LSEG STREETEVENTS

EDITED TRANSCRIPT

Q2 2026 Privia Health Group Inc Earnings Call

EVENT DATE/TIME: AUGUST 06, 2026 / 8:00AM ET

CORPORATE PARTICIPANTS

Robert Borchert Privia Health Group Inc – Senior Vice President, Investor & Corporate Communications

Parth Mehrotra Privia Health Group Inc - Chief Executive Officer, Director

David Mountcastle Privia Health Group Inc - Executive Vice President, Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Elizabeth Anderson Evercore Inc. - Analyst

Matthew Mardula William Blair - Analyst

Daniel Grosslight Citi - Analyst

A.J. Rice UBS. - Analyst

Jailendra Singh Truist Securities, Inc. - Analyst

Ryan Langston Cowen and Company LLC - Analyst

Thomas Kelliher BMO Capital Markets - Analyst

Matthew Gillmor KeyBanc Capital Markets Inc - Equity Analyst

Whit Mayo Leerink Partners LLC - Analyst

Matthew Shea Needham & Company LLC - Equity Analyst

Jessica Tassan Piper Sandler Inc - Analyst

Jack Slevin Jefferies LLC - Equity Analyst

Ryan Halsted RBC Capital Markets Inc - Analyst

Olivia Miles Baird - Analyst

John Pinney Canaccord Genuity - Analyst

Jenny Shen BTIG - Analyst

PRESENTATION

Operator

Thank you for standing by, and welcome to Privia Health's second-quarter 2026 earnings conference call. (Operator Instructions) I would now like to hand the call over to Robert Borchert, SVP of Investor and Corporate Communications. Please go ahead.

Robert Borchert - Privia Health Group Inc – Senior Vice President, Investor & Corporate Communications

Thank you, Latif. Joining me are our CEO, Parth Mehrotra, and David Mountcastle, our Chief Financial Officer. This call is being webcast and can be accessed in the Investor Relations section of priviahealth.com along with today's press release and slide presentation. Following our prepared comments, we will open the line for questions. Please limit yourself to one question only and return to the queue if you have a follow-up so we can get to as many questions as possible.

Today's reported results are preliminary and are not final until our Form 10-Q for the second quarter and six-month period ended June 30, 2026, is filed with the Securities and Exchange Commission. Some of our statements today may be forward-looking in nature based on our current expectations and view of our business as of August 6, 2026.

Statements such as those related to our future financial and operating performance and future business plans and objectives are subject to risks and uncertainties that may cause actual results to differ materially. These statements should be considered along with the cautionary statements in today's press release and the risk factors described in our most recent SEC filings.

Finally, we may refer to certain non-GAAP financial measures on the call. Reconciliation of these measures to comparable GAAP measures are included in our press release and the accompanying slide presentation posted on our website. And now I'd like to turn the call over to our CEO, Parth Mehrotra.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Thank you, Robert, and good morning, everyone. Today, I'll summarize our performance and market presence, and David will discuss our financial results and updated 2026 guidance before we take your questions. Privia Health has continued to execute at a very high level across all aspects of our business.

We delivered strong new provider signings across all our markets, which provides excellent visibility through 2026 and into next year. Implemented provider growth of 10.1% and value-based attributed lives growth of 19.2% year-over-year helped drive total practice collections growth of 12.4% in the second quarter.

Adjusted EBITDA increased 29% with EBITDA margin as a percentage of care margin expanding 310 basis points from a year ago. We are continuing our journey to deploy AI applications in various workflows across the organization and expect to continue to expand our EBITDA margin towards the high end of our long-term target range of 30% to 35% of care margin over the next few years.

In late May, we announced entry into the state of New Jersey in partnership with the Urology Group of Bergen County, a practice for 25 adult and pediatric clinicians. This represents Privia's 25th state as we build our national primary care-centric delivery network. We raised our 2026 outlook across all key financial metrics, including practice collections, care margin and EBITDA, given our strong first half performance.

Attributed lives is above the high end of prior guidance. Our implemented provider guidance is unchanged. We would add 570 providers at the midpoint of our 2026 guidance, which is 10.6% growth over 2025. The Privia Health footprint of community-based medical groups and value-based risk-bearing entities continues to expand.

We now have 5,644 implemented providers caring for over 6.1 million patients in more than 1,300 care center locations operating across 25 states and the District of Columbia. A defining component of Privia's operating model is our gross provider retention averaging 98% over the past three years.

We serve over 1.64 million attributed lives across more than 130 commercial and government value-based care programs. Commercial attributed lives increased 11.7% from last year to reach 942,000. Lives attributed to the CMS Medicare programs were up 55%. Medicare Advantage and Medicaid attribution increased more than 12% and 18%, respectively. The diversification of Privia's value-based care contracts gives us the confidence in our ability to build scale and profitability without depending on any one particular program.

Slide 7 shows the scale and breadth of Privia's ACOs. We manage an estimated $15.7 billion in total medical spend across all commercial and government value-based risk arrangements. This $15.7 billion estimate captures the full scope of our value-based programs relative to our fee-for-service collections.

It more accurately represents the breadth of total medical spend our clinicians are able to potentially impact over time. We remain highly focused on increasing attribution and generating positive contribution margin across our value-based book. Our ultimate goal is to achieve consistent and sustainable earnings growth for our physician partners and shareholders. David will now review our recent financial results, balance sheet strength and our updated 2026 guidance in more detail.

David Mountcastle - Privia Health Group Inc - Executive Vice President, Chief Financial Officer

Thank you, Parth. Privia Health's strong operational execution and growth continued through the second quarter. Implemented providers grew 109 sequentially from Q1 to reach 5,644 at June 30, an increase of 10.1% year-over-year. Implemented provider growth as well as strong ambulatory utilization trends and value-based performance led to practice collections growing 12.4% from a year ago to reach $970 million.

Adjusted EBITDA, which is reconciled to GAAP net income in the appendix, increased 29% over the second quarter last year to reach $37.4 million, representing 28.3% of care margin. This is a 310 basis points margin improvement as we generated operating leverage across both cost of platform and G&A while investing across all markets.

For the first half of 2026, practice collections increased 13.4% to $1.88 billion. Care margin was up 18.3% and adjusted EBITDA grew 32.5% to reach $74.1 million. We ended the second quarter with more than $412 million in cash and no debt. As we mentioned previously, beginning this year, Privia is now a full cash taxpayer.

Given the timing of cash tax payments and provider disbursements, we expect 70% to 80% of our full year adjusted EBITDA to convert to free cash flow. This does not include any capital deployment in year for business development and assumes we will receive a significant portion of our shared savings cash payments for 2025 performance by year-end.

Last month, CMS announced certain proposed changes that would be retroactively applied to the Medicare Shared Savings Program for performance year 2025 if finalized. To allow for the implementation of these changes, CMS may delay delivery of the final reconciliation results for performance year 2025 until November.

While this has minimal impact on our accruals, it may lead to an atypical year-end cash flow dynamic, depending on when we receive the cash settlement from CMS as well as our subsequent payments to the providers. Our healthy balance sheet continues to position us with significant financial flexibility to deploy capital and take advantage of opportunities in the current market environment.

Our first half results gives us confidence to raise our 2026 outlook above the high end of our prior guidance range for attributed lives to the high end of our ranges for practice collections and GAAP revenue and to mid- to high end of our ranges for care margin platform contribution and EBITDA. Our guidance for implemented providers is unchanged. We also continue to maintain a robust pipeline of existing market expansion and potential new market opportunities.

As a reminder, our guidance does not assume any additional business development activity. Over the last nine years, Privia's consistent growth and profitability across cycles is the ultimate proof of our consistent execution, the strength of our differentiated business and the compounding of our economic model year after year. We are confident that our integrated model, combining medical groups, risk-bearing entities and tech and services platforms will continue to drive sustainable growth and profitability for years to come.

As Privia continues to build large-scale primary care-centric delivery networks across the nation, we would like to thank all our clinicians and employees for their continued partnership, dedication and hard work to help us achieve these results. Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Elizabeth Anderson, Evercore ISI.

Elizabeth Anderson - Evercore Inc. - Analyst

Maybe just could we double-click on your question about the CMS shared savings payment being delayed. I guess, obviously, out of your control as that's a government function. But I guess what gives you confidence that it is going to come in the fourth quarter? And how should we think about sort of external signposts we can watch to monitor that?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. I mean we're not that worried about it. They've been really good over the past many years. Usually, results come in August, September. The cash settlement happens sometime October. So it's delayed by, call it, 30 to 45 days. I think it's in their interest to make sure all the providers are getting the cash flow as they deserve for a good performance here. I just think the changes that they proposed are positive in general.

So I just think they need a little bit more time to reconcile it, but we don't see any issues in receiving the money. I think whether it comes early November, late November, December, I mean, that's just -- it will happen when it happens, but I don't think it's a big concern for us.

Operator

Ryan Daniels, William Blair.

Matthew Mardula - William Blair - Analyst

This is Matthew Mardula on for Ryan Daniels. So in your prepared remarks, you talked about being towards the high end of your long-term target range of 30% to 35% for the care margin over the next few years. Can you give us some color on what has changed to give you confidence of being at the high end for your long-term target as well as the drivers of what will help you get to that target? And then any directional time line on when this could be achieved? Is it maybe in the next few years or more of a longer-term target of five years?

David Mountcastle - Privia Health Group Inc - Executive Vice President, Chief Financial Officer

Yes. Thanks for the question, Matt. So I mean, we covered this a little bit last quarter as well. I mean, if you see our guidance, we expect to be 29% this year EBITDA to care margin. So it's pretty much very close to the 30%. And given all the work we are doing with different AI applications, we're just scaling our business with growth, I think we're pretty confident that we can keep accreting that.

There's no set time line. I mean we said over the next few years, it can ebb and flow, but I think we'll just keep accreting it. And we actually feel really good about it because this was a target we had set when we went public at our IPO about five years ago. And we're already there at the low end.

A lot of our mature markets are already well above that target, close to the high end or above even the high end. So that gives us the confidence that as we mature some of the other newer markets, overall, the profitability should keep trending up.

Operator

Daniel Grosslight, Citi.

Daniel Grosslight - Citi Infrastructure Investments LLC - Analyst

Congrats on another solid quarter here. I want to focus a little bit on the updated guide, particularly around practice collections. It does imply a pretty strong deceleration in growth from 1H to 2H. I think it's around -- you mentioned 13% in the first half to around 3% in the second half year-over-year.

And that's despite continued provider and attributed lives growing. I'm just curious, what's driving that implied deceleration? Is that just conservatism? Or are there specific headwinds or maybe a difficult comp period that we should be aware of in the second half of the year?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. Thanks for the question, Dan. Yes, there's nothing much in the implied. I mean we've done this for 21 quarters. You've seen how we guide still middle of the year. So we're just being prudent, conservative, whatever you want to call it. At the midpoint, we got it to the high end of the original range. If the trends continue, there should be further upside. We'll just see how it plays out.

I think we feel really good about ambulatory utilization. I think folks continue to visit their primary care providers or whoever is the first point of contact. So I think a lot of the utilization trends you're seeing on the inpatient side as reported by the health systems, I think doesn't really apply to a business like Privia. We've talked about that in the past. So I think we feel really good overall and the year goes on and we keep progressing. So we'll update the guidance as it comes.

Operator

A.J. Rice, UBS.

A.J. Rice - UBS. - Analyst

I know there are a variety of drivers to give you confidence on that margin improvement over time, operating leverage, obviously, shared risk performance, value-based performance. But you also now for several quarters have been mentioning the AI opportunities.

And I wondered if it's possible to get you to enumerate a little bit on some of the use cases, either at the corporate level or at the practice level that you're seeing that get you excited about the opportunities for that to drive improved efficiencies.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I appreciate the question, A.J. So I think we covered this in a fair bit of detail on the last call, but we are looking at our four core workflows across corporate functions, fee-for-service workflows, value-based workflows and then everything that happens in the patient care experience as the doctor or the provider sees their patients. So I think across those flows, we're looking at every single aspect, existing partnerships we have. We're on the Google platform.

So we're using Gemini all across the board in different aspects of the corporate workflow. We have other tech companies we work with similarly that have embedded a lot of AI applications. And then our dev teams are continuing to see where we can build, buy, partner. So whether it's patient experience, whether it's clinical decision-making by the doctors, whether it's obviously revenue cycle workflows.

All of those are getting impacted. I think technology is advancing at a pretty good pace. We are piloting a lot of stuff. We're already seeing a lot of benefit. And I think tangibly, that's why we've always linked this with EBITDA margin expansion. Ultimately, we are measuring our ability to deploy these applications and seeing if things can be done better, faster, cheaper. And as we grow, we probably don't need to add a lot more expenses in headcount or other fixed costs. So all of those are going to help us achieve that.

We've talked in the past about we invested in a business called Navina for suspect medical conditions, coding compliance, et cetera. That's already played out pretty well. We have good case studies for that. And so I think, again, we're really excited. A business like ours is a perfect use case in deploying a lot of these applications as they evolve over time. And so I think we'll just continue in that journey over the next few years.

Operator

Jailendra Singh, Truist.

Jailendra Singh - Truist Securities, Inc. - Analyst

Congrats on a strong quarter. I want to ask about the New Jersey entry. I know it's a small sized initial anchor practice. But just to confirm, did that have any impact to your guidance on any metric? And more broadly, anything you can share about your approach there, onboarding process? Do you see that market ultimately evolving similar to some of your more successful market launches in the past?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. Thanks for the question, Jailendra. Yes, I mean, pretty small practice, but really good set of providers. We're really excited to partner with them. It's a very important state from a health care spend perspective. A lot of independent providers. I think a lot of providers inside health systems or other entities that may come out and join a platform like Privia as some of the things play out in the market.

So it's been on our -- it was on our radar for a while, and we're glad to just finally enter. And like many other markets, I think this will be a 5-, 10-year play for us. In every market we enter, we hope to establish a pretty large medical group. I mean, as you know, our strategy is not to just be small in any market. We are looking to build local density of providers across the state. So that playbook hopefully plays out here as well, and we hope to just continue to grow.

Again, given the size of the practice, I mean, it's not like this impacted given the timing of the deal and towards the middle of the year, it doesn't impact some of our metrics meaningfully, but a small contribution. But overall, we've just had a good first 6 months, so that reflects in our guidance.

Operator

Ryan Langston, TD Cowen.

Ryan Langston - Cowen and Company LLC - Analyst

Just maybe any updates on how the Evolent and IMS transactions from last year are progressing this year?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. Thanks, Ryan. Yes, I mean, they're progressing really well. We've integrated both pretty much into our operating cadence. You're seeing some of the growth rates that reflect those acquisitions. They were both good additions. And our updated guidance reflects some of the good performance in both.

So we're really excited about being in Arizona. I think it will be a big state for us. A lot of momentum, great physician partners there with IMS as we build that medical group further over the next few years. And really excited about the Evolent business that we bought. The Care

Partners business will continue to grow, hopefully, and it will be an added way for us to partner with many providers that may not choose to join our medical group so the full offering right away, but ultimately, it will be a good pipeline.

So I think it allows us to expand into many states, look at further tuck-in acquisitions to add to that platform over time. So, we're pretty excited, just going to grind it out quarter-by-quarter, month by month and just keep building those businesses.

Operator

Sean Dodge, BMO Capital Markets.

Thomas Kelliher - BMO Capital Markets - Analyst

This is Thomas Kelliher on for Sean. From the practice or the physician's perspective and thinking about the economics and the value prop around joining the Privia platform, how much incrementally do they typically stand to benefit? And how has that value prop evolved over the last few years or so as you built all this density and continue to strengthen and scale the value-based care business?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. I appreciate the question, Tom. So, this is a question that should come up much earlier in our journey as a public company as we're explaining the story. But like that thesis has only improved over time over the past five years as we build density. So, the components of value creation are obviously better fee-for-service contract rates relative to what they could cobble up on their own that appropriately pays them for all the work that they're doing relative to -- which are still lower than a lot of the health systems or facility-based providers.

So, it's a good value for the payers to prevent these doctors from being acquired by much more expensive entities. Obviously, a lot of expense savings on the technology side, a lot of efficiency. There's 10% to 20% productivity lift as the physicians are not spending time on technology or payer contracts or some of the administrative tasks that we take over.

And then obviously, the whole value-based story plays along where a lot of the providers have never been in a value-based arrangement or have just dabbled into it, and we just provide a very sophisticated machinery around them to participate across the entire patient panel, which is important. It's not just Medicare lives, but also commercial lives and Medicaid.

And we are able to transform what is a simple fee-for-service payment into multi set of payments between care management fees, shared savings, bonus-related payments across the entire patient panel, and that's the value add to the payers as well. So you add all that up over time, and it can range from 15%, 20% to as high as 50%.

And then what we also do is develop a business plan for each of these practices to organically grow their business, whether it's adding extra providers, physicians, nurse practitioners, growing their patient panel, adding another location, adding a specialist. So we've had practices, and we had some of these case studies in our SEC filings over time, where we've doubled the size of the practice over a five-, seven-year period and really build these businesses at the small-scale level.

So that's all the benefit, and I think we just continue to refine that, continue to be a great partner to these practices as they remain independent and thrive as a business in the communities in a very low-cost setting. So, you can see that in the flywheel and our growth rates over the past eight, nine years on slide 12, and that contributes to the same-store growth. So really excited about continuing to just have that play out.

Operator

Andrew Mok, Barclays.

Jeffrey Song - Barclays - Analyst

This is Jeffrey on for Andrew. Provider expenses increased to $500 million in the quarter, which grew faster than revenue and was a bit higher than street expectations. Can you provide more detail on the drivers of that variance, particularly across care categories and business lines?

Robert Borchert - Privia Health Group Inc – Senior Vice President, Investor & Corporate Communications

Can you repeat that again? You said provider expenses?

Jeffrey Song - Barclays - Analyst

Provider expense. So I think it was a little bit -- it was $500 million in the quarter. Just wondering what the delta between balance sheet is.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. I think you got to just take a look at it on an annual basis. I mean, I'm assuming you're referring to the disclosure on Page 9 of our press release. So, I just think you got to look at annually and our guidance just reflects the good performance overall. So overall, those are payments that we pass through to the providers on our fee-for-service book as well as the value-based book over time. So it just reflects the growth of the business.

Operator

Matthew Gillmor, KeyBanc.

Matthew Gillmor - KeyBanc Capital Markets Inc - Equity Analyst

I wanted to follow up on some of the MSSP discussion and the proposed changes to the financial methodology. It seemed positive overall and CMS is trying to encourage participation. There were some sort of puts and takes for enhanced track ACOs, at least the way we read it. I was curious what you all thought of the proposal and if there are any sort of noteworthy implications for Privia.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. Thanks, Matt. Yes, I think as you summarize, like overall, we think it's positive. I think CMS continues to refine the program for the better. So some of the changes on adding new providers who've never been in an ACO, how we measure attribution. I think some of the changes around rebasing that happens every five years or so.

I think all of those are positive. I think they can continue to refine it based on some of the adjustments on a regional basis. And then I think there's still some work to be done in our minds where you don't need three or four programs. I mean they tried REACH, now they have Lead. Over time, let's see if these programs merge into MSSP. But overall, look, I think it's a step in the right direction. I think it was pretty positive overall.

I think they made a real good effort to continue to improve the program. It continues to be one of the longest serving programs with very wide adoption across many hundred thousands of providers, millions of beneficiaries. So I think CMS appropriately wants to make sure that they keep doing right by community-based providers who are participating in this.

So I think we feel really good about MSSP directly contracting with the government on this program and delivering shared savings. So I think over time, it will just get better. So pretty excited. And part of our guidance increase kind of reflects that. And so we'll just see how we keep doing that over the next few years, but really, really happy about it.

Operator

Whit Mayo, Leerink Partners.

Whit Mayo - Leerink Partners LLC - Analyst

Looking at the implemented provider growth this quarter, would you be willing to share how much of that growth is coming from new physicians joining existing groups versus new groups affiliating with Privia?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. Thanks for the question. Yes, we don't break that out because it just changes every quarter. So we just look at that on an annual basis. Same-store growth is usually 1% to 2%, but that includes both price and volume. Some years, it's higher depending on just the mix. We're growing our practices same-store in a pretty meaningful way, and the base keeps getting bigger.

So it could be higher than that number in a few years. And then obviously, we are adding new practices in the existing states and then entering new states. So just mix just varies. The good news is it just, as you know, it takes us five to six months to implement every provider from the sale and the business becomes, therefore, very predictable 9 to 12 months out.

So if we keep hitting the metrics, by the time we give the following year guidance in February, 90% of the business is pretty much locked in on a fee-for-service basis. So I think that just bodes well, and I think we'll just continue to play on all those levers like try to grow these practices same-store and try to keep adding new providers. But it's tough to just break out in one particular quarter or half a year because that just changes.

Operator

Matthew Shea, Needham.

Matthew Shea - Needham & Company LLC - Equity Analyst

Congrats on the nice quarter here. Maybe on go-to-market, you're running the two go-to-market motions now the full medical group and the wider ACO-only model. How is the two-pronged strategy done so far into 2026? Anything interesting to call out? And obviously, we can see the adoption of the full medical group and implemented providers, but it would be good to hear specifically how the ACO-only model is resonating. I mean any notable additions there?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I appreciate the question. I mean it's still a little bit early for us. We just bought the business, closed it by the end of last year and integrated it. But I think it allows us to have many more conversations in states where we do not have a medical group entity set up yet. And so I think it allows us to enter into partnerships with a much more bigger TAM, if you will. It also allows us to follow up that one particular acquisition with other tuck-in acquisitions that's available. There are a lot of ACO entities in subscale business models that I think we could pick up over time. It just depends what is available at what price.

So I think it allows us to run that playbook pretty efficiently as some of the disruption happens in the industry. So overall, I think we're very excited about it. I think -- and we do it in MSSP, which is a program largely that we understand. And then we can also add commercial and MA value-based contracts to that same playbook through a CIN or an IPA type of a network in a particular state.

So I think we'll just build that out over time, and it will be a good addition. And then hopefully, over time, we'll have some cross-sell where some of these providers join our full medical group for the full set of services. So I think it will play out over the next four, five years. That's our timeline to run any of these plays. So it's early days, but I think we're pretty excited about it.

Operator

Jessica Tassan, Piper Sandler.

Jessica Tassan - Piper Sandler Inc - Analyst

Congrats on the strong results again. So we have cost of platform coming in at about 52.5% of care margin, which is down 400 bps year-over-year. Should we still think about the cost of platform as kind of the cost associated with third-party EHR software? And then just does the 2Q leverage reflects the full extent of that opportunity? Or is there a longer-term opportunity to kind of negotiate pricing down and continue to drive margin expansion on that line?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I appreciate the question, Jess. So I think, again, you have to look at it on an annual basis. It can get impacted by shared savings accruals in one quarter or one half also because that flows down care margin to cost of platform. But over time, our job is to keep increasing that, and that's part of the EBITDA to care margin story as well. Like I said, it's a combination of both the cost of platform and SG&A.

So I think it will just keep improving hopefully, over time. And there are different levers. I mean, technology spend is one. We don't capitalize any software, as you know. It's all expensed in the P&L. But then it's also a lot of our practice operations supporting these practices on both the fee-for-service and value-based book, a lot of the revenue cycle function that we have, a lot of our market leadership, fixed cost, variable costs.

So I think it's a combination of all of those that we'll continue to hopefully scale over time. And yes, we have levers in our contracts that as we get bigger, we scale those costs appropriately. And so we'll just keep pulling that lever. So, I think, as we've said, our target is try to get to that high end of EBITDA to care margin.

And I think if you look at over the -- look at slide 12, over the past nine years, I mean, both cost of platform and SG&A has scaled really well. That has led to pretty good accretion on the EBITDA margin as a percentage of care margin. So hopefully, we'll just keep doing that.

Operator

Jack Slevin, Jefferies.

Jack Slevin - Jefferies LLC - Equity Analyst

Congrats on the quarter. I just want to double-click a little bit a bit on the BD side of things for the ACO business. Just understanding we have this transition this year from ACO REACH to LEAD, possibly some disruption in the marketplace. Just wanted to hear if you have any additional color on sort of if that's creating pockets of opportunity or how you think about organic adds to the ACO business going forward?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. Good question. So I think it's both organic and inorganic, where now that we have Care Partners, the Evolent platform that we bought, it allows us to go sell organically into practices that were part of REACH that may be considering what they do next. And so I think that's helpful. We didn't have that before.

And then obviously, there are acquisition opportunities of all scale and size. which we continue to evaluate. So we can add to that. And part of that is based on this disruption of essentially a set of contracts just ended with CMS. So those providers have to find a new partner or the entity has to figure out a new set of programs that they have to participate in, which they may or may not have the capability to do so.

So again, I think as the industry consolidates to a few larger players at scale, I think it allows us to capture both that organic and inorganic opportunity. So I think it will play out over time because I do think over time, you do need a set of capabilities, which are much more deep rooted than anybody raising some capital and starting an ACO and just giving money away to providers to join.

I mean that was the easy play. A lot of it got funded in five, six years ago, private equity, venture capital, smaller entities trying to do it, but I think all that gets consolidated hopefully, over time as scale matters. So we'll hopefully play on the right side of that trade.

Operator

Ryan Halsted, RBC.

Ryan Halsted - RBC Capital Markets Inc - Analyst

My question is about the managed care landscape looking ahead at 2027. Just curious if there's anything you are starting to think about as you hear about MA plans reevaluating which markets that they're looking to stay in or exit. And similarly, Medicaid managed care and some of the comments that have been coming out about their expectations on membership. I appreciate that.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, it's a good question. Look, we are not in that business directly, but from everything you see and a lot of you have written about it based on the companies you cover, I think this happens every five years. The payers go through their cycle. I think some of the changes in V28, changes in the exchange population, redeterminations in Medicaid, etcetera, have just caused a little bit more of a disruption this cycle.

So I think the payers obviously will make their adjustments. It's payer by payer, state by state, as you noted. The good news for a business like ours is we are in the business of creating very large dense medical group with low cost in the community providers. And we take that network in a very sophisticated manner to payers of health car. across the patient panel. Commercial, MA, Medicaid.

And I think as cost pressures continue to increase and as payers continue to want to create value, a business like ours becomes a really important partner to them because we are delivering care at the ground level in these communities. So I think we just become a pretty important part of the whole machine.

I think primary care has been written by a lot of you. It's been written in many studies. Primary care is a chassis that helps deliver care in a very cost-effective manner and take ownership of the total life cycle of the care dollars effectively for any patient and the resulting outcomes from that.

So I think as value-based care evolves, as payers look to improve their own performance, they'll have to turn to entities like ours because that's where performance is really delivered and care is delivered at the ground level. So I think we'll just continue to be that partner and keep evolving state by state.

The good news for us is the patients don't go away. It's not like populations are changing massively. So if a payer exits, the person still has to go see their doctor if they are not well. And human beings get ill, they age, things happen. So I think it bodes well for a business like ours to continue to capitalize on whatever might happen in the payer landscape.

Operator

Olivia Miles, Baird.

Olivia Miles - Baird - Analyst

This is Olivia on for Michael Ha. I wanted to ask more on your long-term adjusted EBITDA growth target, having achieved an average 32% adjusted EBITDA growth over the last two years and with yet another quarter of nearly 30% EBITDA growth on a business with high visibility.

Can you help us understand how you think about the puts and takes of your 20% long-term EBITDA growth target? Specifically, I'm interested in which factors or developments could cause you to revisit and potentially raise your multiyear view on EBITDA growth.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. Thanks for the question, Olivia. So look, you've seen how we performed and slide 12 just speaks for itself. We said we're going to target around 20%. We've said it can be higher or lower in any particular year. We've doubled EBITDA on a rolling three-year basis, as you noted, in a pretty challenging MA environment, which if you asked us that 4 years ago, could we do that?

We would have probably said no. But it just speaks to the execution of the people on the team here and how well we've just continued to expand this business. And the drivers are multitudinal here. We're looking to grow organically in the states we are in. We're looking to make acquisitions. We are looking to continue to perform in value-based arrangements, grow our practices same-store, use our balance sheet capital.

So I think all of those factors will play over the next many years. I think we're going to continue to target that level. But I think, again, some years it will be higher, some years it will be lower. Some years we'll have acquisitions that will contribute. And so, I think we're just going to keep targeting that.

I mean the overall TAM for us is pretty large. There are about 1.1 million clinicians in the country. Even if the addressable TAM is half of that, that's 600,000 non-facility-based providers, and we are just around 6,000 with our guidance for this year. And so I think the ability for us to continuing to expand that platform, add providers, add lives and just continue the playbook.

The fact that we are already at a pretty healthy EBITDA margin towards the low end of our long-term range, and that's why we're saying we can get to the high end of that range, continue to get operating leverage to help us at this scale, I think, just speaks for itself. So as we 2x or 3x our platform on providers, the unit economics has already played out, which is great for this business. So I think we'll just continue to execute over the next many years.

Operator

John Pinney, Canaccord Genuity.

John Pinney - Canaccord Genuity - Analyst

John Pinney on for Richard Close. So I just wanted to touch on the -- again, on the AI initiatives. Is there anything that's been surprising to you as far as like the cost of the compute and the token use? And just generally, how you're thinking about managing AI spend?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. I'm glad you asked because in our prepared remarks, we just link it to EBITDA margin expansion. So our view is whether the companies we partner with are embedding some of the technology to improve the workflows or if we are spending directly with our dev team using some of the models.

Ultimately, we are expensing a lot of this on the P&L, and we are measuring it at a very micro level by workflow, time saved, outcomes achieved, cost saved, so on and so forth. Ultimately, we're tying it to increasing EBITDA margin. So I don't think our view is that we need to overly spend on technology without seeing the resulting margins compress.

So I think we'll just manage it with our guidance. And that's our view that if -- and it's like every other technology cycle over the past many years, a lot of the innovations, I think this one has the potential to disrupt existing workflows in a much more meaningful manner in a positive way. But our focus is on accreting EBITDA as we use this technology and increasing margins. So I think we'll just continue to do that.

Operator

David Larsen of BTIG.

Jenny Shen - BTIG - Analyst

This is Jenny Shen on for David. I was just wondering if you could provide some updated thoughts on cost and volume trends in the quarter maybe compared to last quarter or a year ago? And whether you've seen any notable pockets of higher acuity and any notable shifts in the acuity mix?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Thanks for the question, Jenny. So yes, there's not much to speak about. I mean, we look at it on an annual basis. I think it's tough to compare it quarter-over-quarter given any quarter has accruals for the current year, true-ups from the past year. So, I think you just got to look at it on an annual basis. I think some of the inpatient utilization trends help us as they've been ebbing down.

Ambulatory utilization is pretty good, as you can see in our fee-for-service book. And that's good utilization because that means folks are seeing their primary care providers and/or first point of contact in the system on a much more regular basis. So overall, look, our shared savings accruals speak for themselves in the results.

Our increased guidance just reflects all that. So, there's nothing notable that we would point out year-over-year that has changed. If anything, I think we're performing pretty well in our value-based book, and that just speaks to the diversified nature of our platform where we benefit from these trends.

Operator

Gentlemen, we have no further questions. Please continue.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. Thank you for listening to our call today. We appreciate your continued interest and look forward to discussing our performance next quarter.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.
