VieMed Healthcare, Inc.
Fourth Quarter 2023 Earnings Call
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<u>Presenters</u>
Todd Zehnder, Chief Operating Officer
Casey Hoyt, Chief Executive Officer

<u>Q&A Participants</u>
Brooks O'Neil - Lake Street Capital Markets
Doug Cooper - Beacon Securities
Megan - Acumen
Eric Coldwell - Baird

Operator
Greetings, and welcome to the VieMed Fourth Quarter 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 your host, Todd Zehnder, Chief Operating Officer. Thank you. You may begin.

Todd Zehnder
All right. 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 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, except as required by law.

The fourth quarter and year-end financial results 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 fourth quarter 2023 earnings call.

I'm thrilled to share the exciting developments and achievements that highlight our quarter and overall year. First and foremost, I want to thank our VieMed family made up of over 1,000 health care professionals treating patients in all 50 states.

Our people signify the collective strength, passion and expertise required to improve life. Each member of our team plays a pivotal role in our ability to enhance the lives of our patients and produce positive outcomes for physicians and payers, alike.

Our growing workforce, fueled by our best-in-class HR department and staffing division, enables us to extend our reach to a broader community.

The commitment to our employees is reflected in the investment we make in their development, well-being and job satisfaction. This fosters a positive work culture that separates us from our competition and is, most certainly, the cornerstone for our success.

Moving on to the quarter, perhaps, some of the most significant work we accomplished in the fourth quarter was our efforts surrounding the restructuring of our sales force. Recognizing the need for more localized training and management infrastructure, we reorganized the country to create a more regional and localized approach to help with training and work-life balance for our people.

Our new structure, which launched in early 2024, paved the way for multiple territory sales manager and National Sales directorship promotions. This expansion and fortification of our team is driven by the vision of accommodating the growth trajectory of our organization.

By leveraging the strength of our top-performing sales personnel, we are not only strengthening the leadership of our sales force but also fostering a culture of excellence and continuous development. These leaders and trainers play a crucial role in shaping the capabilities of our team, ensuring that every team member is equipped with the knowledge, skills and motivation necessary to excel in their roles.

After the restructuring, we finished the year with 106 sales territories with the current bandwidth to expand, as needed, to another 30. Our people are effectively empowered and even better equipped with the clinical experience and coaching to reach more patients than ever before.

At the heart of VieMed Healthcare's operational efficiency is our proprietary clinical management technology, the Engage Care Manager. This innovative technology has revolutionized the delivery of respiratory care, empowering our respiratory therapists to maximize their patient reach and significantly contribute to heighten patient satisfaction.

Our technology captures sophisticated data demonstrating improved clinical outcomes and substantial cost savings becoming a linchpin in securing contracts and pilot programs. The ongoing VA pilot is a noteworthy initiative, showcasing the positive impact of our technology on shaping the future of respiratory care for veterans, across the country.

Behind the scenes, we continue to uncover more technological solutions that are helping streamline our workflow processes. Engage Care Manager has been adding more machine learning types of features that have the potential to really drive faster access to care for our patients and help VieMed improve reauthorization tasks.

Furthermore, we are seeing a rapid adoption to the use of e-prescribing from our referral sources that help with our authorization and conversion rates. These technological tools are not only creating operational excellence for us but are also improving efficiencies for our referral sources.

All of our departments at VieMed are hyper-focused and empowered to utilize technological advancements that can contribute to our strong human touch offering in the home. Further contributing to this technological success are the advancements with the majority of our suppliers who have embraced connectivity to their devices which, in turn, delivers data to our Engage Care Manager platform, particularly, those who have emerged as new entrants into the market, post the Philips recall.

These direct and collaborative supplier partnerships are helping to control costs and improve quality. A key to our competitive edge lies in our software being seamlessly integrated across multiple companies. Ultimately, this integration strengthens our relationships with these manufacturers and enhances operational efficiencies, while streamlining processes.

On the regulatory front, our reimbursement environment remains strong, despite the expiration of the 75-25 blended rates. When combined with the CPI adjustments, we anticipate experiencing no net deterioration of average reimbursement rates.

Importantly, should the 75-25 rate be extended through the legislation, we are poised to experience some potential upside. The final rule for Medicare Advantage plans and other positive changes open the door for further growth of our services, due to the payer expansion. With these positive regulatory shifts, we anticipate a noteworthy improvement in the behavior and compliance of Medicare Advantage payers.

The increased transparency and accountability introduced by the final rule signal a transformative era fostering an environment where payers are incentivized to align with VieMed Healthcare's commitment to delivering high-quality respiratory care.

These regulatory changes act as a powerful catalyst not only for our financial stability, but also for our ability to extend our services to a broader spectrum of patients.

As we gain clarity on the limited impact of GLP-1 drugs on the home medical equipment industry, specifically regarding CPAP usage, the available evidence suggests that initial concerns were, significantly, overstated.

The industry has shown resilience with no current negative impact on the VieMed sleep business. Our sleep business is growing faster than previous years with new patient rentals starting--with new patient rental starts indicating promising future resupply revenue growth. A real-world study conducted by ResMed revealed a modest increase in the adherence when CPAP users also take GLP-1 drugs, aligning with the industry observations.

The industry remains proactive, addressing potential long-term pressure from GLP-1s by focusing on increasing awareness, reducing operational costs through automation and enhancing patient adherence and retention efforts.

In 2023, our commitment to enhancing the lives of patients and reaching a broader demographic became evident through a series of strategic initiatives. We meticulously expanded our geographical reach, broaden our product offerings and diversified our payer mix, aligning our trajectory with the evolving needs of the health care landscape.

An undeniable highlight of our strategic endeavors was the targeted acquisition of HMP, which was immediately accretive to net income and EPS, highlighting the effectiveness of our M&A strategy and integration capabilities.

Subsequent to the acquisition date, we have also achieved a significant cost savings, resulting in improved profitability of the acquired operations. Primarily because of the sleep diversification that we accumulated through the acquisition, our total rental patient count is up 85% over the prior year, and our resupply patient count is up 205%.

While we actively pursue strategic acquisitions, our core strength and foundation for growth remains our robust organic engine. We continue to emphasize that, for VieMed, acquisitions are not a necessity but rather a thoughtful and complementary strategy to accelerate our success.

With that being said, we continue to be actively engaged in multiple processes, analyzing strategic initiatives and partnerships that capitalize on our competitive advantage as a high-touch, high-tech clinical provider of home medical services.

Our team does fully expect to incrementally grow inorganically through strategic JV partnerships and acquisitions in 2024.

With more financial and operational updates on the quarter, I'll now hand the call over to Chief Operating Officer, Todd Zehnder. Todd.

Todd Zehnder
All right. Thanks, 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 $50.7 million during the fourth quarter of 2023, as compared to net revenues of $37.5 million in the fourth quarter of 2022, which equates to a 35% increase.

Our sequential growth for the core business was 3%, which is a good sign that the integration of the HMP acquisition, along with our organic growth, continued in line with our historical norms. Our revenue for the year ended December 31, 2023, came in at $183 million, which is a 32% increase over 2022.

We continue to stay optimistic that we will be able to continue our high organic growth rates, as well as continue our evaluation of organic opportunities.

Our fourth quarter revenue from vents was approximately 58% of our revenue, as compared to 66% in the fourth quarter of 2022. Our gross and EBITDA margins are still strong and improving as we are focused on both margin and diversification. We have been very successful in managing our cost structure this year, and it is showing in both, gross and EBITDA contribution.

As is typical, we want to point out the rapid notional growth of our margins but are also proud of the increase in the percentages over the last six months. Our gross and EBITDA margins during the quarter came in at 63.3% and 25.3%, respectively.

Our fourth quarter gross and EBITDA amounts came in at $32.1 million and $12.8 million, respectively. Both gross and EBITDA margin and margin percentages grew sequentially and continues our theme of profitable growth, both organically and inorganically.

Our full year EBITDA for 2023 was $43.1 million, which is a new company record, and we are really starting to see the advantages of building scale.

While we don't always comment on net income, I think it's important to point out that this is our seventh consecutive year of positive net income marking profitable growth every year, since our public formation.

Additionally, we are at a point in our company life cycle and revenue composition that free cash flow is really ramping up. During the quarter, we generated $5.4 million of free cash flow, and we generated over $19 million for the year.

I will address capital allocation priorities later in the call.

Our SG&A for the quarter totaled approximately $23.9 million, as compared to $17.2 million in the fourth quarter of 2022. For the full year, our G&A totaled $87.9 million, as compared to $68.2 million during 2022, the latter of which did not include any HMP contribution.

G&A as a percentage of revenue decreased from 49% during 2022 to 48% during 2023, which is another good sign that we are managing our G&A well, along with effectively integrating the first acquisition.

We will continue to invest in our patient and employee experiences and once again, expect to grow revenues at a faster rate than expenses.

For the quarter, we invested approximately $7.9 million on capital expenditures. And once again, the highest amounts have been spent on vents and oxygen equipment. We continue to allocate capital across a diverse supplier network and once again, have had no problems with procuring the equipment necessary to service our growing patient base.

As previously mentioned, we funded all of our CapEx with discretionary cash flow during the quarter, and our core business is generating significant 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 $13 million.

Additionally, we ended the quarter with an overall working capital at $6 million. We've paid down all the $2 million on our revolver facility and have lowered our long-term debt at December 31 to approximately $6 million.

We will, opportunistically, pay down or use the revolver portion of our credit facility depending on the needs of cash resulting from additional organic growth or future inorganic opportunities.

The end of the year gives a great time to step back and analyze the performance of a business. We are very proud of the organic growth that we exhibited and are extremely pleased that we augmented that with a very complementary and significant acquisition. Additionally, we have remained profitable, further diversified our business, and continue to generate very solid liquidity.

We continue to grow the amount of revenue that is transactional and are confident in our ability to generate free cash flow, giving us flexibility as we continue to monitor our capital allocation.

On that front, our capital allocation opportunities are similar to last quarter, and we will reiterate that our organic growth is the highest priority. Like last quarter, we used free cash flow to pay down on our revolver, and we'll continue to do so unless we transact on another inorganic opportunity.

Lastly, we will actively monitor our share price and other factors to determine if another share buyback would make sense to be implemented.

Moving on to the first quarter, we have provided net revenue guidance in the $49.7 million to $51 million range related to our core business.

The midpoint of our net revenue guidance is up 27% over the core revenue in the first quarter of 2023. The first quarter brings the seasonality of patients changing insurance carriers, more significant reauthorizations and deductible resets, but we are very pleased with how the first quarter new patient setups are trending, across all of our product lines.

We remain active in our discussions with existing and potentially new investors and our recent voluntary delisting from the TSX has consolidated our daily trading volumes on to the NASDAQ.

We have seen our U.S. institutional ownership increase, over the last couple of months. We continue to participate in institutional investor conferences and plan on attending two more during March and April. 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'm going to turn it back over to Casey to wrap things up.

Casey Hoyt
Okay. Thank you, Todd. After looking back on VieMed's journey, I was reflecting on some of the financial milestones our company has achieved.

Since our initial public listing, we have grown adjusted EBITDA to nearly equal the total revenue for the spinout year in 2017. Along the way, we have achieved this incredible growth while doing so as a profitable company in every single year. VieMed's financial success and consistent track record is a testament to the resilience, strategic acumen and unwavering commitment of our entire team.

The aging population continues to be a significant factor in our industry dynamics. Simultaneously, technological advancements and increased awareness for shaping the adoption of our specialized home medical services.

We believe the home medical equipment markets hold promising opportunities for continuous expansion, and we stand ready to leverage our expertise in navigating this landscape.

The fourth quarter of 2023 stands as a testament to VieMed Healthcare's unwavering dedication to excellence in growth.

Our growth is propelled by strong relationships with suppliers, seamlessly integrated proprietary technology and a commitment to innovation. The Engage Care Manager, our innovative clinical management technology, exemplifies our dedication to operational excellence, providing transformative benefits for our respiratory therapists and enhancing patient care.

The expansion in the new geographies, diversification of product and payer mix and targeted acquisition initiatives underscore our commitment to reaching more patients.

In closing, VieMed Healthcare enters the future with confidence, guided by a resilient team, a strong financial foundation and a commitment to delivering exceptional respiratory care.

The positive regulatory environment supports our growth initiatives, allowing us to strategically strengthen our sales force and make investments that position VieMed for sustained success. As we build towards the future, the strategic addition of leaders and trainers, coupled with our commitment to exploring innovative partnerships reflects our dedication to not just keep pace with the industry but to set new standards of excellence.

As we look ahead, the path is clear for VieMed. We will continue to expand our footprint and refine our offerings. The combination of these activities, coupled with our ability to track our success, translates into an unparalleled ability to drive value for payers.

We thank all of our shareholders who have placed their trust in VieMed and look forward to telling our story to more shareholders as our company continues to expand across the country.

This concludes our prepared remarks. Thank you, and we'll now open up for further questions.

Operator
Thank you. We'll now conduct our question-and-answer session. If you would like to ask a question, please press “*”, “1” on your telephone keypad. A confirmation tone will indicate that 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 poll for questions.

And our first question comes from Brooks O'Neil with Lake Street Capital Markets. Please state your question.

Brooks O'Neil
Thank you very much. Good morning guys.

Casey Hoyt
Good morning, Brooks.

Brooks O'Neil
I thought perhaps I had jumped on the wrong conference call when I heard Casey talking about all that high-tech stuff, but it's pretty impressive.

Casey Hoyt
Yeah, very excited on our technology advancements. But what's your question, Brooks?

Brooks O'Neil

All right. So my first question, I'm just--I hate to betray my ignorance here, but give us just a little background on the 75-25 blended Medicare rate, how much impact do you think that might have add in 2023, and from what you're seeing in terms of the outlook for 2024. It sounds like might go away.

Todd Zehnder
Yeah, Brooks, this is Todd. I'll take that one. During the PHE, there were several concessions obviously made by CMS, during that time. And one of them was to give some rate relief to former competitive bid products. So when we're talking about it, it specifically relates to, in our stance, it relates to the sleep and oxygen business. And long story short, they had given rate relief by making it a little bit less weighted towards the competitive bid area rates and more to the rural rates.

So, with the expiration of that, and it really comes down to the only way it's going to get brought back is through a congressional bill, I guess, on the budget that would give us the relief, it has now gone back to former rates. I don't have a 2023 number, but what we can tell you is it's roughly about a $3 million impact on an annual basis to our company for 2024.

You can think about it at $750,000, plus or minus, for the first quarter that we are not factoring in. I mean, we have lowered our guidance, assuming that is not going to happen. So, it's not super material but something that we would much rather have these higher rates because it's a value-added service for these people in those smaller cities, around the country.

Brooks O'Neil
Sure. That's extremely helpful. I really appreciate that color. Let me just ask you this. It sounds like things just broadly are going well. I know that in over the last several years, maybe RT availability has been a bit of a headwind. How are you feeling about that situation, today?

Casey Hoyt
We're not seeing any holdbacks on finding our RTs, right now. The staffing division is pretty much clicking on all cylinders from finding our folks. I think what I'm talking a lot about in the script about the restructuring of the sales force and what's interesting is that we're filling core support but more clinical support behind our head sales folks that are really developing into veteran productive areas.

And so, just the landscape of the type of personnel, the type of RT that we're looking for has evolved a little bit. It's more of your support role. But we still look for our sales roles as well, but not having any issues trying to finding our respiratory therapist at this time, to answer your question.

Brooks O'Neil
All right. That's great. Let me just ask you a little technical question about my model. I noticed that the tax rate this quarter was a little bit higher than I have been modeling. Is that a rate somewhere in the very low 30% range that you think is likely to play out in 2024?

Casey Hoyt
I think it will probably go back down some, Brooks. I think this had to do with some permanent differences, and I'll probably reserve the right for you to talk to Trae later on. But I think it has something to do with some permanent differences that we had to take the expense forward during the fourth quarter really related to future periods.

Brooks O'Neil
Okay. Well, that's very helpful. I think that does it for me. I'm excited to hear about all the progress and the opportunity and the incredible results you delivered, last year. So I know '24 is going to be another great year.

Casey Hoyt
Thanks, Brooks.

Todd Zehnder
Thanks, Brooks.

Operator
And our next question comes from Doug Cooper with Beacon Securities. Please state your question.

Doug Cooper
Hey, good morning, guys. Congrats on another nice quarter. I just want to talk about organic growth. By my calculations, I guess, excluding the impact of HMP organic growth year-over-year in quarter four was about 16%. Is that in the ballpark?

Todd Zehnder
Yeah, that sounds about right.

Doug Cooper
Okay. So, and then the Q1 guidance, again, excluding if I compare Q1, your guidance midpoint to Q1 last year which, obviously, didn't have HMP in there, it looks about 10% and then sequentially about flat. So maybe just talk a little bit about what you're seeing on the growth side?

Todd Zehnder
Yeah, as it relates to 1Q over 4Q, the main thing--or 1Q over last year's 1Q, we do have more of our business coming from what I would consider the sleep products, which has--is probably a little bit more susceptible to deductibles and seasonality. And truthfully, as more of our patients hit insurance changes, it's becoming more common that people are swapping around on insurances and it puts patients on hold.

We don't lose the patient, but we just maybe miss a bill or two. That is seeming to have a little bit higher impact on us. As it relates to the 16%, I mean, I think that's--it's a really good growth year for us. It's not as high as our historical rates, but we've always been clear to say that as we get bigger, the ability to grow 25% and 30% is getting harder just because the notional amounts are getting larger.

I think the one important thing to think about as it relates to sequential is our new patient starts are as high or higher than we've ever seen in the first couple of months. So the fix is there. We've just got to get more patients to see their doctors to get paperwork submitted, and we're on track with what is setting up to be a really good 2024.

Doug Cooper
Perfect. And then just--so you talked about would say that's going to set up well for the resupply business. Can you give us some actual metrics of the resupply business in quarter four?

Todd Zehnder
In Q4 or for '24?

Doug Cooper
No. For Q4, maybe get some extra patients.

Todd Zehnder
Q4, I want to say that Q4 resupply made up about 10% of our revenue base, as a company. That's--I don't have that number right in front of me, but I think that that's probably pretty close to where we are. And if you think about it--and now that's including both VieMed and HMP. Think about where that was probably a year ago, that would have been at best, 3%. So the resupply, I mean like we've talked about, our own organic VieMed sleep growth, the end game is to get more and more patients on that resupply program, obviously, continue to set up new patients for the--to add to the funnel.

But that's what we brought in with HMP, our own business. So, when I referenced several times in the script about transactional revenue and being able to generate free cash flow, the fact that we have that number upwards of, call it, gaining on double digits is a major milestone for us.

Doug Cooper
And are you seeing sort of roughly $600 annualized per patient on the resupply? Is that a decent number to use?

Todd Zehnder
I'm sorry, Doug, what was that?

Doug Cooper
The revenue per resupply patient? Is it sort of annualized run rate about $600? Is that the number that makes sense?

Todd Zehnder
Yeah, I would say we're about $200 to $215 per order. And it just--I mean, if you want to say that 3x that that might be a little high for us. I want to say we're somewhere in the two and a half orders, per patient, per year, but it may be gaining on that. So, somewhere between $550 and $650 per patient, per year.

Doug Cooper
Okay. And what percentage of your sleep patients will be on the resupply program, today?

Todd Zehnder
As far as our active sleep patients, like the active PAP rental patients?

Doug Cooper
Yes.

Todd Zehnder
All. I mean, everybody that meets compliance will be on the resupply program. So, if we end up--if we're setting up 1,000, about 1,500 on a consolidated basis a month, our resupply program is more probably in the 30,000 patients. So, it's obviously a lot bigger because the PAP caps out.

Doug Cooper
Yeah, okay. And I guess just as my final one. The actual vent patients, 10,327 at the end the year, up marginally from the 10,244, can you just talk about your outlook for actual vent patient growth, this year?

Todd Zehnder
Yeah, look, I mean, we're going to continue to say that our expectation is to grow that patient count, call it 100 a month. We didn't get there in the fourth quarter. We'll see if we get there in the first quarter. Obviously, as we get larger, the attrition is higher. You start out with--I mean our average length of stay is staying at 17 months. So, we're losing more patients just due to expiration, unfortunately.

But some of the stuff that Casey talked about were a lot of new sales initiatives, and we're obviously out there trying to get new regions and new contracts. We still show up every day, expecting to grow that on a net basis about 100 a month. Some quarters, we do it; some we don't. We're still very confident that vent growth is going to continue. And once again, I'm very pleased with where we're seeing new patient setups in the first quarter.

Doug Cooper
Okay, great, thank you, guys.

Todd Zehnder
Thanks, Doug.

Operator
As a reminder to the audience, press “*”, “1” to ask a question. You can press “*”, “2” to remove yourself from the queue. Our next question comes from Nick Corcoran with Acumen. Please state your question.

Megan
This is Megan on the line for Nick, this morning. Nick had a question regarding the vent patient growth and respiratory illnesses, this winter. Have respiratory illnesses tempered your patient expectations at all, or has it been pretty usual for the season?

Casey Hoyt
Well, I mean, we--I don't have the specific number on respiratory illnesses. It's not something that we watch on a daily basis, but you're seeing our vent growth in terms of total VIP patients that we were just talking about on the rise. So, we're optimistic that there's plenty of patients out there for 2024. It's just a matter of getting our people trained and up and running and producing in an efficient manner, which is what the restructuring is focused on.

Megan
Okay, thank you.

Operator
Thank you. And our next question comes from Eric Coldwell with Baird. Please state your question.

Eric Coldwell
Thank you and good morning. I wanted to ask two questions. The first is on Philips and their decision to stop selling equipment in the U.S. Just what kind of knock-on effects have you seen? And is there any lingering impact of their recalls and their regulatory issues and now, their decision to extricate themselves from the U.S. marketplace? Thank you.

Todd Zehnder
Yeah. I'll take it. I'll split it up into two products because it really affects PAPs and vents more than other items. On the PAP side, it really doesn’t impact us, outside of the fact that in the event that we have patients that are on a Philips product, they might want a different product. I don't think--we're not seeing that in any large scale, or really any scale for that matter.

So, it shouldn't impact the sleep business anymore. It did in the past when we had to get all of those patients set up on new equipment, be it either a new Philips device that was FDA compliant or some of our other vendors.

This has been going on for a few years, now. And so, the good news is we have adequate sleep providers or other manufacturers who are able to fulfill all of our needs at this point, so no issues there.

As it relates to the vents, the recall is still in place, and I know that Philips and the FDA are working on a remediation. It's very minor, in our opinion, a very minor remediation but one that has taken a long time to get done.

The ability for us to continue to service patients with those ventilators remains, and we are still servicing patients and have been reworking devices. So, the ability for us to continue with that is not at risk, in our opinion. At some point, they won't be in the market of making parts down the road and so forth, but we are planning effectively for that.

I think the best thing though, Eric, is that it's been going on for three years, and we diversified our fleet, at this point. And there are other--there are three other very competent vent manufacturers out there, and we're probably up to roughly 50% of our fleet being non-Philips at this point and only getting larger, every month.

Eric Coldwell

Perfect. Second topic, you alluded to this in the prepared remarks. I've been focused on it. The CMS final rules are actually, I think, a set of three of them in total, one that went live in January, one that goes live, another one that goes live in 2026.

But in general, we're seeing CMS really rein in these Medicare Advantage and managed Medicaid plans for things like improper denials, unnecessary and improper prior authorizations. Also CMS forcing these plans to fully cover everything that's covered under fee-for-service, which was not always the case in the past, providing faster appeals, resolution transparency.

A lot of good things for the DME industry, I believe. I'm curious, you mentioned it could be a good guy.

I'm just curious, do you have any statistics or analysis that might suggest how these tighter rules around the MCOs could actually, quantitatively, impact you? Is that something that is available, and have you seen any impact at this point given the last rule went into effect a couple of months ago?

Casey Hoyt
Yeah, I mean we've seen a little bit of a behavior shift. Everything I have is really anecdotal in terms of stories and approvals. I don't have a number right here in front of me, but I can circle back with you, Eric, on what we're seeing. I predict that the behavior is going to change here with all these final rules now in place. And it's not material at this moment in time but check back in Q2. We might have some metrics there that, hopefully, we see some metrics that are signs of life for improvement on authorizations and they're following Medicare guidelines, which is all they really need to do. So.

Eric Coldwell
Oh, go ahead, please. Sorry.

Todd Zehnder
No, no, that’s it. We're just optimistic about what's going to happen.

Eric Coldwell
Yeah, it can't hurt. I think it's the way we look at it. Last one, just maybe a bit of a reach and a derivative of something that's happening, nationally, with this Change Healthcare cyber-attack. Have you seen any impact in the last two-plus weeks regarding this in terms of any form of patient challenge or customer behavior shift in the marketplace?

It's getting a lot of headlines. I think most of our companies are saying it's probably not going to be a material knock-on effect. But I am curious if you've seen any ripple effect from the challenges that United is having with Change Healthcare and then, therefore, a number of providers are having challenges, as well.

Todd Zehnder
Yeah, I'll take that. I mean, the beginning part of your question is the part that we can definitively say we're thankful nothing has happened. Patient care has not been compromised at all. And so, that's the most important thing. I know, two weekends ago, the pharmaceutical benefits were some issues, and I think that was the first thing they tackled. So, they got that stood up and things are good.

So, we can definitively say we've been able to take care of patients and continue to get authorizations in a timely manner. What will happen is the submission of claims is getting slowed down. We--anything that's going through change has been halted for about the last 10 days. We have, proactively, worked to get through two phases to go ahead and reroute some of our largest carriers to other clearing houses so that we can keep the--really the cash flow coming in.

It's really a delay more than anything. But yeah, it's a disruption to the industry, for sure. We applaud and support their efforts to make sure that it's secure going forward because we take security very seriously around here. So they need to do the right thing; I know they are. In the interim, we are taking the time to go ahead and just reroute payers to make sure we're not negatively impacted from a cash standpoint.

Eric Coldwell
Are you willing to share who you're rerouting to, what other payer switches you're using?

Todd Zehnder
I mean, currently, our--I don't mind saying that currently, the largest reroute is going to Waystar/Zirmed. I think it's one and the same, but that's probably our second largest. And then all of our federal monies are directly with CMS, so that's not impacted.

Eric Coldwell
So you're not anticipating a notable impact on cash flow this quarter, which I think is the knock-on effect that most of our supply chain coverage is focused on, but it doesn't sound like it's a material concern and whatever it is, is likely transitory?

Todd Zehnder
Yeah, assuming that all of our efforts that are ongoing come through and that cash flows are as we are expected, we shouldn't see a material impact. It may slow down some cash for a little while, but nothing that's going to hamper our ability to continue to do anything around here.

Eric Coldwell
Perfect. Let me add my congrats to a nice, continued performance. Good talking to you guys. Thanks very much.

Todd Zehnder
Thanks, Eric. Have a good day, man.

Operator
Thank you. And there are no further questions at this time. I'll hand the floor back to management for closing remarks. Thank you.

Todd Zehnder
Yeah, we want to thank everybody for your interest in VieMed today. And if there are any follow-ups, just reach out to us. Have a great day.

Operator
Thank you. This concludes today's conference. All parties may disconnect.