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Valor HEALTHCARE

CEO Leadership Series: Vol 31

Providing Care to the Federal Government

A Laudable Service, Compelling Market Opportunity & Case Study in Successful Strategic Partnership Execution

December 7, 2023

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Key Takeaways

The Federal government represents a sizable market opportunity from a clinical care delivery perspective.

- The Department of Defense and the VA, which are the number one and two largest agencies in the federal government, have huge healthcare needs.
- The VA is arguably the largest integrated health system in the world with an annual budget of approximately $325 billion, and a site-of-service network that includes approximately 160 hospitals, as well as VA medical centers and over 800 outpatient sites of care attached to those medical centers.
- Other agencies across the federal government have their own healthcare care delivery needs – e.g., Customer & Border protection, U.S. Marshal Services, the Secret Service, the Department of State, FEMA, etc.
- Large opportunity in behavioral health – the federal government is spending multiple billions of dollars on behavioral health care alone.

Providing Care to the Federal Government Offers a Tangible & Compelling Case Study in the Potential Value of Cultivating Strategic Partnerships

A Catalyst for Partnership

- A key trend in the federal healthcare market is that contracts are evolving from what used to be more narrow scopes to far more complex requests for proposals that are end to end-to-end complete projects. In other words, provide everything – direct patient care, the building design, the IT requirements – including hardware and software and security – the staffing components, the data analytics, etc.
- There are not many companies out there in the private sector or the federal space that can do all of that. And so, you have to be able to build or participate within a team of companies that encompasses all of those skill sets or requirements.
- **Recent example:** Several hundred million dollar contract to provide remote patient monitoring services to the VA required Valor Healthcare partnering with a team that included hardware companies, software companies, peripherals and wearables providers, etc.

The Value of a Successful Partnership Ecosystem

- Through a combination of strategic acquisitions, in-house service line expansion and thoughtful development of third-party teaming strategic partnerships, Valor Healthcare has evolved from a narrower focus of running run outpatient clinics for veterans into an expanded value proposition as a
  - Multi-site, primary care, direct care delivery company.
  - A mental healthcare delivery company.
  - A healthcare staffing company.
  - An outpatient healthcare facility, design, and construction company.
  - A population health company.
  - A data analytics company.
  - A virtual care provider.
  - A cloud-based healthcare IT services company.

What does it take to manage a strategic partnership ecosystem?

- Valor Healthcare maintains strategic partnership relationships with approximately 70 to 80 companies.
- Executing on won contracts necessitates that you have negotiated in advance what each teaming company's work share, revenue and role & responsibility is going to be.
- The prime contractor has to serve as the program management office, or PMO, because that is the one point of contact for the execution of the contract.

Adoption of Value-Based Care Within the Federal Market Has Been Limited To-date But Is Expected to Increase

- Reimbursement models primarily include:
  - Capitated agreements, typically with limited to no downside risk
  - Cost plus
  - Performance-based upside
- Fee-for-service reimbursement models are rare.
- To-date, the federal market has not widely adopted value-based care beyond above-referenced performance bonuses. That is expected to change – anticipate more value-based care arrangements going forward.
  - Advancing VA Innovation (AVAIL) Program has an on-going initiative focused on exploring embedding an ACO-type structure inside the VA's current outpatient healthcare ecosystem.
  - This would include risk, digital strategy and social determinants, none of which really exist in the VA outpatient care ecosystem today.
- The VA has not always done a great job of leveraging its scale and coordinating across its network, especially in the realm of data analytics. That being said, this is beginning to change and the VA is recognizing the need to share with its contractor partners in order to achieve its objectives. Among other objectives, this is expected to help facilitate shift to value-based care arrangements.

Accessing the Federal Government Market

- We have an EVP for capture & strategy who, in turn, has a handful of people on his team, including:
  - Proposal writers
  - Analysts
  - Researchers
- That is the team who combs through SAM to vet RFPs to filter for relevant opportunities to bid on.
- Patience is a key attribute when working with the federal government. Bidding takes a lot of time and resources. Typically, from RFP to award in the federal space, you're looking at approximately one year time horizon.
- The VA market is highly decentralized – growth has been one by one, contract by contract.
- Some contracts are restricted, or set aside, for small businesses only – this necessitates finding a small business partner to collaborate with
- Secretaries of the VA, which is a Cabinet-level position, typically change with each Presidential administration. Therefore, critical long-term relationships are built and maintained with the middle managers and career workers that do not rotate with each administration.

Adoption of Digital, Virtual & Mobile Care in the Federal Government Market

- The VA was an early adopter of telemedicine, long before the recent post-COVID pick-up. Valor Healthcare has been doing telemedicine in its VA clinics for more than 20 years and now provides telemedicine across both its primary care and mental health service lines.
- Remote patient monitoring is a growing area. There are approximately 9 million veterans enrolled in VA healthcare, and the majority of them are over 65. So that number of enrolled remote patient monitoring patients is going to get very, very large.
- All of the agencies that we're working with are trying to have workforces dispersed all over the country and all over the world. We're seeing more and more requests for these types of virtual capabilities in RFPs.
  - For example, we're working now on a bid with the U.S. State Department to staff and operate on-site clinics for embassy personnel and their families in about 160 US embassies all over the world.
- We have teaming partners with whom we already have teaming agreements signed that are leveraging augmented reality in the behavioral health space.

Background

I went to medical school at UT Southwestern in the Dallas area and, after leaving medical school, I went straight into the Army and did my residency in family medicine at Womack Army Medical Center in Fort Bragg, North Carolina. I then worked as a staff physician for the 82nd Airborne Division at Fort Bragg. I spent my last few years in the military at Fort Sam Houston down in San Antonio. I then went into private practice back in the Dallas area for ten years. Part of that time was in a small group practice and part was in solo practice. It was during that period that I became interested in the business side of healthcare. And I knew that, whether true or perceived, physicians were generally thought of as poor businessmen.

So I knew I needed to get smarter on the business side of healthcare, and that's when and why I did my MBA with a focus on healthcare administration. I did that at UMass and then, in 2007, I sold my private practice and came to work for Valor Healthcare, as the medical director for Valor's newest, at the time, veterans-only clinic here in the North Texas area. At that time, Valor had probably a dozen locations or so. After a couple of years, as the company grew, I became the Chief Medical Officer for a time. I also worked as the Chief Operating Officer. I actually did both of those jobs for a time and have been leading our organization since 2014. During my time at Valor, we've been sold twice to strategic buyers and the third time, most recently in 2020, to Trive Capital, a Dallas-based private equity company. The strategic goal for the company is to triple or quadruple its size, and we're about three years into that strategic plan and looking hopefully for a successful exit here in the next couple of years.

Interview

A lot of us are familiar with providing care to veterans as a small portion of an overall business. Maybe we have access to Tricare, for example. But, most of us are less familiar with a business that's primarily focused on this market. Could you describe the patient market that you focus on? How big is that market, and what are the key trends that are at the front of your mind related to that patient population today?

Valor Healthcare is primarily a federal government healthcare services contractor. Our patient market is made up of those whom we call Patriots, Active Duty military, Veterans, and Government Service workers – all of whom make or have made sacrifices for a career in the military or federal government service. So, for our 1000-plus colleagues, it's a pretty cool mission to get behind. In terms of market size, we're actually in a unique position, I think, where we're not worried about whether or not there's enough work out there for us. DOD and VA alone, the number one and number two largest agencies in the federal government, have huge healthcare needs. But, beyond that, every agency in the federal government has healthcare needs.

So, our challenge is really focusing on our capture and business development efforts, making sure we're not trying to be everything to everybody in the federal government.

I'd say that the key trend for us is that federal contracts are evolving from what used to be more narrow or more specific needs of an agency or department – for example, staff this location or build this facility – to really far more complex requests for proposals that are end to end-to-end complete projects. In other words, provide everything – direct patient care, the building design, the IT requirements – including hardware and software and security – the staffing components, the data analytics, and so on. There are not many companies out there in the private sector or the federal space that can do all of that. And so, you have to be able to build or participate within a team of companies that encompasses all of those skill sets or requirements. I can give you an example. Six months ago, Valor won a $250 million contract to provide remote patient monitoring services to the VA. It's a somewhat complex cloud-based program that requires a user interface, web viewers and equipment peripherals, significant IT security requirements, and so on. It's basically an IT services contract, but Valor has historically been a hands-on, direct patient care delivery company. But we know this customer very well. So, we put together a team that includes hardware companies, software companies, peripherals and wearables providers, et cetera. We're the prime on the contract. So, all of the revenue flows through us. I think this evolution from more narrowly focused contracts to these broader, more complex, longitudinal project-oriented contracts is the most interesting and impactful recent trend in our market.

We spend a lot of time thinking about strategic partnerships in healthcare, so I definitely want to come back to this topic of teaming and partnership to offer comprehensive services. But before we get there, you mentioned this spectrum of clinical services. What does Valor focus on providing internally versus through partners?

That's actually the basis for our growth story. Starting in probably 2018 or early 2019, if I asked any of my executive leaders to give an elevator speech – what does Valor Healthcare do? – every one of them would have said, "well, we run outpatient clinics for veterans." And so it's taken me a long time to get our leaders to understand and, more importantly, believe that, no, that's not who we are. Who we are is a multi-site, primary care, direct care delivery company. We are a mental healthcare delivery company. We are a healthcare staffing company. We are an outpatient healthcare facility, design, and construction company. We're a population health company, a data analytics company. And now, with the remote patient monitoring contract, a cloud-based healthcare IT services company. That's who we are. So that's my elevator speech.

From a market perspective, we're expanding the things that we do for the VA. We're trying to get deeper into that particular customer, and they are by far our largest customer today. But, we're also expanding the things that we do with other agencies in the federal government, for example, we're on teams either leading or participating as a sub on contracts with Customs and Border Protection, The Walter Reed Army Institute of Research, the US Army Medical Command, and Health and Human Services, and we're bidding on various contracts, including occupational health contracts for the US Marshalls Service, the Secret Service, the Defense Health Agency, the Department of State, and so on. There is plenty of work out there.

Again, we have to be more skilled at narrowing our funnel to those opportunities where our skillset, either individually or as a team member, and our documented past performance, which is a key asset in federal government contracting, gives us a high probability of winning if we decide to bid.

And, bidding takes a lot of time and resources, typically from RFP to award in the federal space you're looking at a year. So, patience is a key attribute when working with the federal government.

Can you describe the Valor Healthcare network today in terms of size, number, locations, and geographic presence?

So, the CBOCs space is pretty limited in terms of competitors because there are large barriers to entry. We acquired our largest competitor in 2021. Right now, our largest competitor in the CBOC space probably has locations somewhere in the mid to low teens. We have over 50 locations. We take care of 170,000 veterans, which actually makes Valor second only to the VA itself in the direct delivery of primary care and mental health service to America's heroes. In the occupational health space, one of the strategic reasons that we bought our largest competitor at the time was that they also had a line of business that was relatively small, but it was strategic - a side business providing occupational health at twenty Chrysler automotive plants in Michigan and Ohio. We needed that past performance to start bidding on occupational health contracts in the federal space.

Jumping back to partnerships since it sounds like it's a key part of how you win contracts and provide services – how do you think about starting the question of what partners you need and who are the right partners? What are the right structures of those relationships?

I'll approach it from a couple of different perspectives because it also informs back to our growth plan and the types of companies that we might be looking at from an M&A perspective. As I said earlier, the contracts now are so broad-based and relatively complex in terms of the different services that have to be delivered that you have to be able to put a team together. When we look at a contract opportunity, there's usually two gates that we look at. First of all, there are some contracts that are restricted or set aside for small businesses only – and, we are not a small business. So, if those contract opportunities fit what we do, but they have been restricted from a competition standpoint to small business, then we have to go find a small business partner. We also have a JV with a veteran-owned small business, and that JV is actually qualified as a service-disabled veteran-owned small business. So, for certain contracts, we can bid directly with our JV. However, back to the increasing complexity of these opportunities, it's really figuring out what the contract requirements are and then where the holes are in terms of what we cannot do internally at Valor. We do a gap analysis to say, okay, well, we need this information security company, or we need this other skillset, or we need to have an EHR product as part of this offering. We really start to build the teams from a gap analysis perspective. And while we are increasing it every day today, we have probably 70 or 80 companies with whom we already have NDAs and teaming agreements in place so that when an opportunity drops, my business development lead can really assemble the right team, picking and choosing from these partners already in our stable. So that's how we approach it.

Do you have a dedicated team for sourcing and maintaining those partnership relationships? What does that process entail?

We have an EVP for capture and strategy. He has a handful of people on his team, a couple of whom are proposal writers, a couple of analysts and researchers. So, that is the team who combs through what used to be called FedBizOps, now called SAM. You sign up for that, and you get emails when all of these RFPs come out. So that's how we start the filtering process about what we can and should bid on.

In terms of care scope, you mentioned remote patient monitoring. Do you also get into specialty care and other types of clinical services?

We don't do that. In some of our clinics, the contracts require that we build additional space for VA employees to work out of our location. The primary reason for that is that they will send some subspecialty care providers to our clinic to see patients, whether it's cardiology or what have you, but they're really just using our space now. There are a few more specific contracts, for example, that do require certain specialties, and we would go out and hire those people to add them to our proposal. If we win, we've already got them signed up and negotiated a contract and so forth. But from a direct care delivery at Valor, it's primary care and behavioral health.

In terms of executing the care delivery with these partners, what lessons learned or advice would you offer to other CEOs who are seeking to execute and structure partnerships in the market?

Well, I think the key thing in our world is negotiating the subcontracts with your partners. Everybody's excited to get on board the train in the early going, but when – depending on the agency – the contract award is announced, in some cases, you have to be ready to go inside of 30 days. And, you have to have negotiated in advance what each company's work share and revenue and role and responsibility is going to be. That's really the most critical piece because then you're scrambling around post-award when you should be getting ready to execute. And then I think once you are in the execution phase, it very much depends on if you're the prime contractor or a subcontractor. The prime contractor really has to serve as the program management office, or PMO, because that is the one point of contact for the execution of the contract. And so, it's a little bit like herding cats, but that's typically the way it works.

This core discipline of being able to execute across a range of partners to provide holistic and coordinated care sounds like it could be broadly applicable. And, you mentioned some work outside of the government space in the employer market with Chrysler. Is that an area, whether it's employers or other pockets of the market, that you're thinking about pursuing?

Short answer: no. As I said, we have a pretty aggressive strategic growth plan. It is focused almost exclusively on the federal space. The exception again would be M&A. We're looking for acquisitions today that, again, fill a capabilities gap for us. So, for example, maybe a pure play behavioral health delivery or technology company, or a technology company focused on healthcare analytics or population health specifically, or a specific healthcare IT services company.

Again, as I said before, we do all of those things already to-date, but in order to accelerate the ability to scale in these areas, the fastest way is through acquisition.

Suppose we found a private sector company that already does those things full or part-time in the federal space, all the better. But our expansion model, if you will, is almost exclusively focused on the federal space because there is so much work available there just in, again, DOD and VA alone; they are spending billions and billions on mental health. Many companies are, but the interesting notion in the federal government is they have almost unlimited funds. And so, there's just plenty of opportunity inside the federal space that we just don't think we have to venture outside of it.

Moving from strategic partnerships to reimbursement and value-based care, I'd be curious what the reimbursement model is that you're typically working with. Is it fee-for-service, risk-based, cost plus?

Federal contracts can come in all of those flavors. The CBOC line of business at Valor Healthcare is capitated, but it's not really full-risk. So, in fact, I was talking to some folks yesterday - we're in a pretty sweet spot in that we do have some upside revenue levers to pull, and we certainly have to manage costs, but we really have almost zero downside risk. Now, that said, we know that other federal agencies, including the VA, are following CMS down the value-based care rabbit hole. In fact, we won a separate contract with the VA for their AVAIL program - which stands for Advancing VA Innovation and Learning - and we're writing a white paper for them focused on embedding an ACO-type structure inside the VA's current outpatient healthcare ecosystem. That includes risk, digital strategy, and social determinants, none of which really exist in the VA outpatient care ecosystem today. But in these other

agencies where we're bidding, yes, you will see cost plus, time and material, and other reimbursement models. There's almost zero fee-for-service though.

Digital, virtual and mobile – you've mentioned a number of RFPs on the digital side. I'm curious how all three concepts of digital, virtual, and mobile play into your business, and maybe a few examples of what that looks like.

Yeah, of course. Well, we've been doing telemedicine in our VA clinics for as long as I've been with the company. The new remote patient monitoring contract obviously is a huge win for us in terms of positioning ourselves to other agencies in the federal government that we are more than primary care clinic providers. But, all of the agencies that we're working with workforces dispersed all over the country, all over the world, in fact. So, we're seeing more and more requests for these types of capabilities in the RFPs from all these departments and agencies. For example, we're working now on a bid with the US State Department to staff and operate on-site clinics for embassy personnel and their families in about 160 US embassies all over the world. And so, we have to be able to leverage both current and future state technologies. We're doing, as I said, telemedicine in both the primary care and the mental health space, along with the remote patient monitoring capability, it's just going to get bigger, not smaller. We have teaming partners with whom we already have teaming agreements signed that are leveraging augmented reality in the behavioral health space. And, again, it is not just DOD and the VA who, as we can all imagine, have significant mental health needs, whether it's substance dependence, traumatic brain injury, post-traumatic stress disorder, and so on. To give you two or three other examples of agencies that are seeking exactly these types of technologies to deliver their care because they're dispersed all over the place – there are three agencies that we are working on active proposals for. For example, the US Marshalls Service and Secret Service. You can imagine the stress associated with some of those jobs. And FEMA, for example, is looking for help today to help all of the federally employed firefighters who were battling the wildfires in Hawaii. So, as you can see, all of these other agencies, or at least many of them, have high-stress occupations inside them. So, you see a lot of occupational development and you see a lot of mental health needs. We are leveraging digital and other cutting-edge technologies that certainly aren't unique to us in our space, but we will certainly be going down that road as well.

Given how many partners you're working with and how many services you're offering, how do you think about monitoring quality? And, how important is data analytics in terms of monitoring quality across these many services and your partners' quality of service and quality of care?

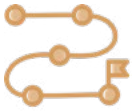
Well, I mean, it's critical in my opinion because look, I tell my people all the time, we are a healthcare company. And, not only that, we are a physician-led healthcare company. So, I would be both personally and professionally embarrassed if we weren't the absolute leader in clinical outcomes in our contracts. We devote a fair amount of resources to collecting data. Now, at least in the VA space, and it's true in the DOD as well, we don't own the electronic health record, which makes it difficult to do data analytics. But for probably a decade, we have had a national business associate agreement with the VA central office, and we have, essentially DOD level security on our servers, all of which is in place to allow us to actually go straight into VA systems, download all of the clinical outcomes data, the patient experience data, the operational metrics data into our servers so that we can do our own analytics and reporting. We don't want the VA customer coming to us saying, "hey, we're concerned about your outcomes in this location or this location." We want to be able to manage that ourselves and tell the VA that our job is to help lift their facility scores. And, if we're not doing that, then we're not providing value. In the outpatient arena, they don't really call them HEDIS measures, but there are 27 outpatient clinical outcomes metrics that they track, and we exceed the VA national average in 25 out of 27 of those metrics. So that's how we bring value.

Wonderful to hear. Talking about the journey from, I think you mentioned, 12 sites to now 70 plus locations total – what's been the most challenging part of building and managing that network? And then also what's been the most surprising to the upside in terms of value creation? What's been the value creation opportunity by focusing on this specific end market and growing your presence in that market? What has yielded outsized results for your company, as well as for your clients based on achieving scale within this market?

Yeah, I think the growth in the CBOC space, the VA outpatient clinic space, has been almost entirely organic. And, we've been able to achieve that, as I just said, by demonstrating to the VA in our proposal documents that no other company in our space delivers the outcomes that we do. We push pretty hard with our language in the document to say, yes, cost is important, and the patient experience is important, and designing a nice facility for veterans is important, but...

The number one criteria by which you should be selecting a contractor is are they delivering the best possible care to our nation heroes. That is our distinctive competency, that is our competitive advantage – and, we hit pretty hard on that.

Now, challenges. What are some of the challenges in accomplishing that growth? Well, the VA is perhaps the most decentralized decision-making agency in the federal government. People often think, "oh, it's the VA, and they have their own electronic medical record," but they're not just VA; they have 160 hospitals, VA medical centers, and over 800 outpatient sites of care attached to those medical centers. If you've ever worked with the VA, you've heard the saying, "if you've seen one VA medical center, you've seen one VA medical center" because they all have independent decision-making autonomy.



So, the growth has been mostly organic, one by one, contract by contract. And so, the challenge really is that in terms of building a network like that, our leadership team is really focused on stakeholder relationship management.

If all negotiations and, ultimately, decisions were made at the VA central office in Washington, things would be a lot easier. But they're not; decisions, as I referenced, are made at the region or the individual VA medical center level. I've met in person, in his office, three of the last four Secretaries of the VA. These are cabinet-level positions. The problem is they're also politically appointed positions, and so with almost every administration change, the Secretary of the VA changes. So that's not really where to get things done. It's the middle managers, the lifers and the career workers, oftentimes, in these federal agencies, who swing the biggest stick. So, long-term relationship, stakeholder, relationship cultivation, and management really is critical in our world.

In the non-government space, we see an interesting relationship between hospitals and physician MSOs – it's partly collaborative and partly competitive. The physician networks may represent a lower cost of care, while the hospitals have an important strategic position. The hospitals may also have an entrenched goal of maintaining fee-for-service on-campus care. I'm wondering, in the VA space, is your relationship with these VA hospitals more collaborative, more competitive, or an equal mix of both.

Yeah, I think the short answer is it's probably a little mix of both. But look, the federal government is a massive, inefficient, and, by extension of its size, a dysfunctional organization. And, they know it. They know they can't get all of their work done in a silo, so it doesn't matter whether it's missile defense or information security or whatever. They know that they need and rely on industry partners who are innovative and nimble and can move more quickly. For example, in the CBOC space, our contracts say once you have a contract award, you must be up and running and seeing patients in 90 or 120 days; it would take VA four years to accomplish that. So, they rely on the nimbleness of private sector companies. And, we have to be a little bit careful, right? Again, our job is to make our customers look better, but we also can't go in there and say, we deliver better care than you do because they are also the paying customers. But, we don't really compete with the VA hospitals.

The one little wrinkle is that in almost every location, the VA hospital that we work with, they have a mix of outpatient clinics run by contractors, like us, and outpatient clinics that they run themselves under their own umbrella. So, we certainly look at it from a competitive standpoint that we must have superior outcomes to those other clinic locations because that's what we sell. That said, in almost every one of our clinics, as I referenced earlier, we have actual VA employees working side-by-side with our employees. And, there's no Valor branding – there's nothing in any of our locations that says Valor Healthcare. To the veteran or the patient, they don't really see a difference. Everybody's pulling the rope in the same direction. Back to where we started, there's a reason that people go work for DOD or the VA or for Valor, and that is they have a calling or a passion to give back to those who have sacrificed in many cases unimaginably. So, when we are working in the clinic and seeing the patients, we're not really concerned with who's a VA employee and who's a Valor Healthcare employee, and neither are they.

It's interesting, you almost have a highly organized market because you've got the same end client, the VA, that controls the hospital, as well as this network of outpatient clinics whether operated through VA employee or outsourced to a company like Valor. How organized is the benchmarking of cost, performance, results, and outcomes across those three types of service – VA hospital, VA operated outpatient clinics, and outsourced VA outpatient clinics – at the VA level?

Well, the news isn't good. Arguably, and there's quite a bit of evidence for this, the VA is the largest integrated healthcare system in the world. I mean, it is a massive machine with a budget of $325 billion or something like that annually. So, even though they are an integrated healthcare system, the machine is so big, so complex, so dispersed that they don't really do a good job leveraging what's available to them, particularly from an analytics standpoint now. Part of the reason for that is that they have historically been pretty resistant to data sharing with the private sector for security reasons and information security reasons. But, those chains have been loosening in the last several years. I have gone to lots of conferences in the last couple of

years, in fact, where the VA and DOD dedicate whole talks and presentations around the need and the plan to improve data and information sharing with their contractor partners. In fact, we are looking at this really as an opportunity, because, as I said, this remote patient monitoring program that we are now a part of, they've now got something like 70,000 veterans enrolled in remote patient monitoring. But there are, whatever it is, 9 million veterans enrolled in VA healthcare, and they're all over 65 for the most part, at least 75% of them. So, all of them are candidates for remote patient monitoring. So that number of enrolled remote patient monitoring patients is going to get very, very large. We can tell from what we heard at the post-award meeting in this RPM contract that they don't yet know what they're going to do with all of that data. And we all know that there's no point in spending effort, time, and resources to collect the data if you're not going to leverage it. So, we are putting together a team and a white paper to really say to VA, now that you're collecting this data at exponentially larger sizes, could we help you with the analytics piece of that? So, that piece of the dysfunction in that particular department or agency is an opportunity for us and others.

There's been a lot of consolidation across other single specialty MSOs across the country. For an organization, like Valor Healthcare, that's thinking about partnerships and operating across a dispersed geographic presence, I'm wondering how much having these regional and national primary care, specialty care and behavioral health MSOs helps your partnership strategy. Have you been having conversations with them, or are those private equity-backed MSOs really operating in a different silo?

Yeah, I think a little of both. It kind of goes back to our earlier conversation that the needs of these large agencies – Health and Human Services - are probably the third largest.

The needs are so great and increasingly complex that I think there is absolutely going to be an opportunity to, as part of your offering, take on whatever kind of need that they are advertising or soliciting.

You're going to need to be able to offer MSO type services, particularly as you're offering a value-based care component. We do have a couple of smaller teaming partners that we're ready to go with if we need them from an MSO services perspective. But, I think it's going to be a necessary and collaborative effort for government contractors to be able to leverage these MSO organizations, regardless of whether they're PE-backed or not, in order to convince the government that you can deliver everything they need for this large two-, three-, five-hundred million dollars or $1 billion contract. This RPM contract that I've referenced a couple of times is actually a billion-dollar award, but it was to four companies, one of which was Valor. So, just massive contract opportunities. Again, you've got to be able to put together an effective team that, as my contract person says, answers the mail for every requirement in the contract. And that can be a big job sometimes.

We've seen a lot of new entrants into the healthcare space, whether it's Amazon, Walmart, Walgreens, or a whole host of other players that have deployed capital into this market. Given that the VA is such a large player in the healthcare space, do you see new entrants focused on the VA in a similar form?

Yeah, I mean, we do. There's no question that players like Microsoft or Amazon contract with federal agencies because the services they provide are global and monopolistic in nature. For example, I know for a fact that the VA uses AWS IT services all over the country. But, those organizations are generally not bidding on contracts that are more directly patient-touching. They're working at a much higher enterprise technology-type level. Now, that said, one of our teaming partners that we're working on in a contract is directly connected to Microsoft Healthcare, but I don't see them buying up all of the opportunity or really usurping what we do from a more kind of boots on the ground direct care delivery perspective.

How are you addressing the needs of your patients that you can't, or aren't allowed to, provide to your patients? And, how do you help those patients access this type of care?

I've been working in this neighborhood for a while. And, look, the VA, rightly so, has had an unfortunate reputation in the past as having hospitals that smell, that are dirty and whatnot. However, the reality is that while that's true in some cases, is that it is changing all over the country. The fact of the matter is that the VA has demonstrated multiple times over the years that they are cutting edge and actually leading the industry. I'll give you two very real examples, and both of them are kind of table stakes today, but they were one of the first kinds of integrated systems to leverage telemedicine. Again, I said earlier, I've been doing telemedicine in our clinics for as long as I've been in the company, so 20 years. Obviously, there's a lot more emphasis on telemedicine now post-COVID, but the VA was really cutting

edge in that space. And, the same is true of their electronic health record. They were the poster child for what an integrated healthcare system required in an electronic health record. Now, unfortunately, it's so outdated now that it's really become a little bit of a black eye, and their struggles to implement Cerner across the country are now making the news. But, I don't believe there are many instances where veterans cannot get the care that is available in the private sector. In fact, because so many VA medical centers are associated with teaching hospitals for residents, they're doing kind of cutting-edge care in the inpatient spectrum. Now, it is true that our contracts are pretty prescriptive. They say we want you to provide this, this, and this. Tell us what the price that's going to be. So, you don't deliver services that aren't in the contract. You can't say, oh, I think we ought to start doing this now, government, so we're going to start billing you for that. There have been many instances where we have gone to one of our VA partners and said, "Hey, we have space. Wouldn't you like to do physical therapy here in this clinic so that the veteran doesn't have to make three or four trips to your hospital every week to do physical therapy?" And many times, those are one or two or three-hour trips. So, a little bit of both. For the most part, you can get care, even cutting-edge care, inside the VA. And then, the final piece to that answer is that if there is a healthcare need, a specialty procedure that is not provided in the VA medical center, there is the system in place, through what used to be called the Choice Act and so on, where that patient will go out to the private sector to get that care at the VA's expense.