

## Delray Beach Radiation Therapy Center Update

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*November 4, 2021*

*Privileged & Confidential*



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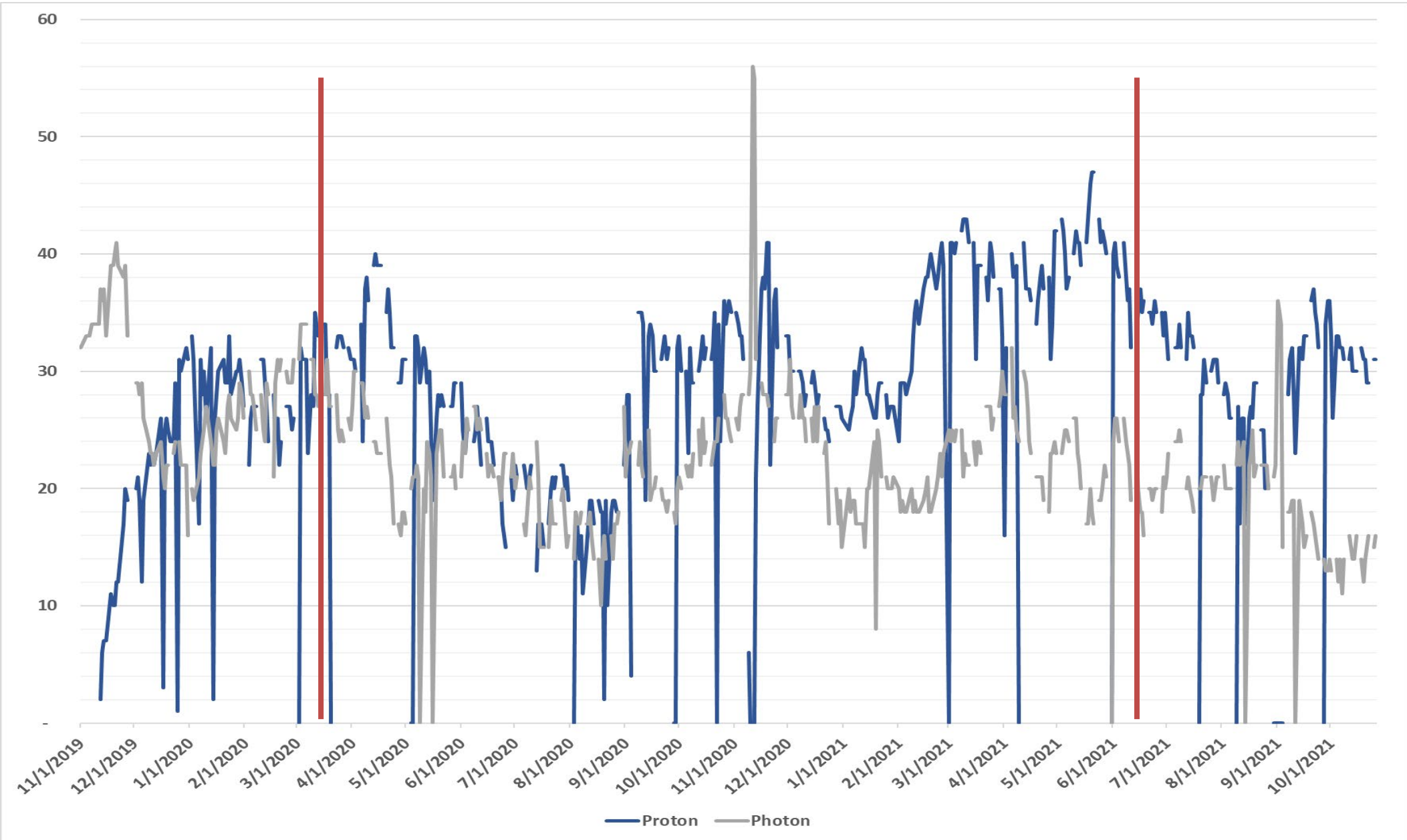
- **Proton International – Delray, LLC (“Proton International”), as manager of the Delray Beach Radiation Therapy Center (the “Center” or “Project”), worked with the Public Finance Authority (“Authority”) to close the Authority’s \$67.315 million Senior Revenue Bonds Series 2017A and \$14.000 million Subordinate Revenue Bonds, Series 2017B on May 5, 2017 (the “Series 2017 Bonds”)**
  - Proceeds of the Series 2017 Bonds were used as follows:
    - Finance the acquisition, construction and equipping of the Center in the City of Delray Beach, Florida
    - Fund a senior debt service reserve fund (“DSRF”)
    - Fund an extraordinary expense fund for the Authority
    - Fund interest on the Series 2017 Bonds through January 2019
    - Provide working capital for the Project
    - Pay certain costs of issuance

# Agenda

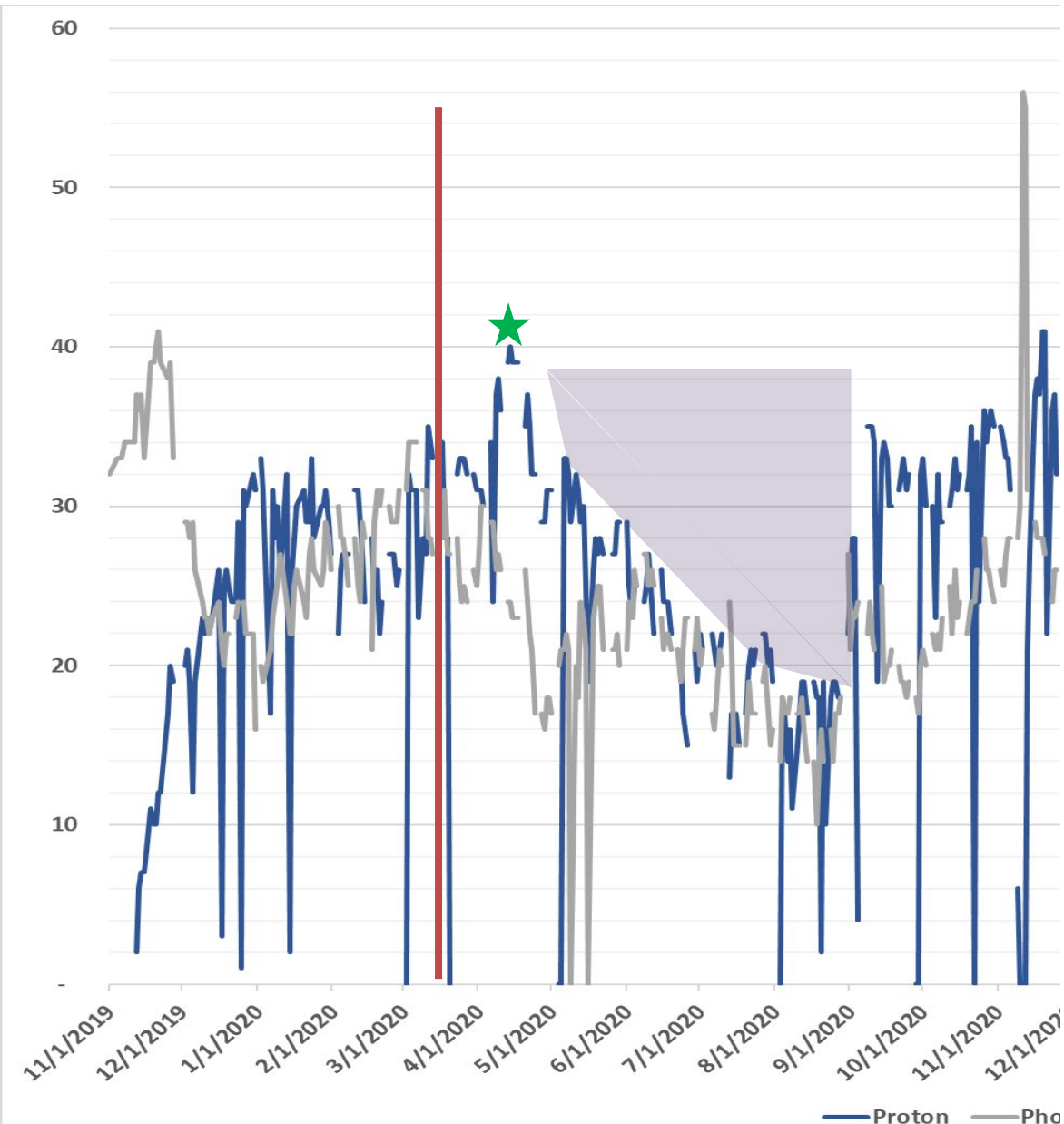
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- **How Did We Get Here?**
  - **Volume Impacts**
    - COVID-19
    - Machine Downtime
    - Seasonality
  - **Tumor & Payer Mix**
  - **Current Volume & Expectations for the next 6 Months**
  
- **What Will The Center Do To Improve This**
  - **Increase patient volume & improve payor mix – Operating too close to the margin**
    - Run a process add another or multiple clinical partners
    - Focus on tumor site specialists
  - **Increase marketing activities**
  - **Work with Varian to address system downtime issues**
  - **Continue to manage costs**

# Daily Volume from Center Opening

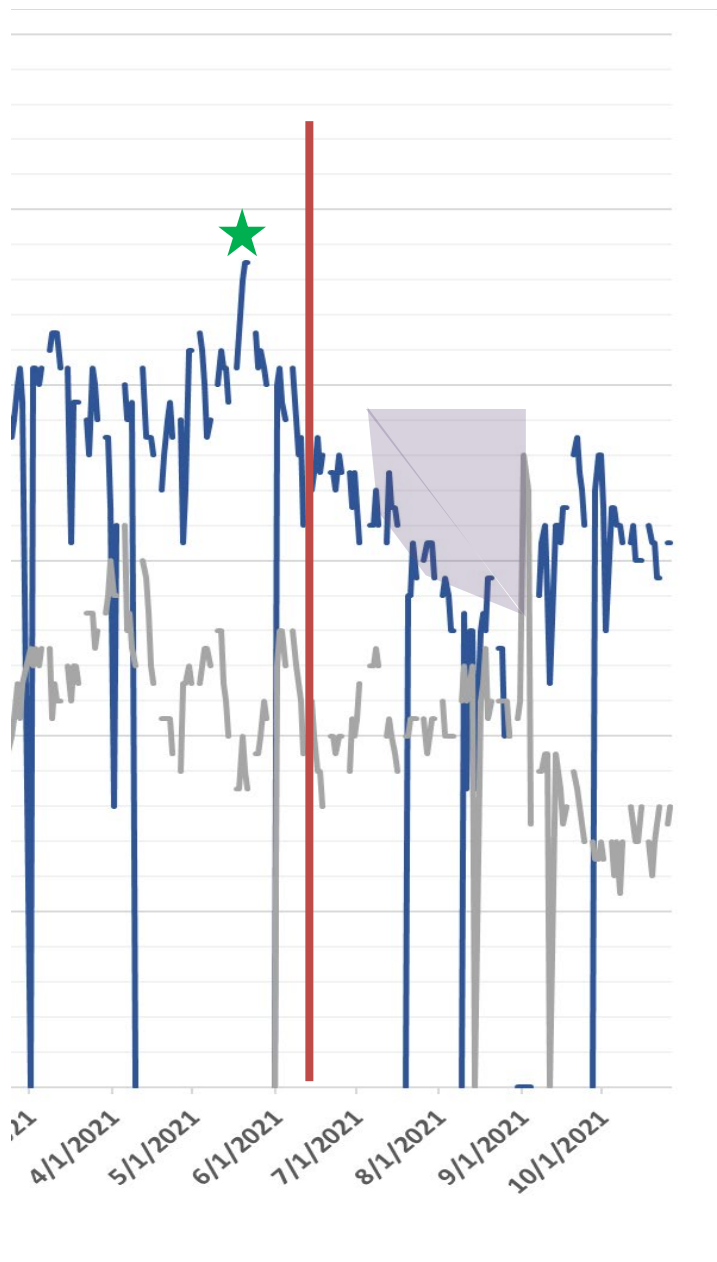


## Volume – COVID-19 (Initial Impact)



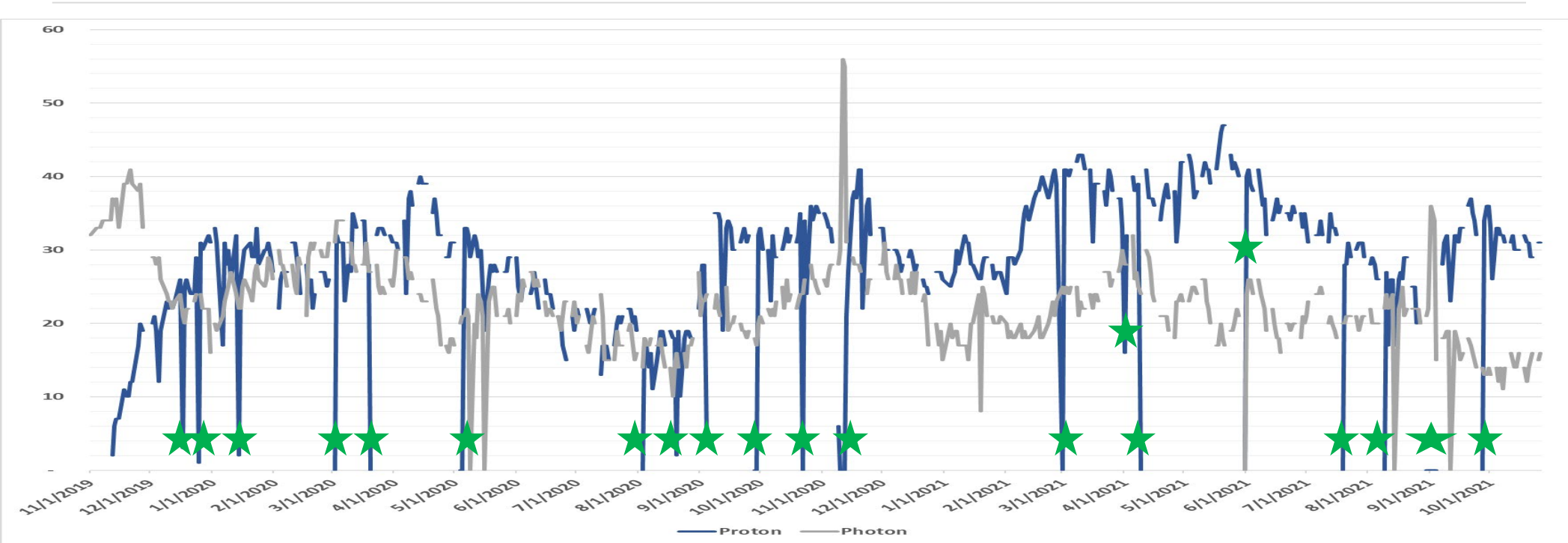
- March 13, 2020: National emergency due to COVID-19 is declared (Red Line)
- Center has existing backlog of patients about to start proton therapy treatment leading to peak of 40 treatments on April 14, 2020 (Green Star)
- COVID-19 national emergency causes a reduction of consultation that leads to treatment volume decrease lasting to the end of August 2020
  - Expected revenue from May 2020 to End of August 2020: **\$5.41 million**
    - 89 Treatment Days
    - \$1,600 per fraction
    - Conservative estimate of 38 treatment per day
  - Actual revenue: **\$3.59 million**
  - Lost Revenue due to initial COVID-19 (Purple Section): **\$1.82 million**

## Volume – COVID-19 (Delta Variant Impact)



- Prior to Memorial Day 2021, Center treated back-to-back days of 47 treatment per day (Green Star)
- Summer seasonality starting to occur in early June 2021
- June 15, 2021: CDC declared Delta a variant of concern (Red Line)
- As Florida COVID-19 dramatically spike from the beginning of July 2021 and peak at the beginning of August 2021, consultations and treatment volumes decrease
  - Expected revenue from July 2021 to End of August 2021: **\$2.53 million**
    - 44 Treatment Days
    - \$1,600 per fraction
    - Conservative estimate of 36 treatment per day
  - Actual revenue: **\$1.93 million**
  - Lost Revenue due to Delta Variant COVID-19 (Purple Section): **\$0.60 million**

# Downtime & Impact



- Since May 2021, 223 treatment have been cancelled due to Varian ProBeam downtime over 183 events (Major events marked with Green Stars)
  - Since August 2021, 202 treatments have been cancelled due to 7 full treatment days that have been lost
- Lost revenue: \$385,867
- System reliability impacts scheduling confidence

# Tumor Mix & Payer Mix – Strategic Importance

## Photon Data

	Last 3 Months Thru Dec 2020	Last 3 Months Thru Aug 2021
<b>Payer Mix %</b>		
Medicare	65.4%	55.8%
BCBS	18.4%	20.1%
UHC	7.8%	7.0%
Commercial	7.1%	12.0%
Medicaid	0.0%	0.0%
Self Pay	0.0%	1.9%
Charity	0.0%	0.6%
VA	1.3%	2.6%
Other	0.0%	0.0%
	<u>100.0%</u>	<u>100.0%</u>

	Last 3 Months Thru Dec 2020	Last 3 Months Thru Aug 2021
<b>Tumor Mix %</b>		
Breast	4.6%	5.2%
CNS	1.5%	4.5%
GI	0.0%	0.0%
GU	6.7%	3.8%
Head & Neck	9.4%	9.7%
Lung	4.8%	6.3%
Lymphoma	1.9%	5.2%
MSK	4.9%	7.6%
Other	1.9%	3.1%
Prostate	55.4%	45.2%
Skin	8.9%	9.4%
	<u>100.0%</u>	<u>100.0%</u>

## Proton Data

	Last 3 Months Thru Dec 2020	Last 3 Months Thru Aug 2021
<b>Payer Mix %</b>		
Medicare	85.5%	84.2%
BCBS	5.6%	9.7%
UHC	4.6%	4.8%
Commercial	4.3%	0.0%
Medicaid	0.0%	0.0%
Self Pay	0.0%	1.2%
Charity	0.0%	0.0%
VA	0.0%	0.1%
Other	0.0%	0.0%
	<u>100.0%</u>	<u>100.0%</u>

	Last 3 Months Thru Dec 2020	Last 3 Months Thru Aug 2021
<b>Tumor Mix %</b>		
Breast	2.5%	1.4%
CNS	7.5%	6.5%
GI	0.9%	3.8%
GU	0.2%	0.0%
Head & Neck	6.2%	8.8%
Lung	3.0%	3.3%
Lymphoma	1.3%	0.0%
MSK	4.1%	2.4%
Other	3.7%	0.2%
Prostate	70.6%	72.7%
Skin	0.0%	0.9%
	<u>100.0%</u>	<u>100.0%</u>

### ■ Photon (Dec 2020 to August 2021)

- Payer mix : Moving toward private payer from Medicare
- Tumor mix: Decrease % of prostate cases have contributed to more favorable payer mix

### ■ Proton (Dec 2020 to August 2021)

- Payer mix: Remains heavily Medicare
  - Need to decrease Medicare % to below 70%
- Tumor mix: Remains over 70% prostate and contributes to the high Medicare %



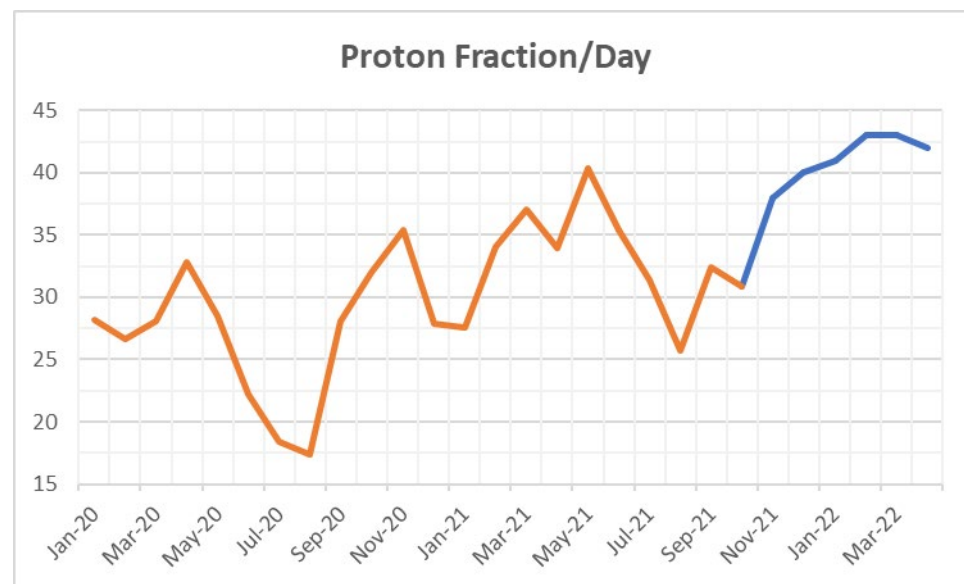
# Current Volume & Expectations for the next 6 Months

## ■ Proton Volume and Photon Volume - Currently

- Volumes recovered into spring of 2021
- Began to reduce at the start of summer 2021 as Delta Variant became an issue
- Compounded by summer seasonality
- Consults and treatments increasing again
- Lowest Summer Average:
  - [August] 26 treatment per day
- Treating today: 40 treatment per day

## ■ Projections

- If volumes remain 40+ in protons will meet expectations
- This however is too close to the margin and leaves little room for fluctuations



## The Center Process for a Solution

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- **Increase patient volume & improve payer mix**
  - Program to add more clinical partners
  - Focus on tumor site specialists
    - Head and Neck
    - Brain
    - Breast
    - Other key proton diagnoses
- **Increase marketing activities**
- **Work with Varian to address system downtime issues**
- **Continue to manage costs**

# Program to Add More Clinical Partners – Improves Payer and Diagnosis Mix

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## ■ **Full Affiliate Partner**

- Entire outside practice credentialed to practice at the Center
- Undergo basic clinical proton training
- Case review of previous cases in all tumor site to be treated by Partner
- Proctored for the first 10 treatment cases by current Center medical team
- For the initial 5 cases for each tumor site, peer review of treatment plan by Center team prior to treatment delivery
  - After the initial 5 cases for each tumor site, peer review will be within the first week of start of treatment
- Spend at least one-day per week at the Center, managing on-site patients and performing weekly on-treatment visits (OTVs)
- Ability to advertise proton therapy as available within their practice

## ■ **Designated Affiliate Partner**

- Physician(s) designated to represent affiliate practices within the Center
- Undergo the same credentialing, training and proctoring as the Full Affiliate Partner model

## ■ **Referral Partner**

- Undergo basic clinical proton training
- Refer patients for treatment at the Center
- Center team will review contours and treatment plan with the Referral Partner prior to treatment delivery
- Center team manages the patient during treatment
- Center team refers patient back to Referral Partner for continuing care

## Continue Existing Program Development

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### ■ **Clinical**

- Working to implement enhanced multi disciplinary clinic for men’s oncologic health
- Delray Medical Center (“DMC”) has recruited new Medical Oncologist
  - Enhances capture of DMC based cases and referrals are growing from this physician
- Additional Oncologists being recruited at DMC

### ■ **Business**

- Signed contracts with Florida Blue and UnitedHealthcare
- Negotiating contracts with Aetna, Cigna, and Humana

## Increase and Focused Marketing Activities

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### ■ **Direct to Referring Physician**

- Established weekly lunches with key referring physicians include those currently referring and specific tumor specialties
- Implementing monthly physician to physician dinners for education on protons and benefits for their patients

### ■ **Digital and Local Marketing**

- Promotional videos of Center patients, physicians, and the overall proton therapy treatment process directed by 2x Emmy winning content creator Ashley Yore
- Dr. Tim Williams featured in Florida Weekly
- Physician and patient packets
- Social media
  - Standardization with Proton International at UAB Center
    - Monday introductions
    - Fun facts re PT
    - Patient stories
    - Cancer awareness campaigns
  - Paid advertising through Facebook and Instagram targeting Palm Beach County area residents by age, SES, and behaviors
- Established weekly lunches with key referring MDs
- Implementing monthly MD to MD dinners for education on protons and benefits for their patients
- Implemented new promotional videos for Center on social media

## Varian and PI Partnership to Improve The System Reliability

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- **Sample Period May 6 to September 10**
  - The system continues to have too many downtime events
  - During this period, 183 events, causing 223 cancelled patient treatments
- **Proton International and Varian continue to work together to address these interruptions in service when they occur**
- **Varian has focused tremendous resources on these issues as they arise and has made strong progress overall as the uptime calculations reflect (Q1 97%, Q2 95%, Q3 92%)**
- **One of the reasons this current period has been more difficult is that an unusual and unexpected downtime event did not allow for the Center to treat with proton therapy for 6 days**
- **Most of the downtime events are minutes to hours but still cause issues for daily treatments**
- **Proton International and Varian have reached a term sheet agreement related to making current service payments and continue to work together to establish a legally binding document with all relevant parties addressing accounts receivable**

## Radiation Oncology – Alternative Payment Model – Comments

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- **Current rule is at OMB has been released**

- Expected to implement January 1, 2022
- Continued lobbying to exclude protons, delay implementation, or have research exemptions
- Does not impact Medicare Advantage plans

- **In first year of the RO-APM, the Center will benefit from a 20% stop-loss**

## Manage Operating Expenses

- **Proton International will continue to manage costs**
- **In FY2021, the Center has been underbudget on operating expenses in a largely fixed cost business**

	<i>Actual</i> FY Thru Aug 2021	<i>Budget</i> FY Thru Aug 2021	<i>Variance (\$)</i>	<i>Variance (%)</i>
Operating expenses				
Personnel expenses	2,332,133	2,579,753	247,620	9.6%
Land & Equipment Lease	180,717	202,453	21,736	10.7%
Facility & IT	2,910,080	3,096,697	186,617	6.0%
Medical Supplies	59,050	105,056	46,006	43.8%
Professional & Admin. Services	1,631,175	2,140,187	509,012	23.8%
Taxes	496,211	426,000	(70,211)	(16.5%)
Depreciation & Amortization	2,358,878	2,331,387	(27,491)	(1.2%)
Total Operating Expenses	<u>\$ 9,968,244</u>	<u>\$ 10,881,533</u>	<u>\$ 913,289</u>	<u>8.4%</u>
OpEx (Excl Depreciation)	\$ 7,609,366	\$ 8,550,147	\$ 940,781	11.0%

Revenues are 13.7% under budget.