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IOM.V - Q2 2020 Assure Holdings Corp Earnings Call

EVENT DATE/TIME: AUGUST 31, 2020 / 9:30PM GMT

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PRESENTATION

Operator

Greetings and welcome to Assure Holdings Second Quarter 2020 Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host Scott Kozak, Assure's Director of Investor and Media Relations. Thank you. You may begin.

Scott Kozak - Assure Holdings Corp. - Director of Investor & Media Relations

Good afternoon, and thank you for participating in today's conference call to discuss Assure Holdings' financial results for the second quarter ended June 30, 2020. Joining us today Assure's Executive Chairman and CEO, John Farlinger; CFO, Trent Carman; Assure's Founder and Director, Preston Parsons; Alex Rasmussen, Senior Vice President of Operations; Sean Blosser, Vice President of Revenue Cycle Management; Stephanie Krouse, Vice President, National Technologist Manager; Paul Webster, Vice President of Managed Care; and Gary Bennett, Vice President of Revenue.

Before we start, please note that remarks on this conference call may contain forward-looking statements within the meaning of applicable securities laws about Assure's current and future plans, expectations, intentions, results, levels of activity, performance, goals or achievements or any other future events or developments.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made based on factors that management believes are appropriate and reasonable in the circumstances. However, because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control, and there can be no assurance that such estimates and assumptions will prove to be correct.

Many factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements. As a result, Assure cannot guarantee that any forward-looking statements will materialize, and you are cautioned not to place undue reliance on these forward-looking statements. Except as may be required by law, Assure has no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

During this call, we may refer to certain metrics such as adjusted EBITDA, equity method of investment in provider network entities or PNEs, managed cases and number of procedures, which are non-IFRS measures that do not have any standardized meaning under IFRS and are, therefore, unlikely to be comparable to similar measures presented by other issuers.

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Please note that our share reports in U.S. dollars and all dollar amounts to be expressed today are in U.S. currency. I would like to remind everyone that this call will be available for replay through September 14, starting at 8:30 p.m. Eastern Time today. A link to a webcast replay of this call is also provided in the earnings press release. Any redistribution, retransmission or rebroadcast of this call in any way without the expressed written consent of Assure Holdings is strictly prohibited.

Now I would like to turn the call over to the Executive Chairman and CEO of Assure Holdings, John Farlinger. John?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Thank you, Scott, and good afternoon, everyone. I hope all of you, your family and friends continue to stay healthy and safe during these challenging times.

Moving to the second quarter and now in the third quarter, we continue to make progress on our business, financial and operational strategies while keeping the safety of Assure team members at the forefoot.

Assure recently announced developments that provide the company with a foundation for near-term and long-term stability and growth, but before discussing this progress, I want to share some comments on factors that materially and negatively impacted second quarter results.

The first factor was the reserving of a significant amount of our accounts receivable and the adjustment of our revenue accrual rates. During our biannual true-up process that drove the proactive decision to reserve additional claims, which have not yet aged 2 years, but that we believe it will be difficult to fully recollect before they reach that threshold later this year. This reflects the lingering impact of poor performance from the legacy third-party billing provider that was terminated. Relatedly, we reserved our outstanding receivables aged 2 years. Trent will provide greater detail and color on this shortly, but I will comment that revenue accrual and accounts receivable represent Assure's biggest challenges and its greatest opportunity.

Over the past 2 years, we have been employing best practices methodologies to review cash collections. Every 6 months, we look at collection results from 24 months ago and use that data to set accrual rates and value accounts receivable. Downward pressure from recent collection results and our data on revenue per procedure trends reflected a changing landscape and warranted significant adjustment to current financials as well as a greater than 50% reduction to technologists-related accounts receivable expectations going forward.

While I believe that we have largely completed the heavy lifting associated with our accounts receivable cleanup, I think it's even more important to note that Assure has also begun to transition away from the out-of-network billing model that is generating downward pressure in the average payment per procedure from commercial insurance companies throughout the entire interoperative neuromonitoring industry. We have done so by reaching contractual terms and conditions with payors on new in-network agreements that will deliver better and more predictable results with less volatility.

The second contributing factor was the steep COVID-19-related decline in elective procedures that began in March and accelerated in April. While this is lingering on in certain markets during the rest of the second quarter and beyond, our overall case levels have returned to pre-pandemic levels in May and have remained as such through August and now going into September.

The third factor was the impact from the continued reserving of claims associated with a private health insurance company that we previously disclosed and which was significantly written off as of December 31, 2019. This reserve is mainly associated with the payor's Louisiana affiliate, which failed to reimburse the company despite Assure providing outstanding services. Our accrual forecast currently reports almost $0 under all of these claims, which clearly has an impact on results. Negotiations with this payor have restarted and Assure is confident that the education we have provided to the insurer of the value of our services will ultimately result in a recovery of a portion of these claims. Our goal on this matter is to settle this dispute, receive a payment and negotiate a new in-network agreement with this payor.

With this context, I will now update you on important recent developments.

Firstly, in August, Assure strengthened its balance sheet and secured capital needed through ongoing expansion by closing a $6.5 million loan facility. The facility includes a $4 million term loan and a $2.5 million line of credit. We were able to strike this deal at an interest rate of 5.25%, which we view as highly attractive for an emerging growth company. This replaces and more than doubles the capacity of our previous $3 million loan facility. Our ability to close this new facility is a testament to the improvements we have made in collecting cash and our progress in expanding the company's platform. Given the uncertainties associated with the global pandemic, we are pleased to increase our financial flexibility. It also offers access to capital as we accelerate our next phase of growth.

Secondly, our development of an in-network revenue stream is accelerating. In mid-August, Assure entered into an in-network agreement with the largest health insurer in Michigan. Between this agreement and another we signed in June with First Health, and the third-party agreements we struck and the deal with Aetna Michigan last year. We now have approximately 20% of Assure's overall commercial volume in contractual rates with the payors, either directly or indirectly.

What does that mean? In-network agreements help Assure reduce risk, minimize complexity, protect our liquidity and accelerate the timing of payments. On cases performed for patients covered by these insurers, collections on claims will be reduced from several months to more than a year on average, all the way down to 30 to 45 days and payments will be made at set reimbursement rates.

Thirdly, we've recruited new leaders into the organization, delivering the skills and experience that Assure needs as we enter the next phase of our development. This includes Gary Bennett, our new VP of revenue. Gary has 30 years of experience at Boston Scientific and Johnson & Johnson. His responsibilities at Assure will include all aspects of revenue growth, including organic growth, driving our offering of selling to hospitals directly and rolling out our digital marketing programs aimed at distributors, surgeons and medical facilities.

Another member of this group is Sean Blosser, who joined us in April and is leading our 17-person in-house billing and collections department. Sean and his team are focused on accelerating the company's cash collections, lowering accounts receivable and reducing days sales outstanding.

Preston will discuss 2 additional hires, Ramesh Vijay, our Director of Education; and Mariah Woods, a new Director of Onboarding later in the call. Both are highly skilled executives with significant health care experience.

These brief examples combined with improving cash collection metrics and new business opportunities that I will discuss shortly demonstrate that Assure has set the foundation needed to rapidly expand the company's platform. We are adding competencies and differentiators that will accelerate our race to scale.

Myself and the entire management team at Assure are excited and encouraged with how far the business has come and our trajectory for future growth. Next, I'll transition to advance as we are making on our 3 corporate objectives. As a reminder, they are: number one, improving the performance of our billing and collections function; number two, developing an in-network revenue stream; and number three, scaling our platform through both organic growth and M&A activity.

I'll first address the progress of our billing and collections objective. Assure's revenue cycle management team has made substantial progress since fully taking over this function in February of 2020 with respect to billing in a timely fashion, making appeals and negotiating and adjudicating claims. We have also invested heavily in this function. From the hiring of Sean Blosser, that I mentioned earlier, to migrating to a platform that will automate and integrate our formerly entirely manual revenue cycle management process. We expect to complete the automation process by the end of September. Among other advantages, this will facilitate the electronic transfer of data between Assure and its payors. This will substantially improve information flow and communication and be an important efficiency driver.

This is particularly important because our business model has evolved from one, with a few years ago was driven by collecting larger receivables on a small number of cases to one in which we are collecting smaller receivables on a significantly greater portion of the cases we cover. While at the same time, accumulating a relatively higher share of the professional revenue. We're already seeing the positive results from these changes.

For the first 6 months of 2020, excluding cash collections from PNEs or professional interoperative neuromonitoring services, which are recorded separately assure collected more than $6.9 million and a record $4.0 million in the second quarter alone. This compares to collections of $4.5 million in the first half of 2019 and $2.0 million in the second quarter of 2019.

In addition, the company has generated positive cash flow for 5 consecutive months from March through July of 2020, and we see that trend accelerating in the second half of the year. This, in part, reflects Assure's success collecting from our significant backlog of legacy cases in which services were provided, but we had not yet been compensated. The company has already collected over $1.2 million of previously reserved receivables relating to 2016 and 2017. This has been categorized as net new revenue and income in 2020 as these amounts had previously been written off and reserved.

A question many will be asking is whether Assure expects to collect on 2018 claims it is writing down in a similar manner. The answer is, absolutely. We expect to recover a meaningful portion of these claims. However, we acknowledge that this process will take time and may extend beyond the balance of this year to produce the results that we anticipate. Remember that we rebuild all the 2018 claims in March and April this year and expect the recoveries to be material and to extend for the balance of 2020 and through 2021.

We recognize and emphatically agree that important work remains in terms of revenue cycle management. However, we are confident that Assure is making the advances necessary to improve collections, drive accounts receivable lower and reduce days outstanding.

Our second key corporate objective is the development of an in-network revenue stream. As I referenced earlier, Assure is building out our in-network revenue stream because providing entirely out-of-network health care services frequently results in a much longer revenue collection cycle and a higher likelihood of denied claims.

I'm pleased to report that we are gaining traction on this front. As I mentioned in August, we signed an agreement with the largest commercial health insurer in Michigan. Given the size and scale of this insurer, the deal also represents a competitive advantage for Assure in that state. We intend to expand our presence in this market and are currently in discussions regarding adding additional surgeons to our platform in Michigan. In addition, we signed an in-network insurance agreement with First Health Group, a third-party administrator during the second quarter.

I also want to point out that a few of our interoperative neuromonitoring peers have the scale in terms of procedure volume nor the organizational expertise to strike similar deals. Further, Assure will leverage these agreements as a framework to negotiate similar contracts in the future. In fact, we anticipate growing another 10% of our commercial insurance volume in-network by the end of 2020. If we are successful, approximately 30% of Assure's commercial insurance volume, on a run rate basis, will be supported by in-network agreements by the end of the year 2020.

We are working to maximize our in-network revenue by aggressively securing direct contracts with payors as well as striking agreements with multi-plan aggregators. Agreements with the terms we are seeking become more attainable as we bring greater scale in terms of procedures into the negotiating discussions. This fits with our third objective, which is expanding Assure's scale through both organic growth and M&A.

Assure's pursuing a host of opportunities to accelerate our growth. These include: firstly, expanding into additional states, such as Arizona, which we entered into in the second quarter and extending our presence within states where we already maintain a significant presence.

Secondly, building a platform for selling to hospitals directly. The costs and disruptions hospitals are experiencing, as a result of COVID-19, are opening the door for a value proposition that Assure is marketing as an outsource provider of interoperative neuromonitoring services.

Thirdly, driving more revenue and capturing more margin from our professional bills. We're improving performance in this area by negotiating a larger share of the professional bill with new surgeons. We're adding to the platform as well as negotiating revenue shares agreements with the existing surgeons in our network.

In addition, before the end of 2020, we intend to augment our professional revenue by bringing an offsite neurologist function within the organization. This will be particularly impactful because the professional bill is generally paid faster, at a higher rate, and with less friction than the technologists bill.

The fourth and final element of our growth strategy is the upcoming launch of an emerging business development initiatives, including the rollout of our channel program, aimed specifically at distributor outreach. We already have contracts signed with a number of medical device distributors and expect to sign numerous additional partners through this effort.

Several of these growth initiatives will be driven by Gary Bennett, Assure's newly hired VP of revenue. Gary will be responsible for planning, scaling, directing and evaluating revenue opportunities. Gary owns an extensive track record of delivering results from the sales teams he mentors as well as his demonstrated expertise in strategic planning, marketing, development, forecasting and attainment.

Now, providing current and forward-looking perspective regarding the operational impact of COVID-19. As I mentioned, beginning in May and extending through August, we have seen a return to case volumes equivalent to or exceeding the averages experienced in January and February prior to COVID-19 becoming an epidemic. While our overall business has come back, we have seen disruption in particular states as COVID-19 cases have increased in certain parts of the country. To date, we've been primarily impacted in Texas with a pullback of approximately 15% in terms of procedures. COVID-19 has also delayed our anticipated expansion in the Arizona. Assure's continued to carefully monitor the impact of COVID-19 in all states within our operational footprint.

Two further points on case counts. Firstly, we anticipate that the majority of the procedures postponed in March and April will be scheduled for later dates in 2020. Secondly, the conversations we are having with our surgeons suggest a strong desire to proceed with existing surgeries wherever possible. Finally, I'll discuss Assure's efforts to strengthen our balance sheet and liquidity. The company received $1.2 million in unsecured funding from the payment protection program. We anticipate that a significant portion or all of this loan will be forgiven, hopefully in the third quarter of 2020. The company is just waiting on final guidance from the federal government before submitting our forgiveness application. More recently, as I mentioned previously, we leveraged our improved cash collection performance and expanded platform to execute a new $6.5 million facility. In addition, between December and June, Assure raised a total of $3.45 million across several tranches of a convertible debt offering.

In total, Assure has raised approximately $11 million in fairly nondilutive funding since December of 2019. These funds were primarily used for payments associated with the acquisition of Neuro-Pro and other expansion efforts including extending our footprint into new states.

Although our second quarter financial results did not meet our expectations, we have taken steps to remedy this. And I'm very proud of our greatly improved balance sheet flexibility that was bolstered by our newly expanded credit facility as well as our cash collection improvements. The second quarter was impacted by a cleanup of the residue from our legacy billing issues. We're optimistic and focused on delivering against each of our objectives in the second half of 2020.

In terms of our operational outlook, notwithstanding the impact of COVID-19 and the ongoing uncertainty, the company has continued to forecast total procedures for full year 2020 to exceed 10,000. A record number, representing more than a 55% increase in cases compared with 2019.

As a final note, Assure is evaluating the filing of a registration statement on Form S-1 with the U.S. Securities and Exchange Commission in 2021 as we evaluate up listing to a major U.S. exchange.

Now I'd like to pass the call to Trent Carman, our CFO. Trent?

Trent J. Carman - Assure Holdings Corp. - CFO

Thanks, John, and good afternoon to everyone joining us today.

In order to better understand the reserves that we have recorded in quarter 2. I want to walk everyone through some history and the methodology that we have used to record revenue and collection allowances in the past.

Assure has historically been an out-of-network provider of health care services. For our patients that have private insurances as their primary health care payor, we have billed their private insurance company for our services. Depending on the type of health care coverage and which specific insurance company the patient has, our reimbursement has varied significantly.

Until the autumn of 2019, Assure exclusively utilized the services of a third-party billing and collection company. The practices employed by this company led to volatile cash collections and, in our opinion, many cases not being properly worked.

At the end of 2018, the company adopted a revenue accrual and an accounts receivable collection estimation policy that looked at cumulative cash receipts for all cases that were between 25 and 36 months old. Any differences between the collection estimate and the amount for each open accounts receivable was adjusted in the period that the collection estimate was updated.

The 25 to 36 month time period was selected primarily because our legacy third-party billing company did not send out bills on a timely basis. Also, private insurance companies do not typically pay out-of-network bills in a timely fashion - they look to drag these bills out and pay very little for the claims. When we evaluated the collections for our cases, almost all of the collections occurred by the time the case was between 24 and 36 months old.

Our collection estimate has historically been updated semiannually. The company followed this policy at June 30, 2019, and December 31, 2019, and the revenue accrual rates and the accounts receivable balances were adjusted at those time periods to reflect the change in the collection estimate.

At June 30, 2020, the company updated its collection estimate in a similar fashion, i.e., based upon cumulative cash receipts for cases that occurred between July 1, 2017 and June 30, 2018. This update identified about a 10% degradation from the collection estimate calculated as of the end of 2019.

In addition to looking at just collections for July 1, 2017 to June 30, 2018 cases, the company looked at its more recent collection trends, specifically those cases that were between 13 and 24 months old. The collection trends on these cases was below those for the cases, 25 to 36 months old.

While the company is aware that not all of the billing and collection activities associated with cases between 13 and 24 months old have probably happened. The likelihood of material additional cash receipts on these cases is limited. Additionally, looking at collection trends for cases that were less than 13 to 24 months old were less reliable as the company had terminated the legacy billing and collection company during this period and because the company had just started its own billing and collection department in early 2020, and that department was only beginning to ramp up as of the end of the second quarter.

Rather than keeping with the policy of estimating cash collections based upon cases 25 to 36 months old, the company decided to take a conservative approach and proactively change its collection estimation policy effective June 30, 2020, to use cases that are between 13 and 24 months old for purposes of calculating the collection estimate.

This change in collection estimate resulted in additional collection reserves during the second quarter of approximately $15 million. While this change is painful, we believe that the company's accounts receivable reflect our collection estimate.

As a side note, the new collection estimates are close to the in-network contract rates that the company has recently negotiated. Additionally, we believe that the new collection estimates are more in line with what our competitors are experiencing.

Going forward, the company plans to update the collection estimate quarterly. This will reflect more timely information, and it will reduce the magnitude of future adjustments to the downside.

I want to emphasize that even with this collection estimate adjustment, Assure is developing and scaling an extremely valuable recurring revenue business. We are converting our rapidly increasing case volume and improving cash collection experience to expand our platform and take advantage of a substantial market opportunity in the interoperative neuromonitoring space.

Now I will turn the call over to Preston Parsons, who will provide an update on developments driving Assure's future growth.

Preston Thomas Parsons - Assure Holdings Corp. - Founder & Director

Thanks a lot, Trent, and good afternoon, everyone. I will highlight a few initiatives we're advancing as we support our platform for future growth as well as a few things we're working on to help with some of the issues John discussed earlier.

The first initiative I will discuss is Assure's new education and training program for technologists. To provide brief context, there are approximately 5,000 trained certified IONM technologists in the U.S., and it's a highly competitive hiring environment. Building our own talent pipeline is essential to maintaining our clinical and service excellence. This program will also help us alleviate the bottleneck of trained certified IONM technologists and staff our emerging growth opportunities.

Assure is one of a small handful of IONM companies to establish an education and training program. We are excited to have recruited Ramesh Vijay into the organization to lead this effort. He previously served as an educational leader and IONM technologists at multiple organizations, including Specialty Care. Ramesh has also worked as an instructor and clinical research in higher education in Harvard Medical School, the University of Louisville, and most recently, as an assistant professor in the Department of Pediatrics at the University of Chicago.

Our program will include instructing newly hired technologist candidates via didactic courses, clinical training and board preparation. The goal will be for these candidates to then pass the CNIM board exam and ultimately enter the Assure workforce. This will also give us the added benefit of teaching and ingraining the Assure policies and procedures for technologists from day 1 of their training. Assure's policies and procedures are well above industry standards. It will also foster the development of continuing education and advanced training for current technology.

In addition, Ramesh's background in clinical research will make him an important contributor on research projects that we will be launching in collaboration with surgeons at the internationally renowned Texas Back Institute.

Importantly, we believe the relationship with TBI and the related research we produce together will support Assure's efforts to sign in-network agreements and advocate for the value we provide given the importance payors put on data-driven studies relating to IONM efficacy, safety, cost saving and improving patient outcomes.

Recent conversations with insurance companies have confirmed the significant need for education on the value of interoperative neuromonitoring generally, and Assure specifically brings to patients and surgeons as well as the medical necessity of IONM and its financial value to payors. This is something the IONM industry has not done a very good job of the faith and Assure is stepping forward as a leader in educating the payors.

Assure is deploying a multipronged strategy to develop a direct line of application to key decision-makers that insurance companies evaluate in our claims. We are confident these efforts will provide both short and long-term benefits to Assure and aim it. Our ultimate goal is to educate payors and subsequently work with them to create in-network contracts for Assure at a rate commensurate to the value we bring to insurers and their clients, the patients.

As John said earlier, Assure is transitioning to an in-network billing model, and we are confident these efforts directly communicating with and educating payors is a substantial part of the solution.

The final initiative I will cover are steps we have taken to accelerate our onboarding process for new surgeons as well as credentialing the hospitals and surgery centers so that we can begin handling cases at new medical facilities. Historically, the onboarding process has been a time-consuming and challenging portion of our ramp up. It is an organizational priority to streamline this process.

In August, we appointed Mariah Woods to the newly created Director of Onboarding and Customer Relations position to ensure a rapid frictionless start with Assure. In her role, Mariah will serve as a key liaison between Assure's operations and sales teams. She will be responsible for planning, contracting, credentialing, coordinating and continuously improving the onboarding process.

By investing resources, adding expertise to our onboarding process, Assure will be able to realize revenue from new relationships much more quickly and to better maximize potential across all of our accounts. Mariah's track record of driving revenue and sales growth in the spine and orthopedic sectors and deep expertise in customer relations will be invaluable as the company speeds is expansion.

We look forward to providing further updates as we continue building our brand and expanding our footprint across the country.

And with that, I'll turn it back over to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Jim Sidoti with Sidoti & Company.

James Philip Sidoti - Sidoti & Company, LLC - Research Analyst

So a pretty major change in the way that you treat your receivables. Why now? Why at this point did you decide this is the right time to make this change?

Trent J. Carman - Assure Holdings Corp. - CFO

Well, when you look, Jim, at the more recent payment trends, meaning that the average reimbursement per case was lower than our historical average. So we could have taken the position. Our policy was to look at 24 to 36 month-old cases and to record the risks accordingly. But it seemed kind of disingenuous to continue down that path when we knew the more recent payment trends had declined. The part of -- if we were to cap with the old policy, part of the degradation would have occurred at December and then, again, part of it in June of next year. So it seemed like now was the time to be, I'll say, honest with ourselves. These claims have come down on the average payment, and so it was time to take the charge and be proactive and really put the receivable where we believe the collection estimate is based upon our more recent collection experience.

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Jim, it's John. Just one other minor point obviously, as we strike in-network deals now. Typically, the process would be to settle on a go-forward rate but also settling all the outstanding amounts. And that typically leads to really a re-billing of the amounts outstanding and that a payment process, which is accelerated at the in-network rates. And what we've attempted to do is to migrate the revenue, the average revenue or the mean across 8 states and multiple payors in each state to rates that we would expect to get from an in-network rate and also to what other companies are getting that we are competing with. And because we're expecting a fairly significant influx of business through in-network contracts, we felt the prudent, although, difficult position was to make that decision now rather than having it linger on the balance sheet.

James Philip Sidoti - Sidoti & Company, LLC - Research Analyst

And did I hear you say that by the end of the year, you expect 30% of the cases will be either in-network or at negotiated rates?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Yes. Our expectation is, right now on a run-rate basis, approximately 20%, either through direct agreements with the payors or through indirect agreements with aggregators. And our expectation is that by the end of the year, that number will be approximately or will exceed 30%.

James Philip Sidoti - Sidoti & Company, LLC - Research Analyst

Right. And then you gave us a procedure count every quarter. What other metrics should we be using to determine how you're doing and how -- if you are improving on the collection cycle?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Well, Trent can certainly weigh in. But I think from our perspective, procedures are critical, cost structure is obviously very important and then cash flow, both gross cash receipts and net cash flow are critical. And I think as this kind of plays itself out over the next 12 months, and as urrent collections are accelerating, we'll get to a point within 12 months where EBITDA is starting to get closer to what net cash flow is going to be. And so the EBITDA numbers will have more value going forward than they've had in the past.

Trent J. Carman - Assure Holdings Corp. - CFO

The one thing I'll add there, Jim, is I mentioned in my script that historically, we've updated the collection experience semiannually. So if we would have kept with the policy, you wouldn't have seen the degradation in the collection rate until December of this year. Now we're going to update the cash collection on a quarterly basis. So starting September 30 of this year, the Q3 -- excuse me, we'll update what the cash collection experience was. So you'll be able to see that in a very short order, obviously, as to what the metric is there around the cash receipt.

James Philip Sidoti - Sidoti & Company, LLC - Research Analyst

All right. And then last couple, you brought in a new VP of revenue. What's the goal for that position?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Multiple goals. Firstly, it's driving organic growth, which has been working for us, and it's leading an existing team of 3 and helping to coach, mentor and drive them to improve results.

Secondly, it's launching the distributor program, which is really a channel program where we will go out and where we actually have already started going out to get medical distributors to be selling our services. And we've already reached agreements with approximately 8 distributors in multiple states. We are going to start an online outreach program, and we are targeting to start that program on a test basis later this month.

Thirdly, he will be responsible for really developing agreements with hospitals in an attempt to get much larger deals rather than the historic model, which is going out getting a doctor at a time, multiple doctors or small practices of surgeons.

We believe the opportunity is here with COVID, the cutting of costs at the hospital level to really go out and strike deals with the hospitals themselves, and we've already started some of those discussions now.

Operator

Our next question is from Martin Gagel with Leede Jones Gable.

Martin Gagel – Leede Jones Gable - Research Analyst

Your case count went up by 35% year-over-year, which is great. What would your revenues have been like without all the write-downs and so forth? Would it have increased by 35% as well or would it have increased more or less? Or can you give some indication on your current business excluding the legacy collection stuff you're doing?

Trent J. Carman - Assure Holdings Corp. - CFO

Yes. The actual rate -- the actual growth rate is over 50%. It will probably be in the 52% to 55% growth rate this year.

Martin Gagel – Leede Jones Gable - Research Analyst

On a revenue basis?

John Allen Farlinger - **Assure Holdings Corp.** - **Executive Chairman** & **CEO**

On the procedure side. On the revenue side, the challenge we've had is really on gross revenue. And what Paul Webster is doing a great job of is going out and trying to strike deals with the aggregators and the payors directly. And Martin, we're then negotiating around speed and the economics. The faster we want to go in-network, typically, the more you're going to give up in the short term. And quite often, there's a dance that we're doing with the insurance companies. That's leading to lower returns on the in-network rates and those rates are all over the map. And we probably got about 17 different deals now between aggregators and payors of varying size and there's no precision to it. With a great degree, it depends on how badly we want the agreement, and the economic leverage we have or the payor has in that state. The other factors are really around -- we've been bloodied by the problems we've had in Louisiana. As Preston has mentioned, we have made pretty good progress in terms of getting the other side to the table and into discussion. And obviously, if we can strike a deal there, that is revenue that we've already written off. And it's the lack of revenue that has impacted and brought our average revenue down or procedure down. And so I think it's important that we get a deal there. Ultimately, we get an in-network contract there, and we ideally create a competitive advantage in that state. We were able to accomplish that in Michigan already, and we're working on 4 or 5 similar deals in other states right now, where if we can go in-network, even taking a lower amount, it gives us a competitive advantage to be working with the insurance companies. Because we're being paid faster, we're getting referrals from the insurance companies, and it also makes our attractive much more attractive to doctors, hospitals, et cetera as we attempt to continue our expansion. And I think we're pretty unique among our competitors in taking this approach right now. And to a degree, it's because of the skill set we've got internally and the competencies of our teams to be able to go out and strike those types of deals.

Martin Gagel – Leede Jones Gable - Research Analyst

Okay. With the write-downs and so forth of your accounts receivable, that directly impacts your revenues and your cost of goods sold. Am I correct in that? It doesn't have any debit credits affecting below the gross margin line? That is sort of an accurate representation of your sort of overhead cost structure?

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

That's correct. Yes. The costs associated with billing, be that third-party billing, fees or our internal billing department are included in the cost of revenue, so that is above the gross margin line. There's no cost, no expenses below that would be impacted other than income tax expense, obviously, because that's based upon the final net income number.

Martin Gagel – Leede Jones Gable - Research Analyst

Right. Sure. Would there be lay in and this kind of goes back to the first question I asked with like procedures are up by 35%, how much are revenue? Would there be an average number kind of on a pro forma basis? I could say, okay, you've got almost 2,000 procedures by x dollars of gross profit, I guess. And then so I could get sort of a bit of a sense on an operating -- pro forma operating basis, how well this quarter went? Because I can't tell if you actually ex the write-downs, whether this was a good quarter or not. It's -- your procedures were up, which is solid, but below that, it gets very confusing.

Trent J. Carman - Assure Holdings Corp. - CFO

Well, to answer your question, we don't disclose the average case. I mean we have different accrual rates for different insurance companies in different states. It's quite an amalgamation of estimates for purposes of our accrual. Historically, if you look back last year, we didn't have as many different accrual rates. And that's one of the reasons why the revenue has gone down, all else being equal, is the amount per case that we accrue now is quite a bit less, obviously. The one metric you can look to, though, is the cash collections, obviously, for the quarter that we disclosed. And just for the quarter, I mean, we collected $4 million as opposed to $2 million last year and almost $7 million versus $4.5 million for the year-to-date period, so that's an indication, obviously. And then John mentioned, we've had 5 months of positive cash flow. So again, those are the indications, but we don't disclose the average. It would take a mathematician, I think, to come up with what the average is for the company. And also half of our cases are government where we don't even bill an insurance company, we bill a hospital or a surgical center and the reimbursement is significantly less than an insurance company.

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

Martin, the other point here, Trent did a good job. We have dozens of rates now that we've calculated a fairly robust model across all the payors across the states. The other key driver here is really the increase, the amount of cash that we will generate from the professional network entities. And a focus of the business and one of the things that Alex Rasmussen and Preston have been working on is a plan to go out and strike deals with our existing surgeons and new markets to take a bigger piece of that professional revenue. And to give you some idea, in some of the newer states, we're generating double the amount of cash flow from those markets than we've been getting from historical markets and well over 50% in some cases. And I think as we continue to scale, and it's not obvious, this is mainly off-balance sheet, but I think that will have an impact. It's going to have a fairly significant impact on cash flow going forward. And that's kind of lost in the shuffle here. As you look at our numbers and try to figure things out.

To Trent's point, it's a dog's breakfast to try to explain what our average rate is. We've probably got several dozen right now with payors, out-of-network providers, et cetera and the rates are all over the place. But one thing that we do know, the rates are significantly lower than when they were 24 to 36 months ago.

Martin Gagel – Leede Jones Gable - Research Analyst

This would be my last question. The $4 million that you collected this quarter, can you give some indication as to how much of that was collections from 2020 revenues that were billed? And how much of that is from older dated or any way you could sort of slice and dice that?

Trent J. Carman - Assure Holdings Corp. - CFO

Yes. We tend to look -- and just to be clear, that revenue is primarily from just the technical collections. It does not include our portion of the professional revenue, which we do not include in our net income. But to give you some idea of the revenue in the second quarter, why don't we give you year-to-date numbers. Of the total collections, almost 40% of that revenue, 35% to -- a little bit more almost 37% is revenue that was generated from activity this year. So you see an acceleration of the collection cycle here as we've taken control of it. There's probably about 10% of that revenue, a little less than 10% that relates to 2016 and 2017, and almost half of it -- a little bit more than half of it relates to 2019. So you've got 3 large buckets: 2019 at about 50%; 2018, which we are just working through now, which obviously affected the recovery rates; 2016 and 2017, which is about 10%. And then about 35% to 37%, which is 2020, realizing that we didn't build '20 out for the most part until February and March of this year. So a limited window to recover that money but compare that to prior years, and you're seeing a significant acceleration in the speed at which we are collecting cash. And I think part of it relates to the fact that we're billing lower amounts. And I think the payors have become more comfortable with the processes we're setting up going forward. Does that help you?

Martin Gagel – Leede Jones Gable - Research Analyst

Yes. That's good.

John Allen Farlinger - Assure Holdings Corp. - Executive Chairman & CEO

All right. If there are no more questions, we'd like to thank everyone for listening to today's call. Before concluding, I'd like to add a few last comments.

Firstly, it's obvious. We are continuing to improve the performance of our revenue cycle management function. This is the top priority to Assure and represents an important differentiator in the interoperative neuromonitoring industry. The results have to be better, and they will be. Secondly, we're pleased to continue progressing against our goal of signing new in-network agreements as they make our collection cycle shorter. They further reduced our outstanding receivable balance, and they will ultimately improve cash flow. Thirdly, we're expanding our scale through the acquisition of Neuro-Pro as well as continued organic expansion within states we currently operate in and also going into new states. Fourthly, the company has taken numerous proactive steps to improve our financial flexibility during this difficult time. This includes recently signing a loan agreement that more than doubles the size of our previous facility at very attractive interest rates. Fifthly and finally, Assure is watching for any further disruption from the continually changing COVID-19 pandemic in the second half of 2020. Given the efforts we made this quarter to clean up residual issues from our former third-party billing partner, the magnitude associated with any further decrease in the collection rates is significantly reduced. Look forward to speaking with you again during our third quarter call. Please don't hesitate to reach out to myself or Scott Kozak with any questions that you may have.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time, and thank you for your participation.