Patient Financing and Practice Growth

What to Expect Post COVID-19

May 5, 2020

Dave Roehr, CEO

• 30+ years in banking, credit lending, and strategic growth
• Led Cabela’s unprecedented growth as their CFO and President
• Founder and former CEO of World’s Foremost Bank for Cabela’s co-branded Visa credit cards
• CPA, Former partner with the national firm Grant Thornton, LLP
Agenda

• Patient Lending Post COVID-19
• Government Programs
• How Patient Financing Works
• Patient Financing Options
• Creating Affordability
• How to Contact Us
Patient Lending Post COVID-19

Credit Markets for “Unsecured” Consumer Loans

- Banks and Capital Markets are contracting
- Availability of credit is tightening
- Liquidity is key for lenders
- Industry layoffs are significant

Lenders and Providers

- Additional verification processes will be required (employment and income)
- Instant decisioning platforms will change
- Lower approval rates for unsecured credit
- Extending credit to lowest risk borrowers only
- Will have to adjust approvals based on available liquidity
- Credit losses will spike, and the cost of credit will increase for borrowers and providers

Consumers

- Uncomfortable spending for non-essentials
- Need for affordable financing that can be paid back over time
- Will want to save their nest egg in case they need it
- Unemployment concerns will change behavior
- Concerns for the economy will be significant
- Return of consumer confidence is key
Payroll Protection Program

- Have not applied
- Applied awaiting funding
- Approved Funds received

Funds received
Payroll Protection Program

Payroll Protection Program Forgiveness Provisions

- Apply through lender for forgiveness after completion of covered 8-week period
- The rules state non-payroll expenses cannot exceed 25% of the total forgiveness
- Determine qualified expenses incurred during covered 8-week period – payroll and benefits, lease payments, utilities, qualified interest
- Need to perform headcount and wages test to determine if forgiveness amount is reduced
- Documentation needs to be submitted to lender:
  - Payroll reports and payroll tax filings
  - Account statements or payment receipts of covered interest paid
  - Lease agreements for covered rent payments
  - Cancelled checks or evidence for covered utilities payments
  - Certification statement – true and accurate use of loan proceeds
- Determination of forgiveness made by lender within 60 days of submission
- Amount of loan forgiven is NOT taxable income

Payroll Protection Program Payback Requirements

- If above forgiveness provisions are not met, loan terms are as follows:
  - Payments are deferred for 6 months; however, interest will continue to accrue over this period
  - Interest is fixed at 1.00%
  - Loan is due in 2 years
  - There are no prepayment penalties or fees
CARES Act

Additional Programs to Consider

Economic Injury Disaster Loans (EIDL)

• Quick infusion of smaller amount of cash to cover you right now
• Lower interest loans up to $2 million – principal and interest deferment – for expenses incurred
• Grants also available up to $10,000 after applying for EIDL – does not need to be repaid
• No effect on federal Income tax - canceled indebtedness not included in taxable income
• Application Deadline is December 17, 2020

Main Street Lending Program (MSLP)

• Eligible businesses: Up to 10,000 employees or up to $2.5 billion in 2019 annual revenues
• U.S. Based operations
• Loan Terms:
  • Maximum maturity of 4 years
  • Interest rate is the adjustable Secured Overnight Financing Rate plus 250-400 basis points
  • Principal and interest payments deferred for one year
  • Minimum loan size of $1 million; Maximum loan size is lesser of $25 million or an amount that doesn’t exceed six times EBITDA
  • Early payment is permitted without penalty

For additional information – visit Small Business Association (SBA) – www.sba.gov
Re-Opening Your Practice

Make your team feel safe
• Meet with team members via video to formulate a plan
• Implement a soft launch prior to officially opening
• Invest in personal protective equipment

Make patients feel safe
• Pay special attention to air quality and circulation
• Maintain social distancing
• Contact patients prior to visits
• Waiting room and operatory protocols

ADA’s Return to Work Interim Guidance Toolkit
• Welcome Back Reassurance Letter
• Pre-Appointment Screening Process
• In Office Patient Registration Procedures
• Reception Area Preparation Strategies
• Chairside Checklist
• Staff Protection Strategies
• Shopping List

For additional information visit: American Dental Association (ADA) – www.ada.org

Meeting expectations of your patients
• Prepare for pent up demand
• Extended hours for office and staff
• Create opening plan
• Scheduling and consultations
• Prepare staff accordingly
Patients Care About Options

94% of Patients expect their Provider to tell them about payment options including long-term financing

92% of Patients said they would go back to a facility that offers a loan program

Source: Becker’s Hospital Review, December 18, 2018; https://www.beckershospitalreview.com/finance/94-of-patients-expect-their-provider-to-tell-them-about-bill-payment-options-survey-finds.html?fbclid=IwAR3eV3JRMYmZDV61rQd1rdAXgutX65NXd2gQqijMKPeX64QYPCd0Mo4Ho
Four Primary Models Available to Providers

These can be complimentary as a finance offering – they do not have to be mutually exclusive:

• **Credit Card/Revolving Credit Model**
  • For smaller loans (typically <$5000)

• **Interest Free/Interest Deferred Plans**
  • Between 6-24 months
  • Example: 0% Promotions

• **The Unfunded Model**
  • Provider is lender

• **The Funded Model**
  • For large loans (typically >$5,000)
  • Generally term loans
Defining the Market Potential

What can I expect from my patient population?

- 16% of Americans with a credit score are not credit worthy (<580 credit score)
- Credit scores change from month to month, so tell patients to frequently monitor theirs
- Just because someone is declined now, doesn’t mean things can’t change in 6-12 months

65% of Americans have a FICO® Score of 680 or better

Affordable Payments

The key to patient acceptance is the size of the monthly payment

• Patients will say “yes” if their treatment plan looks more like a car payment than a house payment
Sources of Funding

<table>
<thead>
<tr>
<th>Cash or Investments</th>
<th>Secured Loan Sources</th>
<th>Unsecured Loan Sources</th>
<th>Other Support</th>
<th>Hidden Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cash</td>
<td>• Home Equity Loan or Line of Credit</td>
<td>• Credit Cards</td>
<td>• Loans or gifts from family or friends</td>
<td>• Other Sources of Income</td>
</tr>
<tr>
<td>• Health Saving or other Flexible Spending Account</td>
<td>• Vehicle Equity Loan</td>
<td>• Bank or Credit Union Signature Loan</td>
<td>• Co-Borrower</td>
<td>• Potential tax benefit as a qualified, deductible medical expense (0-50%)</td>
</tr>
<tr>
<td>• Brokerage Accounts - stocks and bonds</td>
<td>• Investment Loan - secured with available funds from brokerage or retirement accounts</td>
<td>• Internal Financing - provider finances the patient</td>
<td>• Sell assets</td>
<td>• IRA or Retirement Plan distribution as a LAST resort</td>
</tr>
<tr>
<td></td>
<td>• Life Insurance Loan - secured with CSV from insurance policies</td>
<td>• External Financing - Proceed Finance and other 3rd parties</td>
<td>• Community support</td>
<td></td>
</tr>
</tbody>
</table>

Hidden Resources

• Other Sources of Income
• Potential tax benefit as a qualified, deductible medical expense (0-50%)
• IRA or Retirement Plan distribution as a LAST resort
## Know Your Lenders

<table>
<thead>
<tr>
<th></th>
<th>Proceed Finance</th>
<th>Competitor #1</th>
<th>Competitor #2</th>
<th>Competitor #3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval Rate</td>
<td>51.5%*</td>
<td>68.8%</td>
<td>51.7%</td>
<td>54.9%</td>
</tr>
<tr>
<td>Average Approved Credit Limit</td>
<td>$42,730</td>
<td>$14,313</td>
<td>$12,386</td>
<td>$5,404</td>
</tr>
<tr>
<td>Average Funded Loan</td>
<td>$24,728</td>
<td>$11,289</td>
<td>$6,830</td>
<td>$2,677</td>
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### 100 Applicant Case Study

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<tr>
<td>Approved Loans</td>
<td>51</td>
<td>68</td>
<td>51</td>
<td>54</td>
</tr>
<tr>
<td>Loans Accepted (50% Conversion Rate)</td>
<td>26</td>
<td>34</td>
<td>26</td>
<td>27</td>
</tr>
<tr>
<td>Average Funded Loan</td>
<td>$24,728</td>
<td>$11,289</td>
<td>$6,830</td>
<td>$2,677</td>
</tr>
<tr>
<td>Total Funded Loan $</td>
<td>$642,928</td>
<td>$387,226</td>
<td>$177,580</td>
<td>$72,279</td>
</tr>
<tr>
<td>Discount¹ (Cost)</td>
<td>($45,005)</td>
<td>($19,361)</td>
<td>($7,990)</td>
<td>($3,614)</td>
</tr>
<tr>
<td>Total Net Revenue</td>
<td>$597,923</td>
<td>$367,865</td>
<td>$169,589</td>
<td>$68,665</td>
</tr>
<tr>
<td>Gross Revenue Potential (based on average approved credit limit)</td>
<td><strong>$2,179,230</strong></td>
<td>$973,284</td>
<td>$631,686</td>
<td>$291,816</td>
</tr>
</tbody>
</table>

¹Based on best estimate of average Provider discounts

*Expanded Product Line launching in Q2 extends underwriting and will mean approval rates as high as 70%!

NOTE: This data is pre COVID-19
Proceed Finance IS Different

• Patient-friendly
  • Instant decision, *unsecured*, fixed term loans from $2,500 - $60,000
  • Repayment terms **up to 96 months**
  • Interest rates from 3.99% - 17.99%
  • No prepayment penalties

• Provider-centric
  • Providers directly receive money within 2 days of loan approval via ACH
  • Most full-amount approvals in the industry
  • We offer consulting services to help Providers GROW their business

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<tr>
<th>Patient Creditworthiness</th>
<th>Proceed Finance</th>
<th>Other Lenders</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Approve with equal or <strong>lower fees</strong> than other lenders</td>
<td>Approve with equal or <strong>higher fees</strong></td>
</tr>
<tr>
<td>B</td>
<td>Approve</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>Approve</td>
<td>Denied or offered only <strong>partial amount approval</strong></td>
</tr>
<tr>
<td>E</td>
<td>Approve</td>
<td></td>
</tr>
</tbody>
</table>
Proceed Finance Advantages

- Liquidity
- Unchanged Underwriting
- Added technology to make verification processes smoother
- Expanded credit offerings
- Affordable payment plans for more of your patients
Available Resources

• ADA – Resources & Webinars
  www.ada.org
  • Return to Work Interim Guidance Toolkit
  • COVID-19 Resources for Dentists
  • ADA Foundation Assistance Program
  • Financial Assistance from Third Party Payers (by State)
  • Free e-book resources on management, regulatory issues
  • Renegotiating Existing Contracts
  • Webinars

• Small Business Association (SBA) –
  www.sba.gov
  • Paycheck Protection Program
  • Disaster Assistance

• U.S. Chamber of Commerce
  • Emergency Loans Small Business Guide and Checklist

• U.S. Senate Committee
  • The Small Business Owner’s Guide to the CARES Act

• Centers for Disease Control & Prevention (CDC) –
  • Interim Guidance for Businesses and Employers to Plan and Respond to Coronavirus Disease 2019

• Cybersecurity and Infrastructure Security Agency (CISA) –
  • Defending Against COVID-19 Cyber Scams
Contact Us

For Questions on Paycheck Protection or Other Assistance Programs:

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