

Leverage Expected CMS Payments for a Working Capital Loan

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Panelists:

Ben Rutkevitz - V.P.

Leon Chernyavsky - Partner



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Educational Webinar Series

Why Does a Value Based Organization Need Financing?

- Risk Based Programs, i.e. MSSP
 - Pay once a year
- Capitated Payment (PCC, TCC, APO)
 - Monthly
 - May not be enough to fulfill a growth plan
- CMS benchmark guaranty via letter of credit or line of credit
- Capital Intensive Business
 - Overhead
 - Staff/Team Case Management
 - Data delivery
 - Informatics

Presenter's Background



Ben Rutkevitz – Senior Vice President, Business Development

Ben has been leading Alleon's origination efforts since inception. Prior to that he was a business development officer of a bridge lending hedge fund. In his spare time Ben attends meditation retreats and spends time with his wife and two children.



Leon Chernyavsky – Managing Partner

Leon is one of Alleon's managing partners and has been at Alleon since inception. He believes that lending needs a human touch and must make a difference for the client. Prior to Alleon he ran a hedge fund that made commercial real estate loans. Leon's hobbies include tennis, DJing house music and skiing with his wife and children.

Alleon Healthcare Overview

- Operating since 2009
- Focus on medical providers, ACOs, DCEs, ACO Reach, IPAs, and MSOs
 - Funded over 200 providers
 - \$500MM+ deployed
- Products offered
 - A/R Line of Credit
 - Term Loans
 - Special Situation Loans

What are Financing Options for Value Based Organizations?

- Traditional Banks
 - Pros
 - Local or National presence
 - Low interest rate
 - Trusted partner
 - Cons
 - Strict requirements/covenants
 - Typically require additional collateral, i.e. real estate
 - Lengthy and bureaucratic process
 - Require minimum years in business, typically three
 - Require positive EBITDA
 - Inability to understand risk based agreements

What are Financing Options for Value Based Organizations? (continued)

- Non-bank Asset Based Lender
 - Pros
 - Specialized lender that understands medical A/R, Revenue Cycle Management, and Risk Based Agreements
 - Flexible Terms with light covenants
 - Quick due diligence and speedy closing, i.e. average 3 weeks
 - Likely does not require positive EBITDA
 - Ok with credit blemishes
 - Cons
 - Pricier than a bank
 - Less known

What are Financing Options for Value Based Organizations? (continued)

- Equity
 - Pros
 - Could be a strategic partner focused on growth
 - No interest expense - leads to higher cash flow
 - Cons
 - Costly
 - May have a different time horizon for exit
 - Lengthy due diligence and underwriting process
 - Potential unfavorable restrictions for management/founders
 - Track record needs to be established to secure favorable terms
 - Size matters

Case Study

- Value-Based Healthcare Organization
- Operating in Southeast USA
- Transitioning from DCE to ACO Reach
- Needed working capital to assist in transition and to meet deficiency owed to CMS
- Seeking \$3MM

Case Study (continued)

- Deal Structure:
 - Senior secured loan
 - Term: 1-3 years
 - Borrowing base made up of three months of capitated payments
 - Advance rate: 80%
 - Amortization over 12 months, with option to re-borrow
 - Cash Dominion
 - DSCR: TBD
 - Guaranty: TBD

What is the Financing Process Like?

- Initial call
- HIPAA/NDA
- Application and initial due diligence to determine revenue stream from CMS
- Term Sheet
- Third party background searches
- Underwriting
- Legal
- Closing/Funding

Sample Document List

- Ownership Structure
- Business Name Verification
- Employee Org Chart
- CMS Contracts
- Medical License Verification
- Business/State operating License
- Access to 4i portal
- Copies of tax returns for most recent two years
- Copies of Financial Statements
- 12 months of bank statements
- Copy of Policies and Procedures
- Copies of all correspondence for any audits

Underwriting Focus

- Management team experience
- Compliance with CMS requirements
- Reporting
- Historical performance
- Financial strength

Q&A

Visit our virtual booth at VBCExhibitHall.com



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