dedicated healthcare professionals. From our respiratory therapists and behavioral health specialists to our staffing professionals and administrative support staff, they are the driving force behind VieMed's exceptional results and continued, record setting growth. As of the end of the second quarter, our VieMed family has expanded to include 988 employees, each playing an important role in our collective success.

Let me begin by commenting on our core, organic business model. As a reminder, 58% of our business is generated by our complex, respiratory service model, which is driven by ventilation. Our vent patients are typically on our care for a 17 month length of stay at the end of their life. In terms of payer demographics, 45% of our patients are covered by traditional Medicare and 12% are enrolled in some form of Medicare Advantage or managed Medicaid program.

It's worth emphasizing that, historically, the Medicare patient population served by an industry as a whole, constitutes just 6% of COPD patients eligible for non-invasive ventilation treatment. We estimate that the private insurance population reflects similar numbers. This ongoing, underserved patient segment is a key driver of our persistent growth. Our governor to growth is not about finding available patients to treat, but more about finding clinicians and salespeople available to communicate our offering to the physicians and hospital case managers.

Our staffing division, VHS, has played a pivotal role in developing recruitment protocols that rapidly identify and onboard talented individuals. As a result, we are continuing to expand our training and management structure to support the growth of our personnel. This relatively new ability to source sales people efficiently will certainly be the driving force behind our future, geographic expansion.

Additionally, we've observed substantial growth in our oxygen services, which constitute approximately 10% of our product mix and treats earlier stages of COPD. Given the terminal nature of COPD, it's common for patients to progress to a point where they require our complex respiratory ventilation services in later stages of their journey. Notably, by the end of the quarter, approximately 18% of our oxygen patients also had ventilator usage.

It's estimated that there are 12.5 million eligible oxygen patients in the country, with only a 12% market penetration nationwide, representing yet another significantly underserved population in need of our help and opportunity for continued growth. With HMP, our most recent acquisition, being a heavy sleep business, we've driven our sleep business up to 17% of our product mix. The highest margin segment within sleep is in the recurring mask, tubing, filter sector, or as we call it, the re-supply business.

With the addition of HMP, our re-supply business is now making up 47% of our overall sleep business. With an estimated 150 million people suffering from sleep apnea, only 30 million diagnosed, and roughly 5 to 8% of the folks on service, we are, once again, taking care of an under-served population. Many healthcare companies are confronting speculation around the adoption of GLP-1 diabetes and weight loss drugs. VieMed's core, complex respiratory business



differentiates us from the other home medical equipment companies, making us less susceptible to competition from GLP-1 weight loss drugs.

We have seen no measurable, negative impact from these drugs being on the market. And perhaps, the best way to prove this is to reflect on our third quarter numbers. Our organic, VieMed business experienced 11%, sequential sleep growth from Q2, and have grown our sleep business every quarter for the past year and a half during the time GLP-1 drugs have been on the market. Furthermore, our manufacturers of sleep equipment are also reporting zero findings of any decline related to GLP-1 drugs.

We fully expect to realize growth in our sleep business for 2024, and beyond. The successful integration of HMP into the VieMed healthcare family has marked a significant milestone in our strategy growth trajectory. We are delighted to report that our first full quarter with HMP was immediately accretive to our net income and earnings per share, demonstrating the soundness of our investment.

What's equally crucial, is that this acquisition hasn't hindered our organic growth. Instead, it has acted as a catalyst, igniting new possibilities. Our commitment to enhancing our cost structure, while simultaneously setting the groundwork for revenue synergies, has been at the heart of this integration. We work tirelessly to ensure a seamless transition, converting software and systems to align with our established processes and technology.

Furthermore, HMP employees have undergone comprehensive training, not only to adapt to the new systems, but to fully embrace our technology, unique service offerings, and the VieMed value proposition. One of the keys to our successful integration has been the remarkable, cultural fit between VieMed and HMP. This alignment of values, mission, and work ethic has fostered a cooperative and harmonious environment, where we can leverage the strength of both organizations effectively.

Looking ahead, we consider this acquisition as a strategic springboard for our organic growth model, in several respects. Geographically, we are expanding into new areas, capitalizing on strength and synergies brought by HMP to penetrate markets that were previously untapped. We are also growing complimentary products and services that align with our core offerings, creating value for our patients and stakeholders.

In addition, our broader network of payers is offering us exciting, new avenues for growth, enabling us to maximize the reach and impact of our specialized, home respiratory care. While our M&A pipeline is active, it's important to note that it remains supplemental to our primary growth driver, the organic engine. In a landscape where interest rates are rising and deal volumes are declining, we are fortunate to not be relying on acquisitions to fuel our growth.

We have consistently demonstrated that we are in a position to grow independently, leveraging our existing capabilities, infrastructure, and expertise. Our steadfast focus on organic growth allows us to maintain a strong and sustainable trajectory, making strategic acquisitions a nice compliment, rather than a necessity to our business model. In the third quarter, we continued to allocate resources towards technology.

Our proprietary engaged platform and data analytics play a pivotal role in our achievements. While harnessing data to predict patient needs and tailor treatment plans, we have not only improved



patient outcomes, but have differentiated ourselves from our peers in the eyes of our referral sources and payers. We recently introduced version 2.0, which we call engaged care manager. The enhancements within this tool facilitate greater, cross-functional integration with multiple equipment manufacturers, enabling a device-agnostic approach to patient care.

The broader use of equipment on engage care manager allows our manufacturing partners to have their devices be a part of the driving improved compliance, and patient adoption within their devices. Ultimately, these advancements further solidify our position as a relevant player in an evolving, value-based care landscape, demonstrating our commitment to innovation and excellence in patient care.

On the regulatory front, we are experiencing a notable degree of stability, with little, recent movement. There have been no indications of the return of competitive bidding and we anticipate further improvements in reimbursement, due to consumer price index, CPI, to be implemented soon. There is a national push from our industry association, AAHomecare, to support continued, common sense measures undertaken during pandemic, particularly the 75/25 blended rates for CPAP and oxygen.

While these relief measures are crucial to ensure patients have necessary access to care, it's important to note that their financial impact on VieMed is relatively modest, as a result of our unique product mix and concentration in rural markets. In the event that the blended rate relief expires at year's end, we estimate that our rates tied to the CMS fee schedule would still, on average, increase between 0.5 and 2%, when we combine the CPI adjustment.

This rule change, while not significantly impacting VieMed directly, may hold more significance for other competitors across the country. In addition, we are eagerly anticipating the implementation of the final rule for Medicare Advantage plans set for 2024. This rule introduces additional health plan utilization management oversight to processes, including mandatory, annual reviews of MA plan's clinical policies and coverage denial reviews.

It's conducted by healthcare professions with relevant expertise. This rule will ultimately improve access to care for life saving devices, such as ventilators, for patients struggling with a terminal disease. Our view is that the accountability for Medicare will be a positive tailwind for VieMed in 2024, and beyond.

At this juncture, I will now hand the call over to Chief Operating Officer, Todd Zehnder, to provide additional insights regarding our financial results and capital activities.

**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 \$49.4 million during the third quarter of 2023, as compared to net revenues of \$35.8 million in the third quarter of 2022, which equates to a 38% increase. Our sequential growth for the core business was 14%, as we had HMP for the entire third quarter and our organic growth was, once again, strong.

Without factoring in the acquisition, our growth rate over last year's third quarter, was approximately 19%, and approximately 4%, sequentially. We continue to stay optimistic that we



will be able to continue our high, organic growth rates, as well as continue our evaluation of inorganic opportunities. Our third quarter revenue from vents was approximately 58% of core revenue, as compared to 67% in the third quarter of 2022. Our gross and EBITDA margin percentages are still strong, and improving, as we are focused on both margin and diversification.

We've been very successful in managing our cost structure this year, and it is showing in both gross and EBITDA contribution. We continue to see our margin percentage be influenced by our product mix, but once again, point out the rapid, notional growth. Our gross and EBITDA margins during the quarter came in at 61.9% and 24.5%, respectively. Our third quarter gross and EBITDA amounts came in at \$30.6 and \$12.1 million, respectively.

A couple of highlights are that this is the highest gross margin percentage that we have posted in two years, and our third quarter 2023 EBITDA is approximately 73% higher than third quarter 2022 EBITDA, which is a result of the continued, organic growth, aggressive cost management, and the closing of the HMP acquisition during June. Our SG&A for the quarter totaled approximately \$23.7 million, as compared to \$17.7 million in the third quarter of 2022. We have managed our G&A during the current year effectively, which is evidenced by our EBITDA margins expanding by a wider margin than our gross margin percentages.

We are benefiting from some scaling of our operations around the country, as well as our home office. We'll continue to invest in our patient employee experiences, and once again, expect to grow revenues at a faster pace than expenses. For the quarter, we invested approximately \$7.4 million on CapEx, and once again, the highest amounts have been spent on vents and oxygen equipment. The CapEx has been spent through a diversified supplier network, and we are seeing additional supplier networks that have come, or will be coming to market.

We funded all of our CapEx with discretionary cash flow during the quarter, and our core business had a record of free cash flow after CapEx. We are very proud of the pristine balance sheet we maintained, where we ended the quarter with a cash balance of \$10 million. Additionally, we ended the quarter with overall working capital of \$4 million. We have paid down \$4 million on our revolver facility during the quarter and have lowered our long-term debt at September 30<sup>th</sup>, to approximately \$8 million.

We will opportunistically pay down or use the revolver portion, depending on needs of cash, resulting from additional, organic growth, or future, inorganic opportunities. When we step back and look at the ongoing, financial performance of the business, our growth and diversification are really showing in the free cash flow that we are generating. We have grown the amount of revenue that is transactional, over time, and therefore, it does not come with the same CapEx burden as our rental equipment growth.

We are very confident in our ability to continue to grow our free cash flow, even in light of our CapEx needs, as we grow our active, rental patients. This free cash flow generation will give us flexibility, as we continue to monitor our capital allocation. As we review our capital allocation opportunities, we once again, will reiterate that our organic growth is the highest priority. This quarter, we took the opportunity to pay down debt, as we integrate the HMP transaction, and we will likely continue to do that until another acquisition opportunity arises.

Lastly, we will actively monitor our share price and other factors to determine if another share buy-back would make sense to be implemented. Moving onto the fourth quarter, we have provided



net revenue guidance in the \$49.8 to \$51 million dollar range, related to our core business. The mid-point of our net revenue guidance is up 34% over the core revenue in the fourth quarter of 2022.

Lastly, we remain active in our discussions with existing and potentially new investors. We participated in a couple of institutional investor conferences during the third quarter, and plan on attending another one during this quarter. We remain excited about telling our story of growth, and see the current market as an opportunity to attract new investors.

At this time, I'll turn it back over to Casey to wrap things up.

### **Casey Hoyt**

Okay. Thank you, Todd. Our unwavering commitment to pioneering advancements in the home respiratory care industry is evident, with our impressive results we've achieved this quarter. We couldn't be more proud of our management team and staff for their continued execution on every level. Reflecting on our business after the first three quarters, we are extremely bullish that our share price does not represent the value of our organization.

We have grown every line of our business organically, and are ahead of schedule on optimizing the HMP acquisition. The regulatory landscape is not only stable, but favorable to our unique and specific business model. While we have a pipeline of acquisition targets ready, we have proven that we don't have to rely on buying companies when the conditions aren't right. Our view is that our company is reasonably recession proof, with the ever-increasing need to taking care of an aging population yearning for more comfortable and quality care in the home.

We are proud to highlight our historical results to investors, demonstrating VieMed's proven track record of execution. VieMed Healthcare's dedication to delivering high quality, specialized services, and our relentless pursuit of innovative solutions continue to drive our success and set us apart as leaders in the field. As we move forward, we remain steadfast in our mission to provide the best care for our patients and to lead the industry through a commitment to excellence, innovation, and unwavering dedication to improving patient outcomes.

Our focus remains on treating the under-served population, and we are well positioned to shape the home respiratory care industry for the better, ultimately benefiting our patients and stakeholders, alike. This concludes our prepared remarks. Thank you, and we'll now open up for further questions.

### **Operator**

Thank you. We will now 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 key.

One moment, please while we poll for questions. Thank you. Our first question comes from Brooks O'Neil with Lake Street Capital. Please proceed with your question.



**Brooks O'Neil**

Thank you, very much. Good morning, guys. Terrific quarter. You just keep executing and it's fantastic. So, let me ask you one or two quick questions. The first one is, I know that sleep is relatively small part of the business, but I've heard, anecdotally, that there has been some softness in the sleep market. Could you just comment on whether you're seeing that and whether you think you can do something to offset softness in the business, in the industry, or whether it's something that's going to be a headwind for a period of time?

**Casey Hoyt**

First off, we couldn't disagree more that it would be a headwind for our business. I mean, we're experiencing 11% sequential growth in the sleep market. We have not seen any lack of adherence to PAP equipment, whether it be on the front-end, as finding our patients, or on the back-end, through re-supply of folks giving up on therapy. The -- I'm commenting on the market for a reason in my comments there, Brooks, just to let everyone know how large of a field we have of patients.

I mean, we've got 150 million patients over there, in the country, and we only have a 5 to 8% market penetration on those guys. We've got a lot of work to do. But we have seen no effect from these GLP-1 drugs. They've been around for -- what? -- a year and a half, two years now. And we've been in growth mode, sequentially, in sleep through that whole entire period.

The -- even -- furthermore, you're pay attention to some of our sleep manufacturers, you can draw the similar trend and storylines, as well. They are commenting that they are not seeing any lack of adherence to sleep or any stunts to their growth. So, look, I get it. It's something -- it's a story line and everybody needs to beat it up and be skeptical, for sure, from an investor standpoint.

But look, it's -- we're very -- hear me loud and clear, we are not experiencing any decline in sleep. It's only growth. And we expect to see more of that in the future.

**Brooks O'Neill**

Great. Let me ask you one other question. So, I have some sense that one of your equipment suppliers, Phillips, has had some issues with the government. And, can you comment on A, if that's affected you any way, and if so, maybe how have you responded?

**Todd Zehnder**

Yeah, I mean, obviously, Brooks, this has been going on for a few years now. The recall effected the sleep apnea devices as well as the ventilators. The ventilators never were to be taken off of market, because the life-saving device component of it. As we understand, the majority, if not all, of the sleep replacement devices have been taken care of. If it's not completed, it's very close, so we anticipate that they probably come back to market with sleep apnea devices, at some point. Call it relatively soon -- not sure when that happens.

Obviously, there's others in the market that have filled that need. On the ventilator side -- they are in process of working with the government on some sort of remediation. Once again, that has not really impacted our business too much. There's operational, logistic-type things that we've dealt with. We've been dealing with those for three years. But we have no looming issue, that we are aware of. Our anticipation is that that remediation gets done at some point over the next few months. But until then it's just business as usual.



**Brooks O'Neil**

Great. Let me ask one, last question. So I hear from some people who think that VieMed is, like, some other DME companies in the marketplace. I think those other DME companies are characterized by A, growth by acquisition; B, I like to call them trucks and muscles. They pretty much have a bunch of trucks and the muscle guys drive the to the patient, drop off the equipment, and keep moving. Could you just give us a -- the Reader's Digest version of why that is not VieMed and why you think your model creates tremendous opportunity in the marketplace?

**Casey Hoyt**

Yeah, I mean, it goes back to our complex, respiratory business, which makes up 58% of what we do. That's the foundation of us scaling around the country. We never had the model of being a wheelchair, walker, bed, commode type of business. That would still be your one-stop shop, all things, everything DME. And so, that lends it self to, where do you go?

We don't have to buy people in order to grow. We just need another person that we -- clinician that we can train how to walk and talk the VieMed way. We get in front of the sales process, walking shoulder to shoulder with that pulmonologist inside of the facility. And we become an extension of their care and we -- and a value resource to the hospital case managers who are pairing up equipment providers with the patients.

And so, at the end of the day, the -- it's two, different separate business models. And you're right, the important thing to focus on is, it's -- it goes back to our spin-out. The reason that we spun out back in 2017 is that we had two different models for growth and two different needs of capital from the folks that purchased VieMed. They needed to go out and buy other companies in order to grow. We did not need that.

We needed go out and find people and put personnel. And so, those -- that is still dominant here today and is a trend in our growth plan and model. And it really is the differentiator from us and the competitor. Both models are successful. So I'm not throwing any our peers or competitors under the bus. These guys have their own ways of growing. We have our own ways of growing. They -- it -- they are very different, in our opinion, and we shouldn't be lumped into the same category.

**Brooks O'Neil**

Absolutely. Thanks for that, Casey and Todd, and thanks for all the good information. Have a nice today.

**Todd Zehnder**

All right, Brooks. Thanks.

**Operator**

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

**Doug Cooper**

Can you hear me?

**Casey Hoyt**





Yep. We can hear you now.

**Doug Cooper**

Okay. First of all, great quarter, and obviously, the market is not really taking the numbers into consideration. So let me circle back on Brooks' comment on, first of all, on the GLP-1 drugs. Aside getting into the fact that the market thinks, seems to think that respiratory illness is going away and sleep apnea is going away, I think it's worth remembering that, as you said, 17% of your business is sleep, in other words, 83% is not impacted by these GLP-1 drugs. Can you just, first all, make a comment about COPD and the GLP drugs? I'm assuming there's zero impact on that, but I just want confirmation from you.

**Casey Hoyt**

Yeah, that's correct. I mean, the COPD patient is totally different than the sleep apnea patient. We -- so, I guess, complex respiratory, as we define it, is inclusive of percussion vests, inclusive of oxygen and then, ventilation. And so, that business is really not affected or, I guess, targeted by GLP-1 drugs.

There's actually some studies out there that say that the skinnier the patient is, the more susceptible they are to death, in the COPD realm, at the end stages of their life. But, we're trying to -- I'm glad you brought it up, Doug, because we do want to differentiate the fact that, yes, sleep, which is a bulls eye for GLP-1s, in a lot people's eyes, is only 17% of our business and the rest is not affected by it.

**Doug Cooper**

So let's just focus in on that 17% for a second, just to -- and when ResMed reported their results, I guess, earlier in the week, they, on their conference call had talked about that they are actively tracking a cohort of many thousands of patients who are on GLP-1 medications, as well as ResMed's PAP therapy, and they are not seeing any significant change in PAP adherence or any reduced participation in resupply programs versus the control group.

So, in their opinion, it seems to that, even if the case, where some patients are on the GLP drugs, those patients maybe were in the, sort of, morbidly obese category and were outside of the mainstream healthcare system anyway. And bringing those back into the fold, actually, could help stimulate their business, because sleep apnea devices are part and parcel with a road to wellness. Any thoughts on that?

**Casey Hoyt**

Yeah, I mean, I guess the theme is that everyone's trying to figure out what the effects are going to be on their business. I mean, it's interesting that ResMed seems to be conducting their own studies. And I like the sound of that -- the fact that you have folks with a BMI, body mass index, of 30, 32, 35 that are not going into the primary care system, but, hey, if you want a GLP-1 drug, you're going to have to go see your doctor.

And so, sure, GLP-1 might be a part of it, but I guarantee, sleep apnea is going to be needed, as well. So, their theory is that, if we get more patients going to see the doctor, that might help grow the sleep apnea business, because we don't see this as a cure to sleep apnea. It could be something that's helpful in the treatment of the overall patient experience, but it's not going to cure sleep apnea.



And so, that's an interesting thought, but again, these are all just ideas, at this point, from folks trying to communicate what might be ahead for the business. And I support what ResMed is saying right there.

**Todd Zehnder**

And I'm just going to reiterate what we said in our prepared remarks, and maybe what Hoyt replied to Brooks on, is that, I think the GLP drugs have been around for probably a year and a half two years, in kind of wide mass. And we have grown our sleep business -- not even including HMP - - we have grown our sleep business every quarter, from that point to now. And really, the growth -- I'm not sure it's ever been as high as it was 3Q over 2Q, which was 11%.

So kind of at the height of the scare of sleep business going away, our sleep business is growing as much as it ever has. So, we're not exactly sure if what ResMed is saying is that more people are going to the physician and this is a potential treatment. But whatever is happening, we're not seeing a decline in (inaudible). That is just a fact.

**Doug Cooper**

All right. Could I just focus, for the next comment -- question, just talking the resupply business. So, I think, Casey, you mentioned that sleep is 17% of business, of overall revenue and the resupply -- 45% of that 17% is the resupply business. What can we expect from that resupply business, in other words, as you grow your patient count, what can the resupply business grow to?

And I'm assuming that's a pretty profitable business, because there's no real G&A associated with it. It's essentially a reorder business and fairly high gross margin business. So, is that one of the keys, as well, that we saw in your EBITDA margin expansion, from 22% last quarter and 19% a year ago, to the 24.5% this quarter?

**Todd Zehnder**

Yeah. I'm going to try to unpack most of that, Doug. It's 47% of current year -- or current quarter sleep revenue was driven by resupply. And our margins are somewhere in the mid-40s on that piece of the business. As you'll remember, going back to our kind of national roll-out of sleep, over the last few years, it is clearly the piece of the business that you want to get to. The rental part of it, you can make money off of, but you got to get them complaint, you got to get the resupply order to come in.

And then, it becomes more of your annuity, kind of low G&A, more technology and drop shipping. What we would say is, every month that we stack on another set of active patients in PAP -- and we're doing that every month, going forward, it's only going to grow the future resupply market, and therefore, unless we just wildly accelerate our rental patients, the percentage of revenue coming from resupply ought to just keep growing, quarter after quarter.

I don't what kind of terminal percentage of that looks like, for people who have been doing this, call it, 10 years. But my guess is, probably somewhere up of two thirds of your revenue could be driven by resupply. And that, ultimately, is going to really be good for that division, and the overall EBITDA/gross margin for VieMed. And yes, that expansion helped, along with pretty aggressive cost management that we've been doing around the country, and just scaling of the business.



Bringing in HMP was, obviously, helpful to margins, as we've centralized some of their processes and got the economies of scale of VieMed within that organization, we've been able to drive their EBITDA margin, which is impacting. So, a lot of different things, but clearly, our focus on resupply and the sleep business and bringing in HMP's resupply has been very beneficial to our bottom line.

**Doug Cooper**

Okay. And -- excellent -- and just my last question is just around the core vent business. Twelve percent, year-over-year growth in patient, which is solid, but it seems to me that, given you're a major player in this, in the U.S., a top five player, the market seems still a little slow to be taking off to what we may expect, given the efficacy of the therapy. So, what is the bottleneck, in terms of the physicians looking to prescribe the therapy?

**Casey Hoyt**

Yeah, I don't think it's -- I mean, look. It's still going back to research and data, that -- which has always been something that I've harped on, Doug. It's amazing when we go into new areas, how we're still educating pulmonologists on the fact the available -- that this ventilation service is available in the home for the patients. And so, that tells us that we've got to embrace the research and the studies that we have certainly put out.

The other thing that you're seeing, which we consider a green pasture here, is that Medicare Advantage is increasing. Okay? And while they only make up, I think -- they're increasing with us, too. So we went from 11% to 12% this quarter on the payer mix. But they're growing. They're representing 50% of Medicare right now. That's why we're so fired up about the 2024 rule, because right now, they tend to deny expensive care, just, without clinical reason.

And so, they can -- we've gone through some denials with those guys on two ALS patients, for example, that are on their death bed. And they've had a vent, and then, we go in for prior auth, and the Medicare Advantage plan for deny the re-auth. And so, that's a sad situation. But that's one that is broken and the opportunity to fix it remains a great opportunity -- I mean, a great challenge and opportunity for us, as well, to grow in the coming years.

So, as that rule, the way that rule works, is in 2024, Medicare Advantage has to follow Medicare clinical guidelines. And so, if they're not, we'll now have a forum to be transparent with Medicare on who the bad actors are out there, that are denying this life-saving care. And so, those are -- I'm being very blunt about, those are some of the struggles that we deal with on a day-to-day basis. But it's very -- it's a big opportunity for growth for us, once we get those guys lined up with us. And I think it'll happen.

**Doug Cooper**

Okay. That's it for me, guys. Thanks very much.

**Casey Hoyt**

All right, Doug.

**Operator**

Thank you. Our next question comes from the line of Michael Freeman with Raymond James. Please proceed with your question.



**Michael Freeman**

Hey, Casey and Todd. Thanks so much for taking our questions. And congrats on the quarter and the smooth integration of the -- of HMP. Just one quick one from me today, and it leaps off of the last questions very nicely. How -- I'm looking at your diverse payer base. And this is strong in itself. And I'm looking -- I'm wondering how you might optimize this pair mix, moving forward? Which of these payers is most accretive to VieMed? Like, how do you see this moving in the future? Thanks.

**Casey Hoyt**

I mean, you heard me talk about Humana and United in the past, Michael. Those guys are not in network with us. I mean, some of that is our choice over theirs, just with -- with United, it's rate driven and it doesn't make sense for us to do it at the rates that they pitch. And with Humana, they've made a decision to try to go with a national, sole provider with Rotech and Aprium (ph).

We're pretty bullish and confident that we're going to have to wait and see how successful that is, to support the Humana network. We predict there's going to be patient access to care issues. But we'll have to wait and see there. And so, those are the two, biggest payers that we would love to be in network with. We'd love to be taking care of those folks. But frankly, we've never been in network with them.

So that's, like, historically, it's not something that is in our numbers that we lost out on. It's, like, we've always been struggling with those two payers. And it's an opportunity, once again, a challenge for us that is a great opportunity for us to fix, down the road. And look, when you're saving money, the more you put this non-invasive ventilation piece of equipment out on the patient at the right time, the more money you'll save. Once they wake up to that, it's a win-win for everyone. So we'll get there at some point. It's just taking time.

**Michael Freeman**

That's super helpful. I guess, going one level up and looking at the different segments of payers, for instance, on your pie chart here -- Medicare, Medicaid, commercial, Medicare Advantage, and Private. What slices of that pie would VieMed be looking to expand and would be most accretive, going forward?

**Todd Zehnder**

I think the short answer is we're looking to expand all of them, quite candidly. Because there is an under-served population in all of our products, across all of our payers. We think, probably, from a which piece of the pie will grow, from a percentage standpoint, like Casey was saying, the Medicare Advantage likely is the one that wins out, because there's just more and more patients moving into that program.

And, historically, it has not made up as much of our payer base. At the end of the day, we don't take much bad business around here. And so, from an accretion standpoint, pretty much any dollar that comes into that pie chart is going to be making bottom-line money for us. So we're not -- we don't have a strategic objective to say we really want to grow this piece of it.

**Michael Freeman**

Okay. All right. That's really helpful. Congrats on the quarter. And let's hope the market catches up.



**Todd Zehnder**

Yep. Thank you, Michael.

**Operator**

Thank you. There are no further questions at this time. I would now like to turn the floor back over to management for closing remarks.

**Todd Zehnder**

Yeah, we just want to thank everybody for their time today. Follow-up with us if you have any questions. And thanks, again, to all of our employees out there, producing these wonderful results that we're happy to share with the market. Thank you.

**Operator**

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.