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EDITED TRANSCRIPT

PRVA - Q3 2026 Privia Health Group Inc Earnings Call

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PRESENTATION

Operator

Good morning, and thank you for standing by. Welcome to the Privia Health Q3 2026 conference call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Robert Borchert, SVP of Investor and Corporate Communications. Please go ahead.

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

Thank you, Elliot. And good morning, everyone.

Joining me are 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.

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Today's reported results are preliminary and are not final until our Form 10-Q for the third quarter and nine-month period ended September 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 November 5, 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 our 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, and reconciliation of these measures to comparable GAAP measures are included in our press release and the accompanying slide presentation posted on our website.

Now I'd like to hand 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, market presence and growth strategy, and David will discuss our financial results and updated 2026 guidance before we take your questions.

Privia Health continues to demonstrate strong momentum and operational excellence across all aspects of our business. We delivered robust new provider signings, giving us clear visibility into our implementation pipeline for the remainder of 2026 and into 2027.

Implemented providers grew 12.2%, and value-based attributed lives increased 19.2% compared to the first nine months of 2025. This drove year-to-date practice collections growth of 12% and adjusted EBITDA growth of 21.9%. EBITDA margin as a percentage of care margin increased to 28.8% as we continue to scale our operating cost structure.

Given our strong year-to-date results, we are raising our 2026 outlook above the high end of our initial guidance for all key financial metrics. Implemented providers are now expected to be at the high end of our initial guidance. We expect to reach 6,000 clinicians by year-end, which is 11.5% growth over 2025.

The midpoint of our adjusted EBITDA guidance is now above the high end of our initial guide and represents 23.9% growth over last year. Separately, we are exiting our Montana partnership with Surgery Partners effective January 2027. We support 69 providers and generate approximately $23 million in annual practice collections in the state. This is expected to have no material impact to our adjusted EBITDA in 2027.

This week, we announced the acquisition of American Choice Healthcare MSSP ACO, a wholly owned subsidiary of Cano Health, for approximately $36 million in cash. The accountable care organization is expected to care for more than 36,000 attributed lives participating in the Medicare Shared Savings Program beginning January of 2027.

The transaction is expected to have minimal impact on all key metrics in 2026 and positively contribute to attributed lives and adjusted EBITDA in 2027. This will expand the Privia Care Partners' VBC footprint in 10 existing states as well as three new states beginning next year. This is a quality addition to our care partners' presence as we continue to supplement our organic growth engine with tuck-in acquisitions.

Privia has a highly durable growth algorithm driven by a strong value proposition for community providers across 50-plus specialties, all patient demographics, and payment structures. We have an exceptional sales engine, high retention rates, and a proven track record in value-based care that is resonating very well with our addressable market.

We have five core pillars that drive our growth. First, organic growth in existing practices is essential to our value proposition for physician partners. Our operating teams actively work with practices to expand their patient and provider panels. Our practices also see meaningful operational improvements that drive revenue optimization and practice profitability. This growth scales naturally with each market's expanding care delivery network.

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Second, organic growth in existing markets through the addition of new care centers continues to be a key driver of growth. Businesses such as clinical research and other ancillary services also drive incremental revenue where we have local and regional density.

Third, organic growth in value-based care is supported by increasing attribution as a result of the two prior growth categories, in addition to improving clinical performance in existing programs and entering new value-based contracts.

Fourth, our strong balance sheet enables us to deploy capital through acquisitions and partnerships across both new and existing markets. Our business development activities target a variety of assets given our flexible partnership model. We remain highly opportunistic and disciplined in the current landscape for medical groups and value-based care entities.

Finally, we expect to strategically expand our total addressable market by investing in adjacent lines of businesses and new capabilities over time.

Ultimately, our goal through these five strategic growth pillars is to build one of the largest community-based care delivery networks in the country that delivers high-quality, low-cost care with exceptional provider satisfaction and patient outcomes.

Privia's footprint of community-based medical groups and value-based entities comprises 25 states and the District of Columbia. We now have 5,893 implemented providers caring for over 6.3 million patients in 1,400 care center locations. Our footprint today remains a very small subset of our total addressable market of more than 1 million credentialed providers and their underlying patient populations across the country. This gives us the confidence to continue to compound growth across our key operating and financial metrics for many years to come.

Privia now serves over 1.67 million attributed lives in value-based arrangements across more than 130 commercial, Medicare Advantage, and Medicaid programs. Commercial attributed lives increased 11.8% from last year to reach 966,000. Lives attributed to the CMS Medicare programs were up 59%. Medicare Advantage and Medicaid attribution increased 12.6% and 12.7% respectively. The balance and diversification of Privia's providers and payer contracts gives us the confidence in our ability to build scale and profitability without depending on any one particular program.

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 and Chief Financial Officer

Thank you, Parth.

Privia Health's strong operational execution and growth continued through the third quarter. Implemented providers grew 249 sequentially from Q2 to reach 5,893 at September 30, an increase of 12.2% year-over-year. Implemented provider growth, as well as strong ambulatory utilization trends and value-based performance, led to year-to-date practice collections growing 12% from a year ago to reach $2.91 billion.

Adjusted EBITDA, which is reconciled to GAAP net income in the appendix, increased 21.9% over the first nine months last year to reach $114.7 million, or 28.8% of care margin. This highlights our highly predictable revenue and care margin engine, with operating leverage across both cost of platform and G&A to generate strong EBITDA margins while investing across all markets.

We ended the third quarter with $446.3 million in cash and no debt. We expect approximately 70% of full-year adjusted EBITDA to convert to free cash flow and expect to end the year with at least $520 million in cash on our balance sheet. This accounts for the American Choice Healthcare transaction and assumes the 2025 MSSP cash settlement and related provider disbursements occur before year-end based on our current accruals. This does not include any potential additional capital deployment for business development.

Our core financial outlook remains very strong, and we look forward to CMS delivering final MSSP 2025 performance results this month. Our strong year-to-date performance has provided us with excellent visibility and confidence to raise our 2026 outlook above the high end

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of initial guidance across all key financial metrics. Implemented providers are now expected to reach the high end of our initial guidance of 6,000 clinicians.

Using the midpoints of our new 2026 guidance, attributed lives growth is expected to increase 9.2% over 2025. We expect practice collections to grow 13.1% and care margin 16.3% at their respective midpoints. We are also guiding to adjusted EBITDA growth of 23.9% at the midpoint. Privia Health continues to drive consistent, sustainable growth and profitability given our differentiated business, consistent execution, and compounding economic model.

Our consistent track record over the past nine years across economic, political, and regulatory cycles speaks to the strength and durability of our business. We look forward to continuing to serve our clinicians and their patients on our long-term journey together.

Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

Our first question comes from the line of Elizabeth Anderson, Evercore ISI.

Elizabeth Anderson - Evercore Inc. - Analyst

As we think about your recent acquisition of American Choice, can you talk about where you see the specific opportunities? Why was that a good fit for Privia? Then maybe a little bit more zooming out a little bit, like obviously with the Montana exit and maybe there were some specific dynamics there. I guess, what in your experiences you've had more time sort of makes things sort of a good or maybe not as good a fit?

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

Yeah, thanks for the question, Elizabeth. We've talked about our balance sheet strength, how well we've done over the last five, six years relatively, given all the changes in the industry, regulatory, program changes. I think we are seeing assets that come available from sellers that in the case of the Evolent acquisition, it was a non-core asset. They needed to de-lever the balance sheet.

In the case of Cano, we looked at this asset when the company went through its Chapter 11 filing. Ultimately, the debt owners owned the business, and obviously, they needed to exit eventually, which happened now. You can see the REACH program sunsetting. A lot of lives had to convert to either LEAD or MSSP, so that causes a lot of disruption.

We talked about that on the last call. This was an example of the asset being available at a very attractive multiple, well below where we trade. So I think we continue to look for those opportunities where we can do accretive transactions.

Then I think broadly to your question, I think we continue to see this dichotomy where similar assets that cater to same patient populations, similar CMS programs, there's a wide variety of those available in the market. Some of the ones that are still privately owned, venture capital backed, or private equity owned, the expectations of the multiple is still pretty high relative to the quality of the asset or the scale of the asset.

On the other hand, we are seeing assets like Cano and Evolent being available at very attractive multiples. So I think we're going to continue to be very disciplined. We think we have a good playbook where we can acquire these assets, integrate them in our model, scale them, get some synergies, hopefully improve performance over time. That's the thesis, and we could just continue to run the playbook.

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I think if you look at our bubble chart on slide eight, we now have over 550,000 MA lives. That's a pretty big book across both Medicare Advantage and MSSP. I think we'll just continue to expand that. We see a great opportunity for a business like ours to continue to play the MA game, as that's pretty important to lower cost, improve outcomes for the payers. I think that's the big picture, and I think we're at a very good position of strength to keep doing that.

Operator

Whit Mayo, Leerink.

Whit Mayo - Leerink Partners LLC - Analyst

I think the Physician Fee Schedule was finalized yesterday. Just wanted to get any early read you may have on that with your ACOs, with the ACPT relief. Have you disclosed what you're assuming for the 2025 MSSP cash settlement? Thanks.

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

Thanks, Whit. Yeah, so it just came in last night as we were getting ready for today. I think our initial read is, there are a lot of puts and takes for various aspects, but overall, I think it's pretty in line with what we expected. It doesn't change our guidance for this year or into next year, our expectations, anything meaningfully. I think there's some nuances, both up or down, but broadly speaking, we think it was pretty much in line with what we expected from that perspective.

Operator

Matthew Gillmor, KeyBanc.

Matthew Gillmor - KeyBanc Capital Markets Inc - Equity Analyst

On the durable growth topic, one area Parth highlighted was expanding your TAM via adjacent lines of business and acquiring new capabilities, I think even transformational M&A. Some of that was new to us, at least. Can you maybe put some parameters around the type of adjacent lines of business or capabilities that would make sense for Privia?

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

Yeah, absolutely. Look, that is very probabilistic in terms of when an opportunity is available, the quality of the asset, how core is it to our core business or not. I think we're trying to be mutually exclusive and collectively exhaustive in the list of things that can drive growth.

If you look at our balance sheet, we have over $500 million of cash. If you look at our EBITDA guidance this year, consensus next year, even if you assume a very conservative 2.5x leverage, we've got $800 million to $900 million of capacity to do cash acquisitions, and obviously equity is a component. Healthcare services typically consolidates over time. Assets become available publicly or privately, and I think this industry will be no different.

I think over time, our vision continues to be building one of the leading, if not the leading physician organization in the country, catering to independent providers across all patient panels, all payers. We've got the core Privia model, the single TIN model, which is very unique. We obviously are now doing care partners in a very scaled way with a couple of acquisitions here. And I think there could be assets that may have an employment structure to it, which we haven't done, but they could be available to get density in the markets.

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Ancillaries is a big play out of inpatient facilities. Ancillaries are going to be driving costs lower, improving quality. I think you've seen a lot of shift there. I think whether it is that, whether it is in-home, whether it is virtual, the advent of AI and technology will make some of these models become much more easier to operate. It just depends on across that spectrum as we get physician alignment and meet the patients where they are and where they want to be, I do think it will open up a lot of opportunities.

But again, that is low probability, and anything transformational, obviously, needless to say, has a very, very high bar for us. But I think in the context of just being totally exhaustive in our list of growth opportunities, I think given our size and balance sheet and performance over the last few years, that is always a possibility. We will just see what happens.

Operator

Jailendra Singh, Truist.

Jailendra Singh - Truist Securities - Analyst

Congrats on a strong quarter. I want to ask about the decision to exit Montana. Was this primarily about economics or strategic fit, and was it related at all to Surgery Partners' pending sale to Health Span? I am trying to figure out who initiated the exit, and more broadly, does this tell us anything about the minimum scale or returns you require from a market?

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

Thanks for the question, Jailendra. I think you partly answered the question in your question. I think it is a multitude of factors.

Look, number one, we do periodic evaluations of all our partnerships on an absolute basis. Are we getting the desired scale? Did the original thesis play out both in the market, and then there could be a broader thesis with any company that we partner with. I think we have done it in the past. We entered Delaware, we exited it. We did capitated MA, we kind of paused on it when the industry challenges presented themselves. I think that is obviously one.

I think second is, there are unique idiosyncratic challenges that many companies face and have faced in the last three or four years, whether it is ASC businesses, whether it is hospitals, whether it is not-for-profit hospitals. I think you've just seen with all the regulatory changes, all the changes around attribution related to the One Big Beautiful Bill Act, as you all have written about that.

I mean, that has impacted many companies differently. That leads to different priorities. You obviously mentioned, they announced the transaction, so I'm not going to comment on that. Strategic priority shifts, and if our partner decides to go in a different direction, if leadership changes, I think we've got to evaluate that.

Obviously, third is, the bar for us as we stand here today, relative to what the Privia was five years ago, when we went public in 2021, this was $40 million EBITDA. We've quadrupled EBITDA. We now have over $500 million of cash. I just alluded to the debt capacity.

I think the bar for us to dilute ownership in any particular market is just very, very high. We can do a lot of things ourselves that we were not able to do previously. We like to be unencumbered in our ability to acquire assets, fulfill pretty much the same strategic need on our own, whether it's ASC assets, whether it's medical groups, to my answer to the previous question.

I think we looked at all of those, and then ultimately, as we said, this has no material impact. It was pretty small scale, either to 2026 or 2027. So for all those reasons, we decided it would be best to just exit the partnership given the change in their priorities and their strategic transaction.

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Operator

AJ Rice, UBS.

AJ Rice - UBS AG - Analyst

You mentioned Medicare Advantage. I wonder if you could maybe just update us on, is your contracting with health plans for 2027 largely in place at this point? Is there any change in the way they're working with you that makes you want to lean into that business a little more? Also, is there any early read on what you're hearing regarding open enrollment for MA heading into next year?

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

Yeah, thanks for the question, AJ. Like I mentioned again on slide eight, we have now 550,000 MA lives. I think a model like ours is really well-positioned as the industry here settles from the last two or three years of a lot of disruption for the payers, whether it was V28, star scores, benefit design changes.

I think the payers have adjusted, and a lot of you have written about that over the last few quarters as that has happened and shifted. We continue to believe that a shared risk model is the best long-term sustainable model where payers, an entity like Privia, our providers, and our medical groups can partner, share the risk, and perform well in MA contracts in a very sustainable manner that is durable. Because I do think you will continue to have cases where regulation will change, program structures will change, competitive dynamics will change.

Everybody is trying to optimize their profit pool. The payers are obviously focused on their EPS. We are focused on delivering the value to them and earning our fair share of the profit. I think a business like ours that is in the community, first point of contact with customers and patients, and the ability to impact outcomes in a very lower-cost setting, I think is very unique.

I think our scale is now pretty deep and broad. I think we continue to be very forward-leaning as the MA environment settles. I think the nuance is it just varies by state, as you know, which payer has what density with us in which state, whether the payers decided to exit or not that state, whether they decided to change the benefit design in that state or not. So we look at the whole portfolio.

We are working with all the national payers, and I think we will just continue to advance that business. If there is opportunity for us to dial up our share of the risk, we will do that as long as we can do that profitably. So I think the strategy does not change, but I think we are going to be very forward-leaning because obviously the long-term trends in MA are pretty good. The population is going to age, and I think we are really well-situated to capitalize on that.

Operator

Richard Close, Canaccord Genuity.

Richard Close - Canaccord Genuity Corp - Analyst

Congratulations. Appreciate the M&A opportunity commentary, but on the organic growth front, adding providers and updating guidance there, can you talk about the pipeline going forward? Are you seeing any meaningful change that could potentially accelerate growth? Just curious how the pipeline in the market is evolving.

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

Thanks for the question, Richard. I mean, look, you've covered us since pre-IPO, and I think you have seen the strength in this business that our organic sales engine is a key differentiator here. That's reflected in the results in the last five to seven years, where despite all the headwinds in the industry, we've continued to add providers and compound this business. Organically, five, six years ago, we were adding 200, 300, 400 providers. You can see this year, we're on track, given our guidance, it's well over 600. I think again, this is not a straight line. It can vary over the years. But that trend line just speaks for itself.

I do think a lot of the regulatory changes, reimbursement changes, attributed lives being shifted from different programs, different buckets of healthcare spend between the individual exchange lives, Medicaid lives, et cetera, I think it's going to cause a lot of disruption. It's going to vary by entity, by state. But whether providers stay in their existing places or not, I think there's going to be some disruption, and we are ready to capture any and all of that.

So whether it's providers starting to get more independent and coming out of health system employment, whether as they exit residency and they choose into private practice, whether independent medical groups want to join a bigger entity like Privia. Then obviously, we have entities in the space, in the value-based care space, which obviously, as they go through their transitions, some will perform, some will not perform.

I think our ability to consolidate a lot of this space, I think, is pretty exciting. You've seen that. We've done a few acquisitions here in the last two or three years. IMS in Arizona, the Evolent acquisition, the Cano acquisitions. I mean, all of these arguably were not available two or three years ago or five years ago. These book of businesses become available, and our balance sheet strength allows us to capitalize on that.

So I think there'll be opportunities for us to both grow organically and then inorganically. Again, I think it's not a straight line, but given our five pillars of growth, I think we're pretty excited about how we can compound the business.

Operator

Ryan Langston, TD Cowen.

Ryan Langston - Cowen and Company LLC - Analyst

Over the past several years, you've been able to really keep G&A growth below care margin growth. I guess, is there any reason to think that won't continue into next year, absent some necessary step investment? Is there any reason for us to think that we shouldn't be looking at maybe that 20%-plus EBITDA growth through next year? Maybe any key puts and takes for next year would be helpful too.

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

Yeah, appreciate the question. Look, I think I appreciate the comments because we've done a pretty fantastic job of scaling G&A, also on the operating cost structure, if you look at platform contribution. Overall, EBITDA margin as a percentage of care margin has accreted really well, as you noted.

When you go public, you absorb a lot of public company costs. I think as our sales engine has performed really well, the sales and marketing line obviously increases on an absolute dollar basis, but then overall can scale as a percentage. So you've seen we've gone adjusted EBITDA to care margin the year prior to the IPO at about 16%.

With our guidance this year, we're approaching 29%. We've said our long-term target was 30% to 35%, and even last couple of earnings call, this question came up in the context of AI and how that can impact. I think G&A leverage, SG&A leverage is another component where

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I think if you're sitting at 29%, 30% is pretty much very near term, and then I think we can be at least at the high end of that 30% to 35% range.

There is no reason to believe we won't continue to scale that. I obviously think, given the inflections that we've had over the last few years, again, this will not be a straight line, but there is no reason to believe that we'll go backwards for any reason. So I think we're going to continue to look to scale that.

I also think, and this is on a non-GAAP basis, but even on a GAAP basis, I think things like stock compensation, et cetera, should scale over time. I think all of those metrics will stabilize, then we can drive GAAP EPS higher over time as well. I think you'll see us continue to perform on all those aspects, and we look forward to delivering in future quarters.

Operator

Jessica Tassan, Piper Sandler.

Jessica Tassan - Piper Sandler Inc - Analyst

Congratulations on the deal and the new markets. I wanted to clarify just on Whit's question on the PFS, then I have one just on ACH. Maybe can you clarify whether the benefit of the ACPT guardrail provisions that were implemented retroactively in the PFS final rule are or are not contemplated in the 2025 accruals recognized through 3Q 2026? Then maybe on ACH, just how should we think about the productivity of that ACO given the geographic diversity of the providers?

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

Yeah, I think the short answer is we've incorporated all of that into our guidance. If there was anything material that we thought we should adjust for, we would have or called it out, but I just don't think that's the case.

Then I think on the second part of the question, look, I think we are underlying the 36,000 lives is about 600 providers. Like we said, they're a little bit spread out in existing and new states, but I think they've had long-term relationships in the REACH program previously, and so the partnership has been there with these provider groups for a long period of time.

I think we can build on that and get density around those, which is always our playbook, both organically and/or inorganically. I think we're pretty excited that we can tuck this one in, and the team's really excited to be part of a much more stable, bigger organization. They're really excited to join Privia, and we're hoping that we can deliver for the providers and continue to add value.

Operator

Andrew Mok, Barclays.

Andrew Mok - Barclays Services Corp - Analyst

We've had a couple of quarters now where the revenue beat has outpaced the care margin and EBITDA beat. Is there anything in the P&L underlying mix or new market expansion that's driving that dynamic more than usual? Then secondly, I think the cash flow guidance was revised slightly lower from 70% to 80% to 70% of EBITDA. Can you help us understand what's driving that revision? Thanks.

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

Yeah, so I'll start and then David will add. Look, I think part of the GAAP revenue is that we acquired the Tax ID in Florida, so we own that medical group now. I think we are recognizing practice collection flow through into GAAP revenue as a result of that in our model, which we are required to do so from a GAAP perspective. I think that's driving some of the dynamic that you mentioned, but otherwise, there's nothing idiosyncratic that changes practice collection flow through to the care margin line because our management fee is pretty stable on the fee-for-service basis. Our take rate on the value-based book is also pretty similar. So I don't think there's anything idiosyncratic there.

Then from a cash flow perspective and the conversion, I'll start, David will continue on the specifics. Look, I think the last three years, if you look at slide 12, we were well over 100% EBITDA to free cash conversion, 112%, 121%, 130%. Even though every year we guided 70% to 80%, we were able to manage working capital pretty well. I think some of the nuance this year is timing of some of that reversal, timing of some of the payments around MSSP. We are a full tax cash payer. Going forward, like we have said, effective tax rate is about 27%, so 70% to 75% will be kind of the range, and we feel pretty good about that.

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

Yeah, just, I mean, again, just to sort of reiterate Parth's thought. The first part, yeah, Privia Medical Group of Florida, when we purchased it moved from an administrative services only to a full-GAAP revenue one, so you are going to see an increase in GAAP revenue from that transaction.

From a cash perspective, as he said, we are targeting right now 70% to 75% as a full-time taxpayer. As you have seen in the past couple of years, there are some timing things from time to time that give us a little bit higher number, and we might see a little bit lower number than that. But on an average basis, on a go-forward basis, we are targeting the 70% to 75%.

Operator

Sean Dodge, BMO Capital Markets.

Thomas Kelliher - BMO Capital Markets - Analyst

This is Thomas Kelliher in for Sean. Thanks for taking the question. On the commercial value-based care, payers are still under disproportionate pressure in the commercial books. Has this created more opportunities to partner with them and to leverage your scale to expand services to additional cohorts of patients and/or maybe to redesign contracts with more compelling economics or bonus payouts to further incentivize care quality and cost control?

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

Yeah, absolutely. I really appreciate this question. I think one of the salient features of our business is the commercial book and our ability to impact cost of care in that book. I think what does go unnoticed many times is the fact that despite we have a large fee-for-service commercial business, which is very low-cost providers, again, in the community providers, first point of contact with the patients for all kinds of ailments on the commercial side, starting from children, young adults, all the way to pre-Medicare.

We have 966,000 lives now in some commercial value-based arrangements. That is, over the years, our teams have done a fantastic job, the payer contracting team, the value-based operations team, in working not only with the payers in crafting very unique value-based contracts in the commercial book, where we are getting paid now for improving quality metrics by cohort of patients, different for pediatricians, different for OBs, different for adults, different for pre-Medicare adults, lowering the overall cost structure there.

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I think as that book faces pressure, as employers face pressure, a business like ours that is building dense medical groups can really help alleviate some of the cost pressures. We'll continue to work with the payers. We'll continue to, if we have a lot of density in a market, directly with some employers, where we can take our density of providers and impact the cost of care on the commercial side through these unique value-based arrangements.

It's not a book where a business takes blind risk, obviously. It's an open-access product to a large extent downstream. But I think our business is very, very differentiated if you compare us to many other value-based only players that are focused on just MA, for our ability to impact cost of care across the patient panel. I think we'll continue to do that, and that's a great value proposition we have with the payers in every state.

Operator

Constantine Davides, Citizens.

Constantine Davides - Citizens JMP Securities LLC - Analyst

Parth, can you talk a little bit about your updated thoughts around your capital allocation options or priorities in a general sense, and how those might be evolving here as we head into 2027? Then more specifically, I guess, how are you evaluating the attractiveness of your own equity versus deploying capital more aggressively towards external assets?

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

Yeah, I really appreciate the question, Constantine. Look, I think over the years, we've grown our cash balance. Now it's over $520 million. Like I said, if you take a very conservative debt capacity, 2.5x leverage, it's another $300 million, $400 million. So we've got $800 million to $900 million capacity to do deals, even if you say, $100 million, $150 million of cash is stocked away for a rainy day. We're at a point where we think we've got enough firepower from that perspective. We treat this capital, it's our obligation, this is shareholders' capital.

Our Board evaluates capital allocation strategy very periodically. Every quarter, we have discussions. I think given where we sit today, and you talked about relative multiple on our own stock, if you just pro forma the cash for this year, if you look at consensus estimates for next year on EBITDA, and our ability to again convert 70%, 75% of that into free cash, that grows by another $100 million, $130 million. And the implied multiple now for our own stock is low teens.

If you pro forma all that cash, which is pretty much earned in 2026, that'll come in 2027. We still think the best accretive use is to acquire assets and compound the business, like we've done with a few deals. But I think we are at a point where, in the absence of M&A, I think the bar is lower for us to actually return capital. Obviously, we haven't announced anything formal.

The Board will evaluate that and approve it over time. But I just think given the dynamic you laid out, and where we trade, given the cash balance, given the firepower, I think it's our responsibility to be looking at all aspects to deliver shareholder value, and this remains a key lever. And we have a lot of flexibility to impact shareholder returns here. So I think we'll continue to evaluate that. But given all those dynamics, I think our board will make a decision, and obviously, if there's something to announce, we'll do it in future quarters.

Operator

Ryan Daniels, William Blair.

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Matthew Mardula - William Blair - Analyst

This is Matthew Mardula on for Ryan. Thank you so much for taking all the questions. With the American Choice Healthcare acquisition expanding Privia into three new states, how are you approaching the onboarding and integration process across those markets? Is there anything unique or different about entering these states compared to your historical onboarding experiences? Once established, how are you thinking about the opportunity to further expand Privia's presence in those new markets? Anything to call out or different than your previous acquisitions or partnerships?

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

Thanks for the question. I think what's changed is we've now done, this is our second acquisition of an ACO-only business. We did the Evolent transaction last year. I think the team's done a great job integrating that acquisition. That team that came over is fantastic, and they had a playbook. I think hopefully we've improved that playbook in how we integrate these practices.

I think you have to realize, a lot of these practices had longstanding relationships with these businesses even before we bought them. It's not like these are brand new practices. The team's been working, that we acquired with these businesses, have been working with these practices. I think we're going to continue to refine and improve that playbook.

I do think these transactions being part of a much more stable, bigger entity like Privia, where we have all the focus, all the experience with MSSP, everything starting from contracting, managing, operating teams, the technology stack that we are developing, how we get data, how we organize the practices into pods, and impact results and total cost of care and quality.

I think all those things, hopefully we can improve over time, and we run our playbook in integrating these practices. There's obviously opportunity to cross-sell in the states that we have a medical group in, that some of these practices can join the full tax ID and the model. We're going to keep running and refining and improving that playbook. But I think this is our second acquisition, and we're just going to keep building on what we've learned and the muscle memory that we've had from previous deals.

Operator

Matt Shea, Needham.

Matthew Shea - Needham & Company LLC - Equity Analyst

Good morning. Thanks for taking the questions. Parth, you mentioned new adjacencies to go after, and if I go back to the Q1 call, you highlighted the trend of multi-specialty groups and procedures moving to ambulatory surgery centers. So I guess, does exiting a partnership with Surgery Partners change how you think about surgical or ASC adjacencies? Should we just view this as a one-off situation, or any change in your view on ownership of surgical or ASC assets?

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

Yeah, there's no change. In fact, I think we're going to be more forward-leaning. Look, I think Jailendra asked the question, I gave my answer on the rationale for that one. There's some idiosyncratic reasons. They just announced a transaction. So I think our ability to now partner with other entities, acquire other assets on our own, I think given our balance sheet strength that we just talked about, is pretty good.

I do think we're going to be very forward-leaning on all those aspects. We operate a pretty big lab in Mid-Atlantic. That's a nice example of an ancillary service where we can lower the cost and provide value to the payers and to the provider groups that we have in our medical group. I think ASCs and other such opportunities around our specialist group is pretty important.

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I think we'll just continue to look for opportunities to either organically or inorganically partner with such assets. I just think we're a much bigger, different business. Our ability to do a lot of stuff on our own has increased dramatically. We can find other partners, smaller partners that have assets, and I think that the space is still pretty fragmented. I won't read too much into the Surgery Partners partnership exit. That was pretty much around Montana and their medical group in Montana, and our ability and view on that state and how bigger we could scale the medical group to. I mean, it's a very unique state.

As I mentioned in previous calls, we wouldn't have entered a state like that on our own without an angle, where the provider density isn't that high, and the payer and health system dynamics are such that, if we enter a state, our objective is to be one of the biggest in that state. Otherwise, it's just not meaningful. I think that was more related to that particular medical group versus a broader view on ASCs or surgery centers and so forth with them.

Operator

David Larsen, BTIG.

Jenny Shen - BTIG - Analyst

Hi, this is Jenny Shen on for Dave. Thanks for taking my question, and congrats on a good quarter. I just wanted to ask more about cost trends, what you guys are seeing. We've heard comments that costs are elevated but stable. Have you seen any material change relative to a year ago, and what are your cost expectations for the year ahead? Do you expect them to remain high, improve, or worsen?

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

Yeah, thanks for the question, Jenny. Look, I think the answer is pretty nuanced. If you look at it from the lens of a community-based medical group business like ours, or an inpatient, or a hospital-centric view, given utilization there. I think you have got to distinguish between the two. We've said that in the past many times. I think the utilization and the cost trends are very different in both those buckets. That's kind of point one.

Our business is obviously focused on the first, not the latter, but the latter impacts us in our value-based book where downstream costs are factored in. I think the diversification of our business speaks for itself. I think generally speaking, we think our ability to control costs and utilization in the ambulatory space is actually good utilization.

People seeing their primary care providers, pediatricians, OBGYN, so on and so forth, family medicine doctors on a more periodic basis is actually really good. We have concerted efforts to get our patients in for their annual well visits, things like that. That utilization has been pretty stable, and I think they're positive. You can see that in our results and practice collections, and that's actually pretty good for us.

I think on the inpatient side, I think there are a lot of puts and takes. I think post-COVID coming in, cost trends were obviously elevated. I think you've seen a lot of changes in attribution between the exchange population, Medicaid population, that is impacting health systems very differently. The uninsured have gone up. I think a lot of you have written about that. It again varies by state, by health system.

It's a nuanced answer as to where you see those trends. Our value-based book continues to perform well across those. I mean, that's reflected in our guidance across both commercial value-based, MSSP, MA. But I think the ability of a business like ours to navigate these cost trends, I think just speaks for itself, and our track record speaks for itself.

But, I think things are probably more stable than not, given some of the changes that happened, but I think we'll just still go through some of the adjustments on the attribution from a health system perspective into next year as the lives normalize, given where they land between uninsured and exchange and Medicaid, but we'll just see how that plays out.

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Operator

Ryan Halsted, RBC Capital Markets.

Ryan Halsted - RBC Capital Markets Inc - Analyst

My question is about Medicare value-based care. Obviously announcing a deal growing within that program. Just curious if you have any updated thoughts on Medicare value-based care, including the evolving models like the LEAD model, maybe in light of the outcome of the elections and the shifting political landscape.

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

Yeah, appreciate the question. Look, I mean, like I said, if you look at slide eight, we've got two bubbles for Medicare lives. We do Medicare Advantage with all the national payers, different states, and some of the Blues plans. We obviously do, we have close to 340,000 lives now in MSSP and REACH going into LEAD in some cases with CMS. We think the long-term trends in Medicare are very attractive.

I mean, I've said that in the previous answer to a previous question. Populations will age. The need to manage costs and improve quality and outcomes with those patients is not going to go away. I think it's only going to increase. I think a business like ours, again, with community-based providers in the lowest cost setting, very close to these patients, is very well set up to do these. I think we've seen programs evolve over time.

We really like the MSSP program. It's an act of Congress. I think across administrations, we've been in the MSSP program now for over a decade. You've seen us perform really well, increase attribution, increase savings rate, deliver the value. Every year we publish our results on all the cost and quality metrics when the results come in. We'll do that again when we receive results, hopefully later this month.

I think we're really bullish on that. I think the LEAD program combines some of the elements of the prior REACH program and the MSSP program. I think CMS is trying to do a really good job in moving some of these programs and evolving them. I do think there could be convergence over time because, again, it's the same 65-year-old life cared for by the same physician with CMS. I think there could be more conversion, and I think we look forward to some of that, and I think they continue to improve those programs.

On the MA book, again, the question was asked previously, I think once some of the dust settles from V28, star scores, some of the benefit design changes with the payers, I think the payers are going to look for partners like us and others to continue to take care of these patients, and we look forward to increasing that book of business and leaning forward. I think we're pretty bullish on MA. I think it just is a very nuanced discussion on the contract, which payer, which market, how much density we have, but the long-term trends are there, and I think we're very well positioned.

Operator

Thank you. We have no more questions. Gentlemen, please continue.

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

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

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