

# Patient Direct Management Team



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# Company Purpose

**Patient** Direct provides access to healthcare professionals by offering convenient personalized care at an affordable price.



# Current Primary Care Model is Failing

***“1.2 million Tennesseans and 56 million Americans, often in rural areas, do not have adequate access to primary care because there are too few doctors close to home.”***

# Problems Exist for Both *Patients* and *Providers*

## PROBLEM FOR PATIENTS



- Average of **18.5 days** to get appointment
- Complicated health insurance system
- Lack of personal, meaningful care

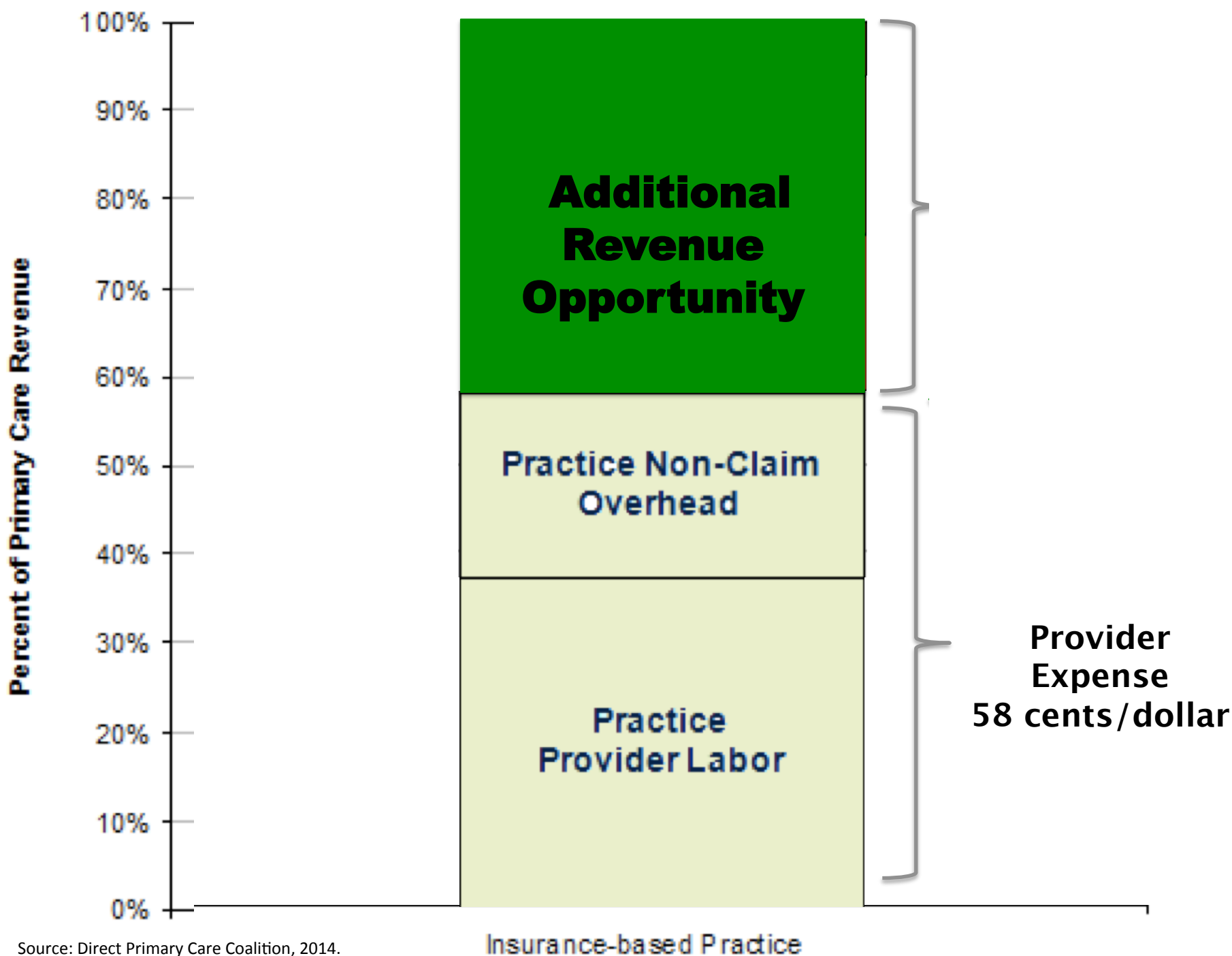
**Result:** Patients use Emergency Room

## PROBLEM FOR PROVIDERS



- Average time with patient **6 minutes**
- Declining salary
- Expected to get worse

**Result:** Providers exit profession



Source: Direct Primary Care Coalition, 2014.

# Affordable Solution for *Patients* Sustainable model to *Providers*

## PATIENT SOLUTION



- Guaranteed access
- No co-pays or deductibles
- Membership model

**Result: Personalized, convenient care**

## PROVIDER SOLUTION



- Reduced workload – 15 patients/day
- Competitive salary
- Stronger margins

**Result: Satisfied providers**

# How Patient Direct Works

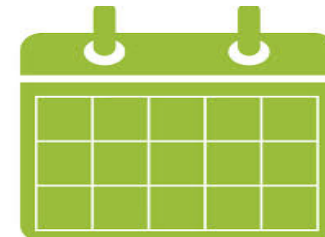


Membership model;  
revenue captured upfront

Personal  
attention



Same or next  
day  
appointments



Advanced care  
at minimal fee



Access to provider  
in office or via  
telemedicine



# Target Patients

## Early Adopters



“My time is my money.”  
– Rick, Franklin, TN



“I don’t know how I  
could squeeze another  
hour into my day.”  
– Christina, Nashville, TN

### Key Demographic Traits:

- Urbanicity: Town/Rural
- Age Ranges: 35–45
- Home Owners
- College + educated

270K Residents  
with Income  $\geq$  \$44,000 in  
8 target counties\*



20% enrolled in High  
Deductible Plans



~50,000 Seeking Access  
Answers



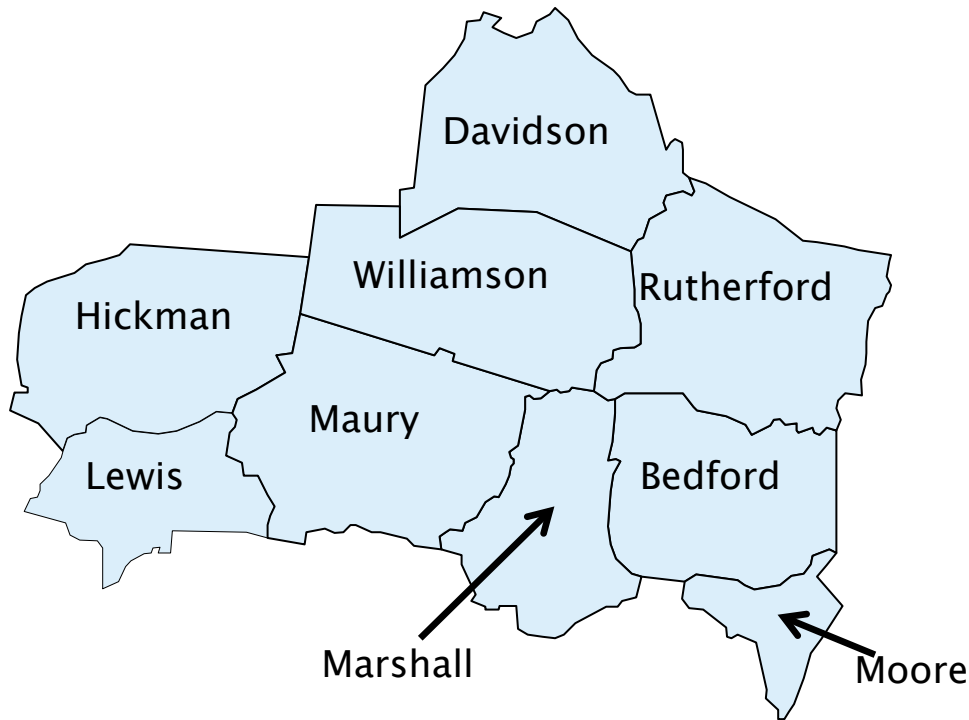
1.6% adoption rate for  
critical first 800 members

\* Target Counties include Bedford, Davidson, Hickman, Lewis, Marshall, Maury, Moore, Rutherford, Williamson  
Sources: Nielson, New England Medical Journal, Federation of American Hospitals



# Target Providers

## Early Adopters



4800 primary care providers in 8 target counties



5% targeted – key influencers, innovators



1.6% conversion for **first 4** key providers



Attract other providers into primary care

# Provider Outreach



Jennifer Rahn, VUMC  
Entering Residency in  
Primary Care

*“The Patient Direct model seems like a great solution as it both serves to bring more providers and coverage to underserved areas, while also lowering the overhead with a promise of greater revenue.”*



# Provider Target List

## Target Criteria

- In region
- Key influencers
- Nearing retirement age



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Dr. Raymond Brewer, MD (Columbia, TN)  
23 years practicing

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Dr. Zachary Hutchens, MD (Centerville, TN) 25  
years practicing

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Dr. Linda Jones, MD (Lewisburg, TN) 24  
years practicing

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Dr. Angela Joynes, MD (Columbia, TN)  
23 years practicing

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Dr. Charles Stimpson, MD (Shelbyville, TN)  
32 years practicing

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# Potential Partners



**BERNARD HEALTH**  
*Rescuing You*



# Market Size

\$6.14B

\$1.73B

\$48M

\$6.14B

- \$80 month x 12 months
- 6.4M Tennessee residents

\$1.73B

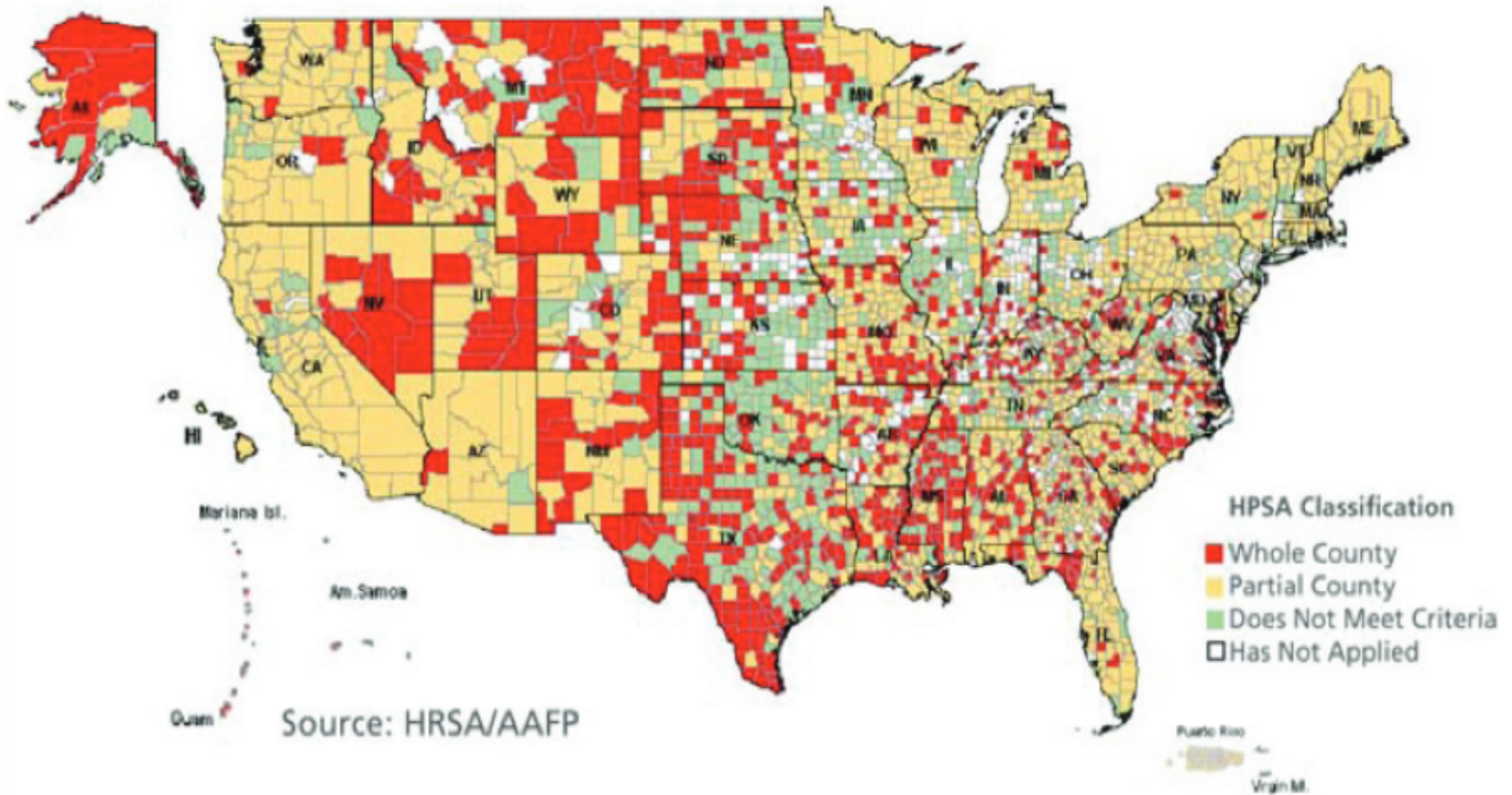
- \$80 month x 12 months
- 1.8M in Nashville region

\$48M

- \$80 month x 12 months
- 50,000 early adopters

**Breakeven  $\approx$  800 patients  
(1.6% of early adopters)**

# Why now?



Nationwide  
crisis

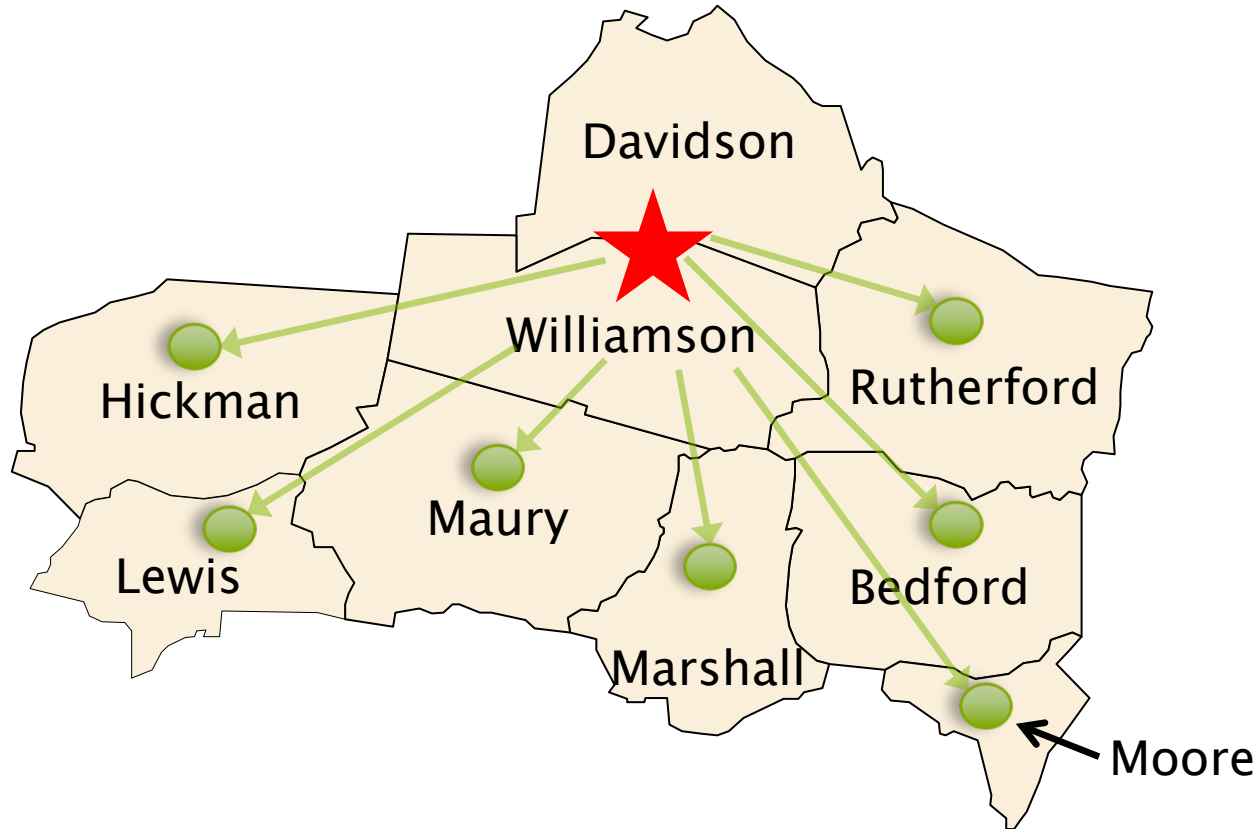
Growth of  
High  
Deductible  
Plans


Consumers  
demand  
convenience


# New business models are emerging to address the problem in primary care

	Patient Direct	MedLion Direct Primary Care	MDVIP	FAST PACE URGENT CARE CLINIC	CareSpot TriStar Health	PCP Office
Monthly subscription model to solve access						
Access to provider within 36 hours						
Cash only (Direct Pay)				Cash & Insurance		
No Copays or Deductibles		\$10 office visits				
Personalized Care						Varies
Tennessee Network						

# Patient Direct Model Overview



 Central location staffed by Doctors

 Separate locations staffed by Nurse Practitioners and Registered Nurses



# Model Overview

**Revenue Captured Upfront Every Month**

**Pre-Visit**

Same Day or Next Day Scheduling



**Patient Visit**

30 to 40 minutes with provider



**Post Visit**

Patient Friendly Follow Up



# Revenue Streams

Membership Fee  
Average \$80 per month

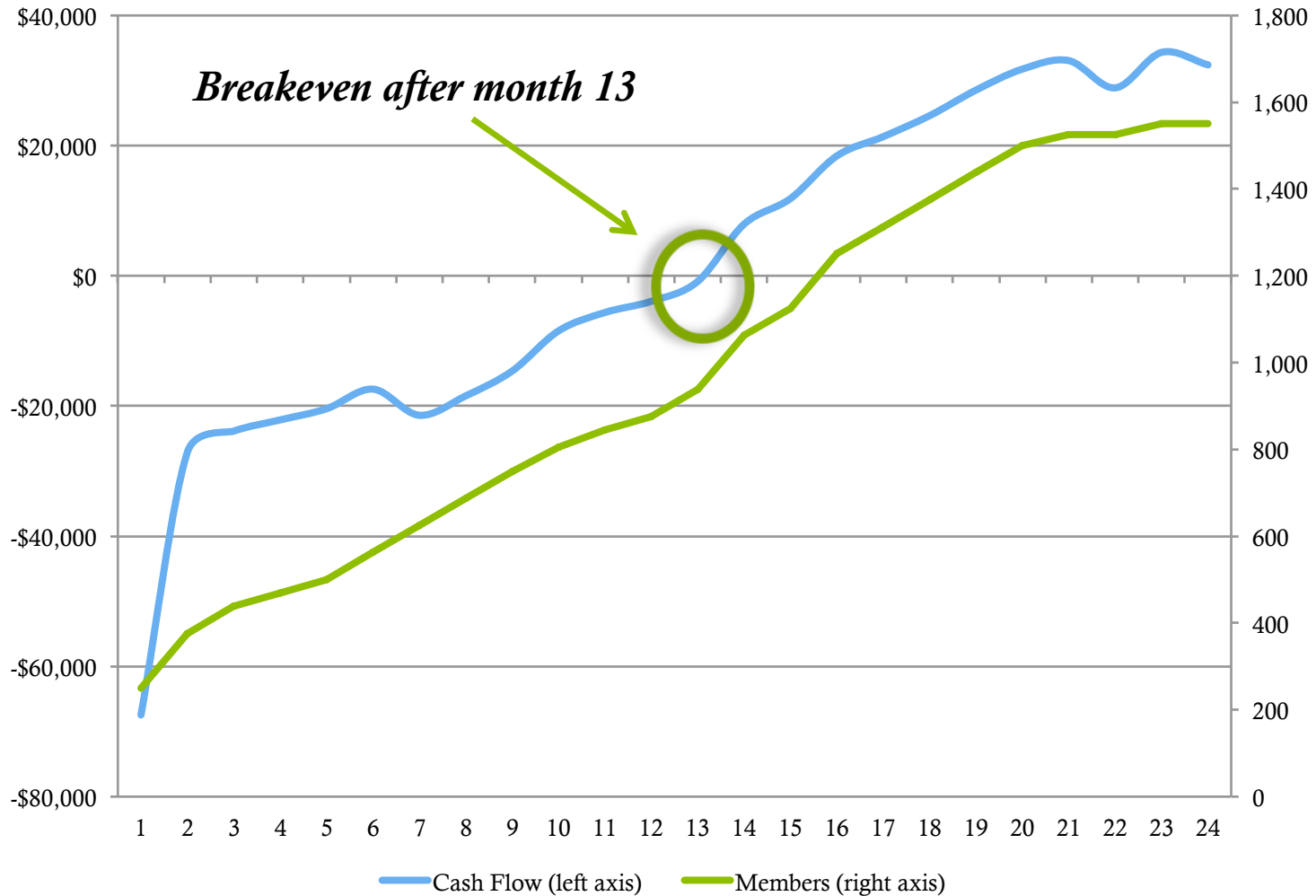


Advanced Care  
15%–20% margin

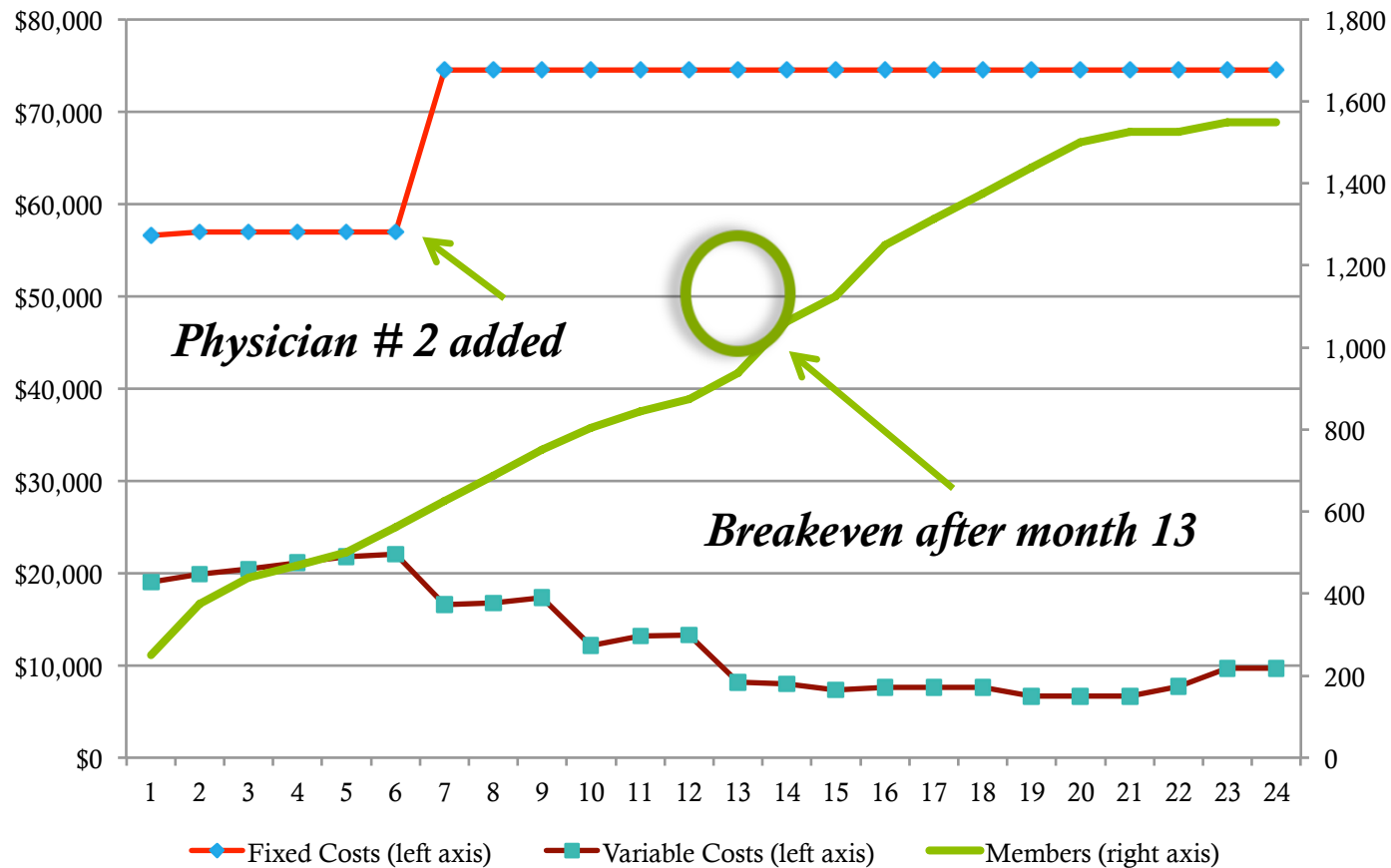
Joining Fee  
\$99 one time



# Economics Highly Correlated with Member Acquisition



# Cost Structure for 1 Hub and 1 Spoke



# Uses of Cash & Operating Metrics

<u>Line Item</u>	<u>Hub Uses of Cash:</u>	<u>Spoke Uses of Cash</u>	<u>Total:</u>
Salary Expense	424,167	120,000	544,167
Marketing Expense	135,000	28,000	163,000
General & Administrative	103,600	57,960	161,560
Capital Expenditure	28,000	11,000	39,000
Insurance	42,083	15,000	57,083
<b>Total</b>	<b>\$732,850</b>	<b>\$231,960</b>	<b>\$964,810</b>

<u>Operating Metrics</u>	<u>Hub</u>	<u>Spoke</u>
BreakEven (members)	625	205
BreakEven (monthly)	\$50,000	\$16,400
Maximum # of members per facility	1260	400
Operating Margin @ Capacity (1 physician)	27%	40%
Operating Margin @ Capacity (2 physicians)	38%	N.A.

# Key Metrics & Assumptions

	Q1:15	Q2:15	Q3:15	Q4:15	Q1:16	Q2:16	Q3:16	Q4:16
Hub Members	350	450	600	700	900	1,100	1,200	1,200
Spoke Members	88	113	150	175	225	275	325	350
<b>Total Members</b>	<b>438</b>	<b>563</b>	<b>750</b>	<b>875</b>	<b>1,125</b>	<b>1,375</b>	<b>1,525</b>	<b>1,550</b>
<i>Sequential Growth</i>		28.5%	33.2%	16.7%	28.6%	22.2%	10.9%	1.6%
Overall Gross Margin	94.9%	92.4%	92.4%	91.6%	93.6%	94.3%	95.0%	95.6%
Overall Operating Margin	-161.4%	-80.4%	-54.4%	-17.7%	9.7%	29.0%	38.0%	40.1%
Net Income	-124,805	-89,172	-84,416	-32,698	24,264	87,318	128,818	138,330
Free Cash Flow	-\$118,369	-\$59,963	-\$54,498	-\$18,030	\$18,909	\$64,350	\$93,280	\$101,392
Cash on Balance Sheet	\$381,631	\$321,668	\$267,170	\$249,140	\$268,049	\$332,399	\$425,679	\$527,071

# The Ask

**\$500,000 for Patient Direct**

**Salary Marketing Infrastructure  
Technology**

# Return Sensitivity to EBITDA Multiples

Exit Value				
2016E EBITDA	\$420,340	\$420,340	\$420,340	\$420,340
Multiple	8.0x	10.0x	12.0x	14.0x
<b>Value</b>	<b>\$3,362,720</b>	<b>\$4,203,400</b>	<b>\$5,044,080</b>	<b>\$5,884,760</b>



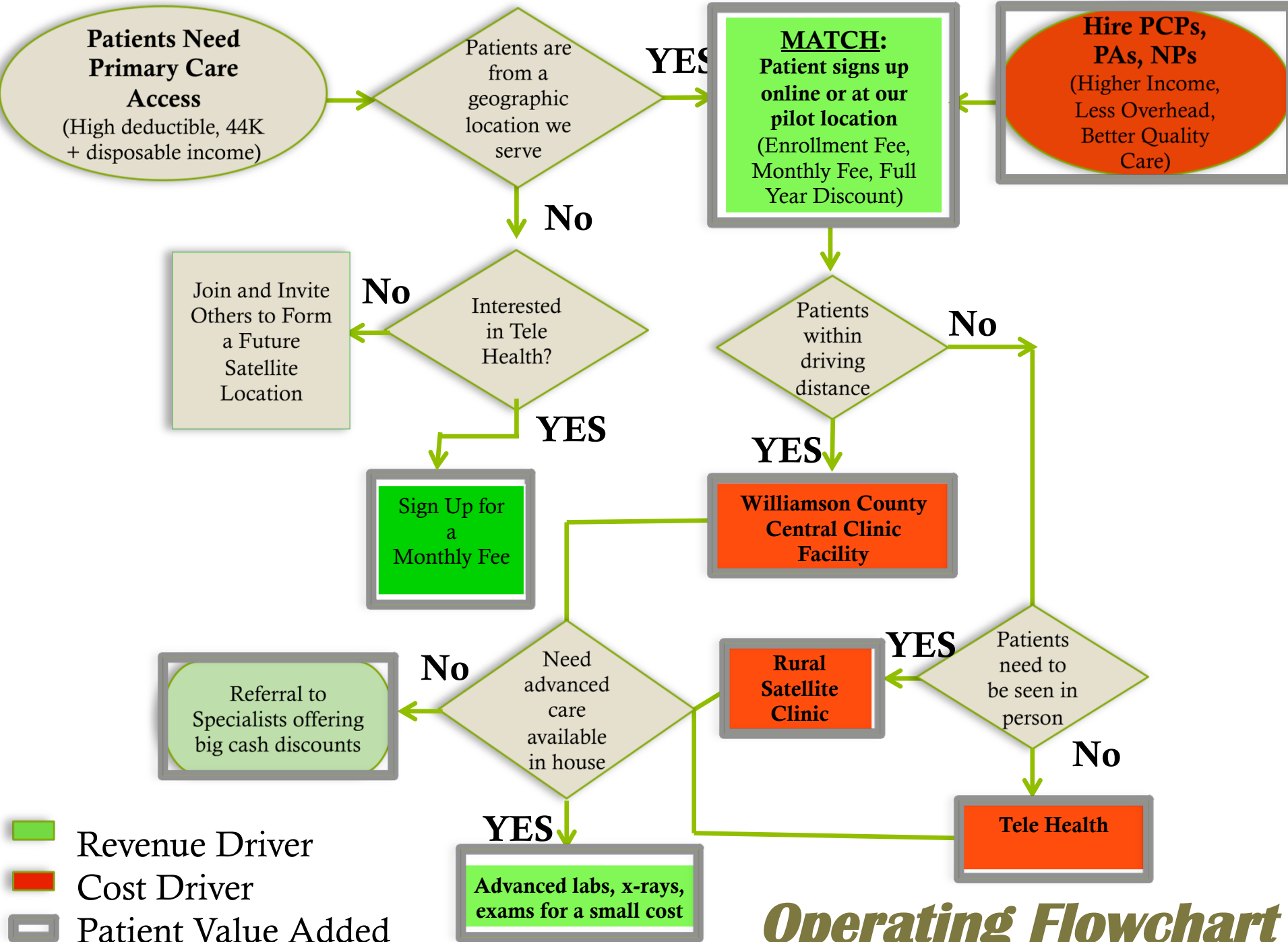
# Why can we sell this for +12x?

Buyer	Seller	Date	Value	EBITDA	Multiple	Margin
Community Health Systems	Health Management Associates	1/27/2014	\$7,716	\$484	15.94x	0.82%
Texoma Healthcare Systems	Pyschiatric Solutions	5/31/2007	\$425	\$37	11.58x	10.56%
Tenet Healthcare	Vanguard Health Systems	10/1/2013	\$4,818	\$525	9.17x	4.87%
<i>Average</i>					12.23x	5.42%

- **Business model superior** – no working capital requirements
- **Significant Operating Leverage**
- **Model is Scalable**

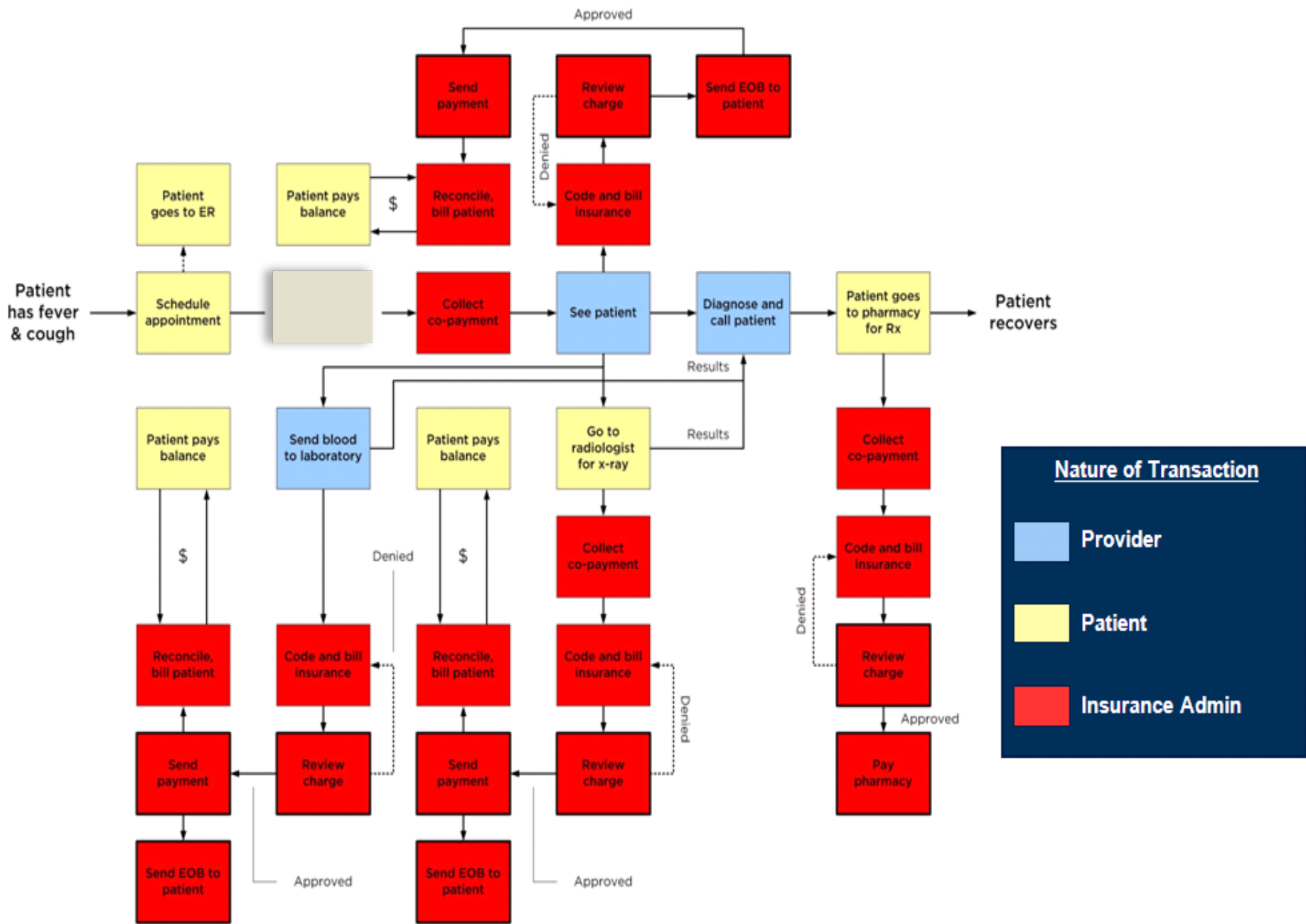
# Patient Direct

## Appendix

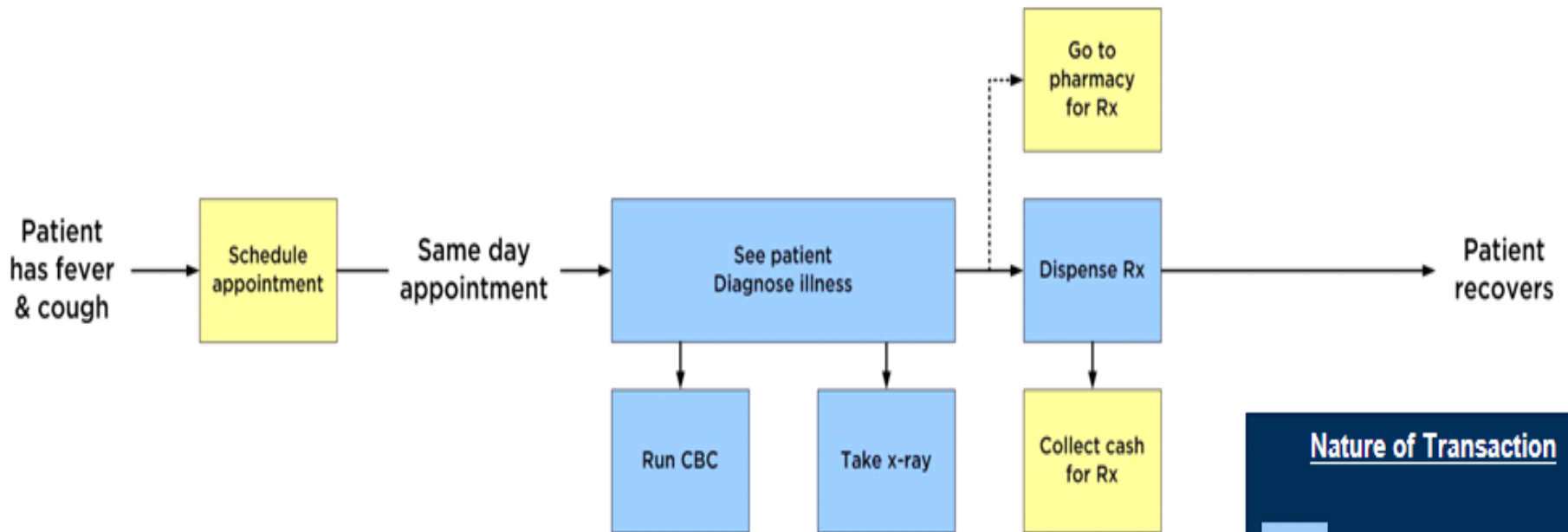


**Operating Flowchart**


# Insurance-based Visit: Possible Pneumonia





# Direct Primary Care Medical Home Solution: Possible Pneumonia



## Nature of Transaction

 Provider

 Patient

 Insurance Admin

# Services Included

## Services Overview

- Anytime access to a practitioner by mobile phone/telemedicine
- Unlimited emails & phone calls to office
- Unlimited clinic visits during regular hours
- Yearly Wellness + Prevention Planning
- Labs & diagnostic tests (cholesterol, diabetes testing, strep)
- Medical equipment lease (crutches, etc.)
- Yearly flu shot
- Access to discounted, *wholesale pricing* on non-covered services (labs, [meds](#), procedures, immunizations etc.)

## Urgent Care

Colds & flu  
Gastroenteritis  
Strains & sprains  
Simple fractures  
  
Rashes & skin abscess  
UTI & yeast infections  
Unexplained symptoms

## Chronic Diseases

Diabetes  
High blood pressure  
High cholesterol  
Thyroid disorders  
Asthma & COPD  
Allergies & eczema  
Depression & anxiety  
Migraines

## Wellness/Prevention

School/sports physicals  
Work/DOT physicals  
Screening tests  
Pap smears  
Weight loss counseling  
Fitness counseling  
Smoking cessation  
Travel consultation

# Revenue Drivers

## Membership Fee

- Primary source of revenue
- Reoccurring monthly fee
- Covers routine office visits
- Discounts for 6 or 12 month advance payment
- Family discounts
- Fee based on patient's age
- Monthly fees range from \$60 – \$150 per month

## Enrollment Fee

- Secondary source of revenue
- One-time fee
- Family discounts
- If a member leaves and rejoins, have to re-pay this fee
- Helps maintain stability and commitment
- Fee range from \$40 – \$100 per patient

## Advanced Care

- Secondary source of revenue
- Items not covered with monthly membership fee
- Costco model of charging low margin to cover costs (15% margin)
- Always transparent about these costs
- Examples: mole removals, skin biopsies, joint injection (steroid)

# Uses of Cash & Operating Metrics

## Uses of Cash First Year

	<u>Hub Uses of Cash:</u>	<u>Spoke Uses of Cash:</u>	<u>Total:</u>
Physician Salary Expense	\$270,000	\$0	\$270,000
Management	85,000	0	85,000
Nurse	50,000	90,000	140,000
Marketing Expense	135,000	28,000	163,000
Receptionist Expense	30,000	30,000	60,000
Office Lease Expense	69,000	36,000	105,000
Equipment Lease	9,600	3,168	12,768
Supplies & Materials	2,000	996	2,996
Capital Expenditure	28,000	11,000	39,000
Utilities	13,000	7,800	20,800
Billing Software	10,000	9,996	19,996
Insurance	44,583	15,000	59,583
<b>Total</b>	<b>\$746,183</b>	<b>\$231,960</b>	<b>\$978,143</b>