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Agilon Health, Inc. (AGL)

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CORPORATE PARTICIPANTS

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Kevin Fischbeck
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MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

Kevin Fischbeck
Analyst, BofA Securities, Inc.

...Agilon Health. Agilon is a company that enables physicians to take risk across their Medicare books of business and presenting today, we have Steve Sell, CEO; we have Tim Bensley, the CFO; Matt Gillmor from Investor Relations is here and I would just jump into it.

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

Yeah. Go for it.

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QUESTION AND ANSWER SECTION

Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

Thank you. All right. Excellent. So, I guess when we think about the model that you guys have, I mean, we actually just kind of talk it before, there's not a great comp to kind of what you guys do right now. Why the technology aspect of it versus kind of the clinic aspect of it and by enabling existing physicians versus growing PCP clinics?

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

Sure. Yeah, I mean, I think what we're building is really what the market needs and what groups that are out there need. So, there's a tremendous demand for a new primary care model that allows physicians that have been in their communities for decades to deal with the challenges of a Medicare population that's aging. It's 30% of their practice. It's very challenging for them from an economic perspective. You have payers, whether it's CMS at the national level or national payers who are really pushing for more of a move to value-based care.

And so from the very beginning, we saw the opportunity around building a sustainable primary care model with our partners to be really distinctive. How we've done that from a technology perspective, from a partnership perspective really is intended to build around the strength that sits with each one of our partners, the reputation they have and their geographies, the relationships they have with their senior patients. And we're really investing in things that drive differences, Kevin. So, we're not building clinics. We're not spending a lot on an Agilon brand out there. Everything is focused on leveraging their existing patients as they turn age 65 and move into Medicare. And how do we help them provide better quality and lower cost in a total care relationship.

So, I think that's really the logic around why we've done it. The success that we're seeing is really a fact that those macro factors have only accelerated in the last five years. Payers are looking for it much more. The pain that these groups are facing from an economic perspective with the aging population has grown really pretty dramatically. And then the success that our groups are seeing, literally any medical group in the country can look at an Agilon partner that sits across our network of 23 partners in 12 states and find a group that looks like them. And so, we give them a five-year pro forma of here's what this could look like. And they cannot just believe that based on the data that's there, but actually look at a group that looks like them and what their experience has been. So, the combination of those things is really driving an incredible step in growth and in terms of performance.

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.

A

And Kevin, we've been talking about that before, I walked up at your opening comment about, hey, there isn't really necessarily another easy comp out there. That's what we're doing, our model is pretty unique. And one of the things that Steve talked about, of course, is idea of these long-term partnerships. The economic model we bring and the alignment that that drives with our physicians, that really creates that opportunity for us to pretty rapidly grow members at the same time that we're growing margin. And that really – I think that really was born true in our results that we just put up in Q1. It's part of it, but I don't let that comment go by ever without making this next comment.

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The capital efficiency of our model is phenomenally different than I think than anything else that is out there. We're not out there investing in member acquisition marketing cost. We're not investing in building new clinic. We do invest pretty nicely with our partners to help drive growth and capabilities. But the capital efficiency of our model is really tremendous. And so the return that we get on those investments is also really strong. And I think that's another huge differentiator.

Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

Yeah. So how do you think about the growth algorithm for Agilon when you think about MA growth, capitation growth, new contracts and how should we think about the long-term growth here?

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

Well, I think the success that we're seeing and the acceleration in growth that we're seeing is a function of – we grow in two ways. We enter new markets where we like to be first in terms of moving that market to risk, build around a scaled partner who's really well-respected within that group. Enter this 20 year exclusive joint venture, which is a true partnership. And then they're the vehicle that we're going to build around for the long-term in that community.

And so, we've just gone from 8 to 12 states. We've just added seven new partners. And so, that side of it is going very well for the reasons that I mentioned, the macro forces and the proof of the success that we've had. And then the other side is the same geography growth rate, which is going in the mid-teens pretty consistently. And there's two sides of that. There's the organic growth within Medicare Advantage running about 8% nationally. And we continue to gain our fair share with the existing patients that sit within that practice and roll over. And then the place we're seeing a real acceleration is other physicians within those communities that we've entered, choosing to join into that group or into the Agilon platform. And so, we've got 1% of the primary care physicians in the country. We've just gone over 2,000. There's about 200,000 primary care physicians. But when we look at those two sides of growth and the opportunity, there's just tremendous runway and momentum both for new markets, new partners in the same geography.

Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

That's helpful.

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.

A

And I was just going to say, Steve, and this is another thing that we always talk about in our model is we have – because we have these partnerships at scale with these primary care physician groups, we also have pretty good visibility into one big component of that growth. So when Steve talks about same geography growth, the big part of same geography growth is either existing members in our existing patients on the panels of our PCPs deciding to move from fee for service into MA, primarily what happened to an AEP process. And of course, we see that. But the other thing is just people aging in during the year, and those are patients that are currently seeing our physicians and are on their panel. They know these people and they're aging into it.

When you look at our existing markets, we have something like 165,000 patients that are currently on our physicians panels that are going to age into Medicare in the next five years. And we know who they are as we have visibility to that. There's – I think there's something like another 100,000 that have already passed 65 and

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just have been selected to move into Medicare yet, so we call them kind of extended agents. So, that's 250,000 to 300,000 members that are on our patients – our physicians' panels right now that we have visibility too.

So, our ability to have not only say, hey, we can drive that mid-teens kind of same geography growth. Our visibility to a big component there is just endemic in our model.

Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

Yeah. Actually, I want to build on [indiscernible] (00:07:53) that the capital efficiency dynamic is pretty compelling.

And then, we've seen Agilon has performed quarter-to-quarter during COVID much more consistently than a lot of the peers who are doing similar things [ph] with the other (00:08:06) clinic model. So maybe just expand a bit more about maybe the visibility you have also from a cost perspective or [ph] coding (00:08:12) perspective from the way that you've built your model [indiscernible] (00:08:15).

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

Yeah, I'll start and Tim can jump in.

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.

A

Sure.

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

I mean, I think one of the real differentiators in our model is in the high touch nature between the primary care physician and the patient. Our patients have been with our doctors for a decade or more and they'll be with them typically for another decade. And so, we understand those groups very well.

As we bring them on board, we have great visibility from a cost perspective because we've got that experience with them. We take a 12 month implementation period, which I think is distinctive. And the key is to make sure that we hit day one, year one with a very clear idea around their burden of illness, which is both important on the revenue side and from a care management perspective.

And so that visibility and that continuity is a big differentiator. In COVID, what we were able to maintain was the touch points with these senior patients. More of it was done via telemedicine and had been done historically. But our experience scores with patients actually went up during COVID. They said they felt cared for, they had a relationship. And I think that translated into more predictably from a cost perspective. We didn't see a big movement on the revenue side in terms of RAF because we were able to maintain those touch points. And we're also not seeing a huge step up in terms of pent-up demand because we were able to maintain that touch and make sure there wasn't a huge amount of deferred issues, so.

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.

A

Yeah. Kevin, do you want me to touch on the actual – the capital efficiency part of that then as...

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Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

Yeah. Sure. Go ahead.

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.

A

Yeah. There's really two – and if you think about the two ways that we grow, we bring new markets live. We just brought 60 markets live in January that were in implementation last year that are about 52,000 members that we reported in Q1. So that's one big way we grow. And the other way is the same geography growth. The cost for us to bring a new market on is essentially all of our cost for – if you want to call it that acquiring a new member. And for us, all of that is essentially the investment we made during that almost full year of implementation that we have before our market goes live and we take full risk and start generating revenue. That cost to us is only about $400 to $500, let's say, market to market per member. When you think about the medical margin that we generate, even in the early years at lower medical margin PMPM rates over the first year, year and a half, we're paying that $400 back within a year to two years, usually closer to a year than two years. So, the cost to acquire members, the cost to get that up and running on a per member base is just phenomenally low and immediately paid back.

The other way that we grow in same geography growth, I mean, we don't really – that's not really cost us a lot of money at all. The way that we essentially support that growth is through some capital support that we can give to our partners that help them bring more physician groups or more physicians underneath the tent. And all of that comes in at even a lower cost in that $400. So across the board, our cost to acquire a member in any one year and we went through the detailed economics in full at our investor conference in March, is like on average $400, it was actually a little bit less than that last year. So, if you think about our ability to grow as fast as we have and we're only spending like $400 a member to do that, the sort of lifetime value to CAC economics, everyone looking at are almost like ridiculously positive. So that's really not an issue for our model. And that would be very different, obviously, for other models.

Matthew Dale Gillmor
Vice President-Investor Relations, Agilon Health, Inc.

A

And one thing I'd add at this point is [ph] because (00:12:06) we're a multi-payer model, moving the entire Medicare Advantage [indiscernible] (00:12:11) the churn is really low.

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.

A

Yes.

Matthew Dale Gillmor
Vice President-Investor Relations, Agilon Health, Inc.

A

The retention we have is north of 90%, so we're hanging on [ph] to this information (00:12:20).

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.

A

Yeah. So if you take that into account and say, you're holding on to a member for even 10 years on average, then our LTV to CAC on these things are 15-plus to 1. I mean, it's just a phenomenal payback. So – but it's almost like doesn't even matter to quote those numbers because what it really means is we just don't need a huge amount of

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capital for us to deliver our growth plan over the next 5 to 10 years. And we can grow in a very capital light, capital efficient way.

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.
A

I would say the retention that Matt talked about is a huge differentiator. So, I ran a payer for two decades, the best retention I ever saw was in a staff model with Kaiser in California, which was 80% retention. What he just told you is we're running in the low-90s. Now, running 95% to 96% is the best you can ever do because by definition, the senior population, you're going to have roughly 4% pass away a year. And so a subscription model across a 20-year partnership with physicians that are going to be in an average in the practice for 13 years is with that sticky member relationship is just incredibly compelling. And so that's why we feel so comfortable about the visibility and the predictability as we look out years because we've got years now of experience with that tracking at that retention level and the growth in margin.

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.
A

And I was talking, maybe focusing on the cost side of the LTV to CAC, but the LTV side, the lifetime value of those members, the fact that we have this sticky relationship and these are patients that have been seeing these doctors pre-becoming a senior most likely, and are – and under the continual care. I mean, that just significantly helps to drive the overall outcomes and the cost down for those patients. So the other side of it are what's happening to costs for those patients and more positive outcome is a big part of the model as well and a big part of that equation.

Kevin Fischbeck
Analyst, BofA Securities, Inc.
Q

Yeah. No, that's helpful. I mean, you guys have already talked about the 2023 pipeline. [indiscernible] (00:14:27) 2024. So how is – how – any initial thoughts or comments on kind of how 2024 is looking?

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.
A

Well, the 2024 pipeline is really robust. The success that we've had with 2023 and the diversity of the types of groups, including our first health system, which is very visible, MaineHealth, incredibly well-respected, has only sort of increased the interest in partnering with Agilon. We have primary care only multi-specialty scaled networks like IPAs and health systems all interested, and we think of it as a funnel. The top of the funnel is more full at this point a year than we've ever seen it. And it's across that diversity of existing states, new states.

So, I think that's very encouraging. We always say we have to choose the partner wisely, make sure they fit those criteria that we talk about in terms of really well-governed, primary care centric commitment to transparency, having that critical scale. And we need to choose well, because we're going to build around them for the next two decades. But it's as encouraging as it's been.

Kevin Fischbeck
Analyst, BofA Securities, Inc.
Q

So, the point about picking the right partner, do you actually get situations where you have two partners in a marketplace who both want to work with you and you are actually choosing between one or the other or are you saying you have finite resources, you can only do X number and so you have to prioritize?

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Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.
A

You mean where they're actually in the same geography?

Kevin Fischbeck
Analyst, BofA Securities, Inc.
Q

Yes.

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.
A

So in the same geography, we've have had a couple of partners where we've gone live with both of them. In one integrated entity and another in which we set up sort of two partnership relationships with them side by side. So, we do have that. So yeah, we do have that.

Kevin Fischbeck
Analyst, BofA Securities, Inc.
Q

Akron is a great example of how to have a kind of [indiscernible] (00:16:34).

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.
A

Well – yeah, so Akron, Pioneer, one of our best performing groups came on in year two, primary care only group. There was another group in town called Community that they are basically one in two very well run groups. Community had never had a partnership and said, hey, we're not ready for this right now. They've come on board as of January 1 this year, really based on what they saw happen with Pioneer. I mean, Pioneer is transformed. They've grown 30%, 35% a year. They've seen an increase in PCP economics based on surplus of 100-plus percent.

They are, they're at such a scaled position. They actually have at the local hospital where they admit most of their patients, they actually now have their own wing where if you go – if you're a patient, you go in there, everyone who's seeing you either works for Pioneer or as an agent of Pioneer and that's a function of scale. But Community said, wow, we need to get on that. And so they've joined us here.

Kevin Fischbeck
Analyst, BofA Securities, Inc.
Q

And so, when you say talk about picking the right partner, like how often does a physician group approach you and you say, you know what, no, versus?

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.
A

Well, so we have said not right now. Here are things that we want to work on. A big part of it is kind of governance model and how they're committed around that. We would probably not work with a group in which the ownership of the group is concentrated in a few physicians within the group. We want much more sort of distributed in which − the idea is that the individual physicians economics are driven based on how the group works and you want this to be a team based sport. So, there's a lot of peer to peer reviews and other things that you want going on to stimulate improvement and understand what best practices are. That only works if they really have a commitment to distributing the economics across.

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Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

Yeah. On the call, you guys talked about kind of year two economics and the ramp up and that was pretty strong, I guess up 30%. What's driving that? And I guess that you're trying to think about how replicatable that type of is and how do we think about the year three or four from there?

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

Yeah, I mean, so what we talked about was about 160,000 or the 250,000 sit within that year or two plus set of cohorts and they improved from $109 PMPM a year ago to $143, so a pretty significant improvement within that period of time and that includes the 30,000...

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.

A

They are about 36,000.

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

36,000 that just joined last year. And so they're obviously well below that level, so they're dilutive within that. And it includes the same geography growth that Tim talked about. But even with that dilution, you're seeing that overall growth. And the – if you look at the cost areas where it is, you see it in patient spend, you see it in specialty costs coming down dramatically, readmission rates down pretty significantly, and then post-acute what's happening in terms of total cost and experience after discharge from the hospital. But what we've got now is enough reference points that we can say what is driving that because we have pretty consistent applications on specialty referral or palliative care across the network.

The biggest differentiator is the quality up front in terms of the primary care relationship that aligned PCP we talk about. And the touch points they have particularly at their most complex patients. If they do that really well, they have a care team around them that's following up with them regularly. They're following up within two days post discharge from the hospital versus the norm used to be about a week for us. It has a dramatic impact on the cost areas that I just talked about, but it really goes back to that high touch relationship between the physician and patient and making sure they have the data they need, and they have the team around them that gives them the time to spend with those most complex patients.

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.

A

All those things Steve that you're talking about just allow us to execute on what we think is just one of the absolutely fundamental, if you want to call it, headlines of our model, which is we can grow members at a pretty rapid clip, at the same time that we're growing margins. And of course, we already said the third part, which is we can do that capital efficiently.

But those numbers from Q – now we have real proof points, right? Those numbers from Q1 are just a direct factual proof point of that, that we could take those 160,000 members that are partnership markets that have been on the market for at least a year. They've absorbed 14% same geography growth which is dilutive in the short-term. And yet at the same time, we're able to have that overall medical margin blended improvement from, what did we say, one-four? $109 up to $143 quarter-over-quarter.

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Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.
A

Right.

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.
A

So, I mean, we've got – and I think the cohort data that we showed that you were referring to, Kevin, at the Investor Day in March showed the same thing. We're now seeing – we now got enough years in some of these markets to show, hey, that idea that we can grow members at a rapid clip, at the same time, are growing margins is proving out for all the underlying operational reasons that our drivers that Steve was just talking about.

Kevin Fischbeck
Analyst, BofA Securities, Inc.
Q

I think it's from the outside, looking in, sometimes it's harder to segregate like what was COVID and how that's impacted the numbers. So I mean, like the things you say don't speak [indiscernible] (00:22:20) COVID related, but any way to kind of...

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.
A

I think it's pretty easy – that's another nice thing about the Q1 results now that we just reported last week is that there's really pretty neutral year-over-year COVID overlap. I think our – okay, so correct me if I'm wrong here. Okay. So, our COVID as a percentage of our cost in both the first quarter of last year and the first quarter this year was about 2%. So, there's not really a – part of that increase was because you're overlapping high COVID costs or the other way around that you had big COVID suppression that we didn't have last year. So, I think this quarter is a pretty clean example. So that $148 over $109 ration is a pretty apples-to-apples.

Kevin Fischbeck
Analyst, BofA Securities, Inc.
Q

Okay. And then – [indiscernible] (00:23:05) question I always ask you, I think you always rub to the wrong way. But...

[indiscernible] (00:23:12-00:23:17)

Kevin Fischbeck
Analyst, BofA Securities, Inc.
Q

So basically the question ends up being this model, everything that you're doing right now, the acceleration and the physician engagement, it makes so much sense to me because it's working. But I almost wonder, as we think about that growth and algorithm for the next five years, I think it's going to be higher than what you're talking about. The problem I see is...

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.
A

It's pretty high.

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Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

Which is pretty high. But the problem I see is like, what's the growth algorithm in years 6 through 10? Because it feels to me like every physician is going to either – every – certainly, the large ones that you target, right, are going to be sophisticated enough to have this type of model in place. I would think [indiscernible] (00:23:52).

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

Yeah.

Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

So how do you extend that growth after that?

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

Yeah, I mean, I think, macro level, we've got 1% of the primary care physicians in the country. So there's a tremendous amount of run rate. We're in 12 states, right? So, there's many more states in which it's 100% fee for service, and there are scale groups that are out there. There are hundreds, if not thousands of communities with that same sort of archetype. And so, I think we are seeing the acceleration that you talked about, right? So, we added 600 primary care physicians here for January 1 of this year. It put us over 2,000, obviously, an acceleration.

If you kept at that rate or more, what are you talking about, 3,000, 4,000, 5,000 primary care physicians over the next five years. That still puts you at 6,000, 7,000 against a total of 200,000 that's out there. And I will say, Kevin, I think we uniquely create this opportunity in communities, you go in and the health plans are not built for risk. The majority of our health plans have never done it before and the groups are not equipped to do that.

And so, I think we will continue to be that go-to source for that. I think we will – adding new states gives us a huge in-fill opportunity in the out years, adding these four states. We will go and mine those states for the next 5 to 10 years in terms of new communities and in terms of other physicians that join. So, I think it'll be lumpy. But I don't worry about 2030, 2035, what that long-term growth opportunity looks like. It doesn't rub me the wrong way but...

[indiscernible] (00:25:44)

Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

Of course. So, I guess when we think about your model because [ph] one unique in that (00:25:53) you have a solution for the Medicare business and I think, [indiscernible] (00:25:58) about how Medicare isn't really profitable in its position, so like...

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

Yeah.

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Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

...you got a solution for the fastest growing part of their panel which hasn't historically been terribly profitable. But there are other companies like they're helping physicians engage like [indiscernible] (00:26:11) also helps you on the commercial side. So, like do you believe that not having a whole wrap around all payers is any way a disadvantage to you or...

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

No.

Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

...why would someone choose your model versus another model that might offer [ph] all payer account (00:26:26)?

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

I mean, I think the reason these scale groups are choosing us is for what we've talked about, the macro forces, the challenges within Medicare economically, capacity wise, et cetera, and then the success that's seen here. To be able to take your least profitable part of your practice and actually the one that is threatening your survival and turn it into this tremendous asset that really allows you to invest and create a new primary care model, I think is pretty priceless for these groups. And so that's what I think drives it, but it doesn't mean that commercial is not super important to our model and that our groups don't dramatically see improvement in part from that commercial business.

Commercial, well, it doesn't directly run through the partnership indirectly has a massive impact. One is scale. So, our groups have 20%, 25%, 30%, 35% of the adult primary care capacity in their communities. They're typically 70% commercial, 30% Medicare. But when we look at things like specialty cost referral around cardiology, oncology, ophthalmology, retinal drugs, etcetera, if you're an ophthalmologist and we're asking you to substitute drug A versus drug B and you have a scale group, that scale has a major impact. They're going to take the call. They're going to make that adjustment in terms of that. And so, commercial is important for scale. And then the second piece is what Tim talked about is the efficiency of the growth. So, commercial is super important within that right now. Our groups are typically doing very well on the commercial side. And so right now, our plan is to keep going after that massive Medicare TAM, keep entering the 20-year exclusive joint ventures, add other physicians and other parts of the state around it.

Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

So, you're not hearing from your partners that they won't, they need a solution [indiscernible] (00:28:28)?

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

We're not.

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Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

What about Medicaid [indiscernible] (00:28:33)?

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

I have a lot of experience in Medicaid, right? So, I mean, I ran the biggest Medicaid plan in California for a long time. I don't think that's an area of focus right now. I mean, it's different from a network perspective, different from a population perspective over time. And certainly, duals is an area that we see more, D-SNP is an area that we see more. So as those crossover, I think that would be sort of that logical growth point.

Kevin Fischbeck
Analyst, BofA Securities, Inc.

Q

And you're somewhat unique disrupters in that [indiscernible] (00:29:10) you're basically profitable now and you've got $1 billion of cash on the balance sheet. So there's not really a funding issue to worry about. So what do you do with that much cash? Where is there a logical [indiscernible] (00:29:23)?

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

A

Well, I mean, as we said in the earnings, we really like having dry powder, particularly in this area of volatility. We are very close to generating positive cash so that's not really a drain on it.

There is the two areas that we talk about, the best use of our capital is putting our groups in a position to grow and be that aggregator within their communities, and we are aggressively pushing on that. The second side of that is capabilities that can really help us reduce costs, particularly in the communities where we have scale. And so, as you think about post-acute, things within the home, as you think about the major cost categories cardiology, oncology, GI, I think, there are tremendous opportunities for us to really leverage that and get after those costs.

But as we look at that today, that's not going to approach the majority of the capital that we've got. And I just come back to again, I think we like having the dry powder.

Kevin Fischbeck
Analyst, BofA Securities, Inc.

Excellent. I think that's all we had time for. Thank you very much.

Steven J. Sell
Chief Executive Officer, President & Director, Agilon Health, Inc.

Great. Thanks, Kevin.

Timothy S. Bensley
Chief Financial Officer, Agilon Health, Inc.

Thanks, Kevin.

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