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MANAGEMENT DISCUSSION SECTION

Robert Jones

Analyst, Goldman Sachs & Co. LLC

Okay. Good afternoon, everyone. Welcome to the agilon session. I am Bob Jones. I cover healthcare services here at Goldman. I'm joined by my colleague, Jack Rogoff. Really excited to have agilon with us today. Joining us from the company, we have CEO, Steve Sell; CFO, Tim Bensley; and Matt Gillmor, who heads up the IR effort at agilon.

QUESTION AND ANSWER SECTION

Robert Jones

Analyst, Goldman Sachs & Co. LLC

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So obviously the format, we want to keep it pretty conversational, folks, but I thought, Steve, maybe to kick things off just given the recency of the IPO, we thought it could be helpful for you to give just a quick pitch on the business model, and maybe specifically help us understand how you see agilon fitting in to this evolving world of clinical practice-focused companies.

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.

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Yeah. Sure. Thanks, Bob, and thanks for having us this afternoon. So at agilon, our focus is on really enabling primary care doctors to be the agent for transforming healthcare in the communities they serve. And I think we do it in a really unique way by partnering with leading independent physician groups, people who've been in their communities for decades, and we enter into exclusive long-term joint venture agreements that focus on their senior patients. So we're in that over 65 market in Medicare Advantage, and most recently in terms of Direct Contracting. And as part of this kind of unique approach, our partnership that we operate side by side with these groups moves existing patients, doctors, and health plans from a fee for service arrangement into a long-term value-based subscription model. And it has incredible alignment in terms of outcomes from a cost, quality, and experience perspective, and we're really focused on giving these doctors the information, the resources, and the time they need to really meaningfully improve their patients' health. And when they do that, there's great alignment with their own personal economics and the practice economics, along with improving patient outcomes.

I guess the last thing I would add before we kind of dive in is I think what's really unique is we have a purpose-built platform that was really enabled to focus on that over 65 market and focus on full risk care. That's really all we do. We think we do it extremely well, and the results in the business have really shown that. So, the company is just under five years old. We're in 17 diverse geographies, 11 of which are live and six of which are in implementation for 2022. And we have nearly 275,000 senior patients on the platform. So it's been a rocket ship ride, and we're excited about our momentum and what's ahead.

Robert Jones

Analyst, Goldman Sachs & Co. LLC

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No, that's great. Thanks for that, Steve. Yeah, I guess maybe just to follow-on there, I mean, I think obviously one of the key drivers or the keys to continuing to drive the momentum that you've seen is finding those anchor partners as you mentioned. You mentioned having 17 kind of already partnered with. How would you describe the pipeline of future anchor partners? This is probably the one of the biggest questions that we got during the investor education period of the IPO. So just curious on how you describe the pipeline, and then any differences that you'd flag within the pipeline of potential anchor clients, as it relates to geography or size or familiarity with taking risk?

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.

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Sure.

Robert Jones

Analyst, Goldman Sachs & Co. LLC

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Just a better sense of the pipeline would be really helpful.

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.

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Yeah. Well, I think the forward visibility in our model is one of the real differentiators. We have six groups that we're bringing online for January of 2022 and 49,000 patients, and those groups have been in implementation since the beginning of this year and were signed up at the end of last year. You're really asking about the class of 2023 and that pipeline, and our business development team has been doing an incredible job around that. I think we're going to have a really robust class of 2023. They're going to match up with the criteria of our first 17. And just to remind you, independent community-based groups, leaders in their community at sufficient scale, really well-governed, a commitment to transparency both in terms of kind of performance across the practice and shared economics, and a real strong interest in terms of the move to value.

And so, I would say, we've got – we identified 160 groups like that that match up going forward with that. That number has grown, as we've done more work on that and other people have reached out to us, and our team's doing a great job qualifying that. So we're going to have a very strong class. Where we'll go from here is we will sign up letters of intent in the second half of this year. We'll immediately, or as quickly as possible, move them into implementation, and then we'll announce that class as one class on our Q1 call in May of next year, as opposed to sort of talking about them one at a time.

But last thing I would say is that these conversations, there's just an awful lot of interest, and some of the folks that we'll bring live in the class of 2023 were folks that we were talking to a year ago. And we mutually sort of said, hey, let's take another year, let's get this community to the right place in terms of moving that entire community to risk, because it's not just the group or the doctors. There's multiple health plans that need to make that move, and some of the folks we're talking to right now will end up in the class of 2024. So, there is tremendous forward visibility. I think there's an awful lot of strength that's there, and our biz dev team is doing a great job.

Robert Jones

Analyst, Goldman Sachs & Co. LLC

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That's super helpful. I think kind of what lends itself to that growth and the fact that the anchor partners are in fact in high demand from agilon model and obviously others. As we think about the competitive landscape, Steve, I guess, A, can you help investors think about just how competitive it is? I think there's a view coming out of the IPO process and others that have come to market recently, and again your large competitors also kind of chasing after this end market that it's a highly competitive market, could you just maybe help us understand a little bit where you see agilon fitting in, relative to some of those other models that are out there?

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.

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Sure. I mean, I think you have clinic models out there that are building clinics and recruiting doctors and patients. I think you have people that are providing technology and services that help these groups make the move to value. There's obviously health plans in the over 65 space that effectively could become a partner of agilon, because we partner with multiple payers in that community. I think what's really distinctive, Bob, and what we hear is just the nature of this partnership model. I mean, we truly jointly operate this as a business 50/50 co-located with these groups. We are removing the friction that's going to [ph] prevent (08:14) them from making that move. So we bring all the capital, the technology, the people. So we're making those investments. We're taking all of the downside

risk, so they can move into this comfortably, and then we're sharing, in a very transparent way, 50/50 on the upside, and we're discussing it every day and every quarter. We're in these governance and board meetings, we're talking about how we can get better.

And so, I think from the group perspective, our groups are the best sources of referral and the best closers, having a doctor talk to another doctor about why their group made this decision. As this other group is thinking about that, there's just no better way to grow your business, and it's compelling. So, I think that's what really differentiates. And then once you're in these communities, you've seen us grow in sort of our hub and spoke approach, where you land in a certain city within a state, Columbus in Ohio is an example, and now we're in five cities within Ohio, and we have four other states where we've executed that same approach. In many of those cases, our partner introduced us to new groups that weren't originally in our business development pipeline. So our team does an exceptional job, but having the strength of these partners, it's just a great combination.

Robert Jones

Analyst, Goldman Sachs & Co. LLC

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That makes sense.

Jack Rogoff

Analyst, Goldman Sachs & Co. LLC

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Great. Thanks for doing this session, guys. I want to ask, relating to your 2021 revenue guidance, based on the membership guidance that you provided in the PMPMs we saw in 1Q, unless PMPMs decline meaningfully in the back half, it seems like the math leads to you getting above your guidance for revenue. So, I guess, broadly speaking, is this just conservatism? And what factors might drive PMPMs lower in the back half relative to 1Q going forward?

Timothy S. Bensley

Chief Financial Officer, Agilon Health, Inc.

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Yeah, no. Thanks, Jack. I'd probably just take on that real quick. First of all, yes, I think as a public company, we have some level of conservatism obviously into everything that we talk about, but generally speaking, you would expect to see revenue PMPMs decline as you move through the year, a couple of things driving that. One is obviously patients move off the platform or expire during the year, they tend to be the higher revenue, higher burden of illness, so higher revenue PMPM patients. And as we move through the year and net of course we're growing patients, the patients that are coming on tend to be younger, lower BOI or lower revenue PMPM. So, sort of as we move through the year, we do expect to see revenue PMPM move down. That's happened to us historically and it's a normal seasonalization. I think it's probably pretty similar for other companies that are generally in this space as well, but, yeah, we would expect revenue PMPM to move down versus Q1 as we move through the next three quarters.

Jack Rogoff

Analyst, Goldman Sachs & Co. LLC

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That's very helpful. Thanks.

Timothy S. Bensley

Chief Financial Officer, Agilon Health, Inc.

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Sure.

Jack Rogoff

Analyst, Goldman Sachs & Co. LLC

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It makes a lot of sense. And separately, can you help us more tangibly understand what contributes to the same-store of primary care physician additions to your base? Where do these doctors come from, and what do the mechanics look like when you're adding a doctor from a financial perspective?

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.

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Sure. So we think our same geography growth is a big differentiator. In our first quarter we reported 15% in terms of year-over-year growth same geography. And just real quickly, there's organic and then there's adding physicians. Organic is kind of bread and butter, people turning age 65 choosing Medicare Advantage, or patients that are in Medicare fee-for-service who choose Medicare Advantage, and we do very well on that. But once we're in a community and we've implemented a partnership and a platform and created this vehicle for risk, what we find is a number of other physicians decide to join in. And those physicians come in a variety of ways. So, we have people coming out of residency programs, we have smaller groups, one, two, three that are deciding to join into our anchor partner, we have larger groups that decide to come in. We also have the opportunity for acquisitions. We were very intentional in the language we used in our Q1 call that said effectively through agilon, our medical group partners are now some of the best capitalized physician groups in the country. And so they have the ability to use that capital in a really smart way to accelerate that process that I talked about.

And so, I think it comes, Jack, in a variety of ways. The groups come in, our groups know their geographies incredibly well. It's another strength. They're leaders in their community. They're really well respected. We bring a business development team that works with them and does that on a regular basis. So, they can introduce to the group, they can get comfortable with that group. We can help structure that for them. But ultimately it's their choice, right, about these groups coming in to join their practice and it being a good fit. But back to that partnership, just like everything we do, it works very well in terms of adding physicians in these communities.

Jack Rogoff

Analyst, Goldman Sachs & Co. LLC

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Very helpful. Thanks. And I guess just off of that, you talked about the 15% growth year-over-year in the same geographies that you're seeing in 2021. I guess, is there anything unique to 2021? Obviously that level is well above what the national MA population is growing at. So, how do you achieve that level of growth above the national trend? And what – how can you sustain that in future years, right? Like how can you grow faster than the national rate of MA population?

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.

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Well, I think we've pretty consistently grown faster than the national average, and it's really a composite of local averages, right? We have some markets growing at 4%, some markets growing at 20%. But then we want to grow over and above that. The organic growth I talked about typically has us at or above that local average, and then the physician adds take us well above that. I think that there's opportunity in both of those, but in particular, adding physicians on the platform is an area of tremendous opportunity in which we think there's upside for us. As Tim said, we're new public company. We're going to be kind of cautious as we talk about this, but tremendous opportunity there.

Jack Rogoff

Analyst, Goldman Sachs & Co. LLC



Very helpful. Thanks. And then I guess like taking a step back around this theme, I believe you have a 25% long-term or medium-term membership growth target or something in that order of magnitude of 40,000 members annually from new markets. I guess, can you talk about how you arrived at this target? Recently we've seen Oak Street Health accelerate their growth trajectory. And you have a sizable amount of capital that you just raised. I guess, is there an opportunity to accelerate the pace of new partner additions over the medium term?

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.



Yeah. I mean, just to level set on that, I mean, we grew 50% last year. We grew 42% in Q1. I think the analyst consensus out there has 37% for 2022 and I think 32% for the following year. So, I think that's sort of those data points that are out there, but I think it's a combination of what Bob asked right at the beginning, that new geography pipeline and an increasing interest within that, but I think the real outsized lever is in this same geography growth and sort of the ability to grow that up into the teens and beyond. So, those are the areas that I think can really drive that. The capital really helps to accelerate. I think we believe our TAM is broadening in terms of new geographies that we can serve. And so, all of those things, I think, lead to that.

Robert Jones

Analyst, Goldman Sachs & Co. LLC



Great. Steve, just to go back to something we touched on earlier around Direct Contracting, a lot of focus across the industry, across Medicare and MA participants and different ways of thinking about Direct Contracting program. Could you maybe just give us your view on how you see this opportunity, how you'd frame this opportunity for agilon and your partners specifically? And what's the approach here in helping some of your partners think about participation in this program?

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.



In terms of Direct Contracting, Bob?

Robert Jones

Analyst, Goldman Sachs & Co. LLC



Direct Contracting, yes.

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.



Yeah, okay. So, from a strategic standpoint, we think Direct Contracting fits just incredibly well with this idea of having a primary care physician as the quarterback in managing total care. And Direct Contracting, new government program went live on April 1. It takes patients that were in Medicare fee-for-service and moves them into a globally capitated full risk relationship, similar to how we contract with the health plans today on Medicare Advantage. We – regardless of whether the patients come in through Direct Contracting or come in through Medicare Advantage from a health plan, they're going to have the exact same experience.

So we have that consistent experience for the patient, the physician, and the office staff, and that produces really great outcomes. They don't have to worry about different incentive programs, different quality programs. We're able to deliver 90-plus percent of seniors in 4 and 5-star plans and Net Promoter Scores in the 80s because of

that consistency. And the more concentration you get in an office, the better. So, MA might be 15%; fee-for-service maybe in Direct Contracting could be another 15% of the patients. But in terms of visit volume and time, it could move these over 50%. And so, that leads to really powerful outcomes. And so, from a cost perspective, from a quality perspective, from an experience perspective, we can meaningfully drive improvements within Direct Contracting, as we have within MA.

Having said that, it's a brand new government program. And so our take on it is to be cautious. Tim can talk about kind of how we're treating this from a financials perspective, but we're not consolidating revenue. We have modest expectations from an income perspective within 2021, and it's a program that will evolve as all new government programs do over time, and we've spent time with the innovation center, talking to them about ways maybe from a visibility and a stability standpoint that they could improve the program. I think we're encouraged that they talk about it as an important part of their portfolio of programs to move to primary care-centric value-based care. Now it's just how can you do things to improve it. And they obviously have paused the second class for 2022 coming online, but they have said to folks like us, who have approved Direct Contracting Entities, that you can add in other participants underneath those Direct Contracting Entities, and we have not announced what we're doing for 2022 as of yet, Bob. But we think it's a meaningful program, and it aligns for all the reasons I talked about. It's just – it's new, and therefore, we're going to be cautious about it. So, Tim...

Robert Jones

Analyst, Goldman Sachs & Co. LLC

Yeah.

<A – [00CBWW-E Steve Sell]: ...[indiscernible] (20:59)?



Robert Jones

Analyst, Goldman Sachs & Co. LLC

I would just say, Tim, it might be – maybe it'd be helpful, Tim, if you could maybe at a high level even break down kind of what are the economics look like if you have a new partner and they have a Medicare patient or Medicare population and you have the option of trying to push them towards MA versus push them towards participation in the Direct Contracting program. How different would the economics look for both your partner and for Agilon?



Timothy S. Bensley

Chief Financial Officer, Agilon Health, Inc.

Yeah. So – and that's not exactly what we're [indiscernible] (21:32), so we're in these partnerships with MA, and now we're packing, you were bringing Direct Contracting into it. So, each of these partners that have – that are in our Direct Contracting Entities, we're already partners with on the MA side, so it's more a matter of what Steve said. There's an opportunity for us to bring those Direct Contracting lives onto the platform, impact them with the same elements of the platform that we do MA, and essentially increase the surplus that we're generating through Direct Contracting for what were previously those fee-for-service members.



We do think that the economics for Direct Contracting are going to be probably not quite as strong as they are on the MA side, were more tapped on the risk adjustment side. We think the models are going to be very effective in terms of driving costs under the Direct Contracting side, because again it's the same model, it's the same positions, coming into the same office. We're just basically bringing this new group of Medicare lives onto the program. So, all that should be positive, and that the models should positive – have a positive impact on the surplus that we're generating, but I think the economics, we anticipate that they'll not quite be as strong as on the MA side. I think one of the other things that Steve mentioned though is, we see Direct Contracting as kind of a

way station to MA. So, we'll still see members that are coming into the DCE in future years during annual wellness cycles, et cetera, select to still move on to the MA program. So, we'll still – we still expect that that will happen going forward as well.

Robert Jones

Analyst, Goldman Sachs & Co. LLC

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Is that also true, Tim, for the actual provider, is it – for the provider, is it generally more economically advantageous to participate in MA?

Timothy S. Bensley

Chief Financial Officer, Agilon Health, Inc.

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Yeah, because for the provider, meaning the physicians, is...

Robert Jones

Analyst, Goldman Sachs & Co. LLC

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The physicians...

Timothy S. Bensley

Chief Financial Officer, Agilon Health, Inc.

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Yeah, yeah. It's – we're in a 50-50 – we're in a surplus sharing mode. So, if we're going to generate more absolute surplus MA program, it is advantageous to get people into the MA program. Obviously, it's also advantageous. You just get fee-for-service members, Medicare fee-for-service on to the DC program as a first step, and that's what these DCEs are doing, and actually increase the surplus that we're generating, therefore was flowing through to both agilon as well as the physicians – provider physicians for DC as well, but yeah there is everyone's incentive to, just because of the makeup of the program, I think everyone's incentive ultimately to say, yeah, people are going to convert to MA. That's still a positive thing for us going forward. And I think both agilon and our partners look at DC as a great opportunity to get these folks on to the platform Steve was talking about, but there's still an opportunity going forward [indiscernible] (24:25) movement to MA.

Robert Jones

Analyst, Goldman Sachs & Co. LLC

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Now, that makes a ton of sense. Thank you for that. Maybe just to go on to use of proceeds. Steve, I know we touched on this a little bit as far as like obviously the ability to go faster now that you have more on the balance sheet to do so. But could you maybe talk about some of the other areas as you think about use of proceeds from the IPO?

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.

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Yeah. Sure, happy to do that. So, I – we're going to invest in our platform in a really meaningful way. Our platform has done an incredible job for us, getting us to 11 live communities and delivering kind of the improvements and cost quality experience that we've talked about, but we're going to 100-plus communities. And so we need to have a technology platform that's really going to enable us to scale, and that means a few things, right? We've taken an incredible amount of data today. We've gone from 9 to now 16 health plan relationships. Every time we go in there is different ENMRs that we're integrating with. So, the data growth has been logarithmic, and our job is to provide that in a clean and actionable way to the primary care physician where they can have really kind of a scaled total care model type of relationship with their patient.

And so, what does that mean? We have to focus on things like data ingestion and normalization and provisioning. We want to focus on getting speed to value in terms of clinical insights. So, on the Q1 call, Bob as an example, we talked about this clinical referral insight program for specialty care in Akron. Cardiology is the first one that we've rolled out there. And the ability to move from 37% to 60% the referrals to top tier cardiologists, and we talked about, for equivalent or better quality, you can save a \$100 per member per month for those cardiology patients who, by definition, are going to be with their cardiologist for a while.

That comes from providing really clean actual data, working with your partner to get them comfortable around that. And then the primary care doctor has that ability to really meaningfully move where that care is occurring, and all of that comes from our technology investments. I mean, from a specifics around technology, we're going to have a new data lake that's going to really allow us to bring in data and use it in a meaningful way, and we like to joke, we'd like to have a data lake that's as clear and transparent as Lake Tahoe where you can see down 100 feet. You have the ability to add in a lot of other data.

Now, we're going to be relying much more on open source. We're going to be using artificial intelligence and machine learning to provide those precision insights to that primary care doctor. So, that's kind of the roadmap of what we're working on, but it's really about putting that primary care doctor in that quarterback role for what happens in the office, and then being able to connect to that cardiologist. And the example I've talked about, being able to connect folks who are in the hospital, hospitalists, as part of our program, or people doing ER diversion and closing that loop back so that primary care physician continues to be able to monitor that for a senior who, by definition, the complexity of their care goes up as time goes by.

Jack Rogoff

Analyst, Goldman Sachs & Co. LLC



Just to build off that, you're talking a little bit about the care pathways that you drive medical costs down with. Is there anything you could do to make that a little bit more tangible? I guess, does it end with a referral to a higher quality doctor that you have a relationship with or is there more integration beyond that? And I guess, is there any sort of financial relationship with these downstream specialists, like the cardiologist you described?

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.



Well, so, a couple things. One is we work with multi-specialty players to begin with, right? So, in some cases that cardiologist in that example is part of the group. What we look for is really kind of a lead specialist who helps us to kind of oversee that and is a core part of that. But the other thing about channeling volume is that it's easier to have connectivity with those groups from a platform perspective and then to close the loop back. And you can really refine, Jack, that care pathway over time. And it's not just cardiology, right? I mean, oncology, GI, you can kind of go down the list of the areas that you can work that with. But the platform is really about connecting it and creating that information that allows sort of the most impactful visit and getting people to the right place.

Jack Rogoff

Analyst, Goldman Sachs & Co. LLC



Right. No, that makes a lot of sense. I guess, is there ever an intention to do more physically, whether it's in the home, maybe you think technology and remote patient monitoring, or choosing a specialty care management vendor?

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.

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Yeah. Absolutely. So, we do that today in some of our geographies. If you think about, we've got year zero, one, two, three, four now because we're just under five years, as I said. And so some of the things we're doing in the year four and even three markets that will be accelerating down to two and ones include having home health teams that go in, having nurses, having social workers that are providing that, right? Use of telehealth, palliative as a really meaningful program. So, I think that all of those big cost areas that occur in senior health, and the transitions which are really the critical piece in terms of where decisions are made that impact the quality and experience and the cost of that, those are the areas that we're spending time with, Jack. And the fact that we've got sort of the total care dollar and management responsibility gives us the opportunity to do that.

And the fact that we've got a network in 17 communities makes it really attractive, and we can pilot it in three. And then our peer-to-peer, our doctors talk to our other physician partners about what that might look like in their communities. Again, this is not agilon sort of forcing it, but it's the learning that goes on in this network, and the portability from one community to another is just a real strength.

Jack Rogoff

Analyst, Goldman Sachs & Co. LLC

Q

No, that makes a lot of sense. Shifting gears a little bit. I wanted to ask on medical margins for 2021. There are a few factors that are affecting medical margin percentages in your outlook and maybe driving EBITDA dollars lower in 2021 versus 2020. I was hoping you could provide a little bit of a breakdown on what those factors are and how that's impacting the medical margin percentage this year?

Timothy S. Bensley

Chief Financial Officer, Agilon Health, Inc.

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Yeah, absolutely. And I think you can get a pretty good indication of the size of the magnitude of these things, obviously, from the guidance that we've provided like \$38 million to \$41 million EBITDA loss for the full year, with each progressive quarter in the year being a bit lower than Q1 where we actually had a positive \$4 million of EBITDA, but most of that loss happening in the second half. Most of that is going to be driven by the medical margin progression. We talked about that in a second. I did just want to say upfront that there is a little bit of that that's being caused by the increase in platform G&A costs that we're experiencing because of just the cost of being a public company. I mean, we mentioned a few things like probably the biggest driver, just increased costs of directors and officers insurance for instance. But the biggest driver is definitely going to be progression of medical margin as we move through the year. And we do expect, even as we're moving through Q2 now, to start seeing some migration back towards sort of a more normalized baseline of utilization, with 2019 being the definition of a baseline.

And so we'll start to see that happen a bit in Q2. And then by the time we get to Q3 and Q4, we would expect that where utilization generally is kind of normalizing back to that 2019 base, and we may even have some periods where it's a little above it as you see some utilization – pent-up demand for utilization kind of coming back into the system. And then the kind of seasonality that can get an impression from the guidance we've given on overall. Of course, that's going to be overlapping significantly lower legalization last year. So, those things combined will bring our EBITDA number into that kind of guided range with the bulk of that downside, of course, happening in the second half.

Jack Rogoff

Analyst, Goldman Sachs & Co. LLC

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No, that makes a ton of sense. I guess, what are you seeing real-time? I know we've heard two factors, right? There's the pent-up demand where volumes come back to normal, and then there's some have talked about higher acuity because people weren't interacting with the healthcare system as they normally would last year. So, on that second piece, on that acuity of the population, have you seen evidence of that or is it more an expectation of what we're going to see more in the back half of the year?

Timothy S. Bensley

Chief Financial Officer, Agilon Health, Inc.

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Yeah. It was funny you asked that because we're just kind of going through this over the last – late last week, over the last couple of days, looking at the data coming in. And I would say at this point, no, obviously there's still a year in front of us, but at this point we're not seeing any increase in acuity, meaning that people weren't going to the doctor and therefore they're getting sicker, I guess that's kind of what you're – so we're not seeing that right now. We did see, of course, a pickup in COVID-related utilization kind of late last year and early this year that's dissipated quite a bit already as well. Not a big surprise. When you think about the vaccination rate, it's pretty high among seniors, and that's our population. So, you would expect that COVID-related illness would kind of start to drop off. We definitely saw that as we move through Q1. And so we really think that the primary driver is not going to be increased acuity because they're coming through COVID as much as it's going to be just to return to normal utilization and maybe a little bit of some [ph] blips from (35:04) pent-up demand from just people waiting for things that need to get done, for procedures that need to get done that they put off during the COVID time period.

Jack Rogoff

Analyst, Goldman Sachs & Co. LLC

Q

Very helpful. Thanks. That makes sense. A little bit more topical. We saw the Alzheimer's approval yesterday. We've been getting a number of questions from investors around how that might impact medical costs in 2021 and beyond. And curious if you could describe how one of your patients being prescribed this therapy, how that might impact your P&L given your contract structures. I know there's some debate around whether MA plans will be on the hook for this cost this year or if it might shift to Medicare fee-for-service. But overall, do you think this development of the approval could impact your guidance in a negative way? And just generally how the prescription of aducanumab might impact your P&L?

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.

A

Yeah. I mean, to your point, it's pretty early, but I think our take is it's pretty manageable, Jack. You know that, as you said, it's just been approved. We go through a process every year to sort of factor in the budgeting kind of new drugs coming in. Obviously, this is a big one and kind of a breakthrough on that. We don't know if it's going to be Part B as in boy or Part D as in dog. Just to give you perspective about half of our contracts, we do not have risk for Part D risk on that. It kind of varies from health plan to health plan in terms of how they approach that. And then just this national coverage decision and when that will come, assuming there's a lag between now and then, and health plans will be sort of looking at it and doing that preop criteria. We have 16 that we work with right now. And – but I think our take is that it's manageable. It's not the first time kind of gone through that. So, that's – that will be my comment.

Robert Jones

Analyst, Goldman Sachs & Co. LLC

Q

Looks like – in the time we have left, Steve, I was hoping maybe we could think about the future a little bit more. We got this question quite a bit as people learn the agilon model. I think the obvious place for the model gains traction and see successes clearly with MA. I think Direct Contracting for all the reasons you highlighted earlier

makes a ton of sense, but clearly your partners have many other payer markets that they're participating in, commercial probably not the least of which. Could you talk about what needs to transpire for agilon to really kind of replicate the value approach across the other payer end markets that your partners are participating in?

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.

A

Sure. So, let me start by saying I think one of our great keys to success, Bob, has been this exclusive focus on over 65 and the exclusive focus on the move to full-risk value and a purpose-built platform for that. And we do incredibly well around that for those reasons. But having said that, the commercial business that our partners have is incredibly important to our joint venture today, right? If you think about the [indiscernible] (38:31) of lives that come in every year with people turning age 65 and choosing MA, that comes from their commercial relationships. They're able to keep that relationship and move into senior care. So, that's a very big part of it.

The second thing is I would say is, our ability to impact costs downstream. Some of the things that Jack was asking about is really amplified by virtue of the share of the adult market that our partners have. It can be 15%, 20%, 25% within a market, which means when they make a call to a specialist about a program we're trying to do, people will take that call and be very responsive because they're such a meaningful part of it. So, the commercial business today is super important.

Three is the programs that we're implementing, like the cardiology program that I talked about, that gets utilized for cardiac patients that are 55 and 60, as well as for those that are over 65. So, getting all of that benefit today. So, those are kind of the things that I would say really leverage that commercial business in a really super meaningful way. And our partners today do really well within that commercial business in a fee-for-service relationship with them today. So, it's not as much of a sort of a today topic. But down the line, we could talk about that. But I think today, we just are so focused on that over 65 and super impactful.

Robert Jones

Analyst, Goldman Sachs & Co. LLC

Yeah. Now, it makes a ton of sense, and obviously you can see in the results so far, and definitely look forward to watching the company progress from here. That's about all the time we have for this session, but I definitely wanted to thank Steve, Tim and Matt for being here. I really appreciate it. And thanks for everybody who was on the webcast. I hope everybody enjoys the rest of the conference.

Steven J. Sell

President, Chief Executive Officer & Director, Agilon Health, Inc.

Thanks, Bob. Thanks, Jack. I appreciate it.

Timothy S. Bensley

Chief Financial Officer, Agilon Health, Inc.

Thanks, Bob. Thanks, Jack. Good talking to you.

Matthew Dale Gillmor

Vice President-Investor Relations, Agilon Health, Inc.

Thanks, guys.

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