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Agilon Health, Inc. (AGL)

Q2 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. Thank you for attending today's Agilon Health Second Quarter 2022 Earnings Call. My name is Forum and I will be your moderator for today's call. All lines will remain muted during the presentation portion of the call, with an opportunity for questions and answers at the end. [Operator Instructions]

It is now my pleasure to pass the conference over to our host, Matthew Gillmor, Vice President of Investor Relations. Mr. Gilmor, please proceed.

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

Thank you, Forum. Good evening and welcome to our call. With me is our CEO, Steve Sell and our CFO, Tim Bensley. Following prepared remarks from Steve and Tim, we will conduct a Q&A session.

Before we begin, I'd like to remind you that our remarks and responses to questions may include forward-looking statements. Actual results may differ materially from those stated or implied by forward-looking statements due to risks and uncertainties associated with our business. These risks and uncertainties are discussed in our SEC filings.

Please note that we assume no obligation to update any forward-looking statements. Additionally, certain financial measures we will discuss in this call are non-GAAP financial measures. We believe that providing these measures helps investors gain a better and more complete understanding of our financial results, and is consistent with how management views our financial results. A reconciliation of these non-GAAP financial

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measures to the most comparable GAAP measure is available in the earnings press release and Form 8-K filed with the SEC.

With that, let me turn the call over to Steve.

Steven J. Sell

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

Thanks, Matt. Good evening and thanks for joining us. We've had a very strong first six months of the year, and our performance demonstrates rapid progress against our vision; to transform healthcare in communities across the country by empowering primary care doctors.

The new primary care model we have created with our partners aligns physician outcomes with improvements in the quality, experience and cost of their senior patients' total care. As a result, senior patients are living longer, healthier lives and primary care doctors are enjoying greater satisfaction as they share in the success of a more holistic and effective approach to patient care.

We have now created a true national network of like-minded physicians. And with the record class of 2023, we will have 2,200 primary care doctors and nearly 500,000 senior patients on the platform, which will make Agilon one of the largest organizations in the country, supporting full risk care for senior patients.

As we have recently announced with our local partners, this class will include four new states; Maine, Minnesota, South Carolina and Tennessee. By being first in these states with a scaled, multi-payor full risked model, we will shape the evolution of value-based care in these markets for decades. The combination of Agilon's partner success and macro forces at the national level has created a material acceleration in physicians seeking a new primary care model.

Now, to the focus of today's call. I will cover three areas in my remarks; first, highlights from our second quarter and key performance drivers; second, an update on the implementation for the class of 2023, and new partner development for 2024; and third, a quick comment on our upcoming Pod leadership retreat in Maine and how we leverage our growing physician network.

Our second quarter results were strong. Membership, revenue, and adjusted EBITDA all came in above the high end of our guidance. This was driven by in-line MA medical margin performance, which included dilution at the unit level from higher-than-forecasted membership growth.

Direct Contracting results were ahead of expectations with strong underlying trends in revenue and medical margin. Most importantly, when considering the combined Medicare Advantage and Direct Contracting results, the value of a primary care physician being on the Agilon network continues to increase. Ultimately, this is helping to fuel our growth and ability to improve patient care in more communities.

Our growth continues to benefit from the embedded membership in our physician partners' practices and our established position as a first mover introducing multi-payor full risk models in our markets. MA and Direct Contracting live membership on the platform reached 352,000 members, an increase of 114,000 members year-to-date. This growth is a function of outsized performance in new year-one geographies, continued strong same geography growth in year-two plus markets, and the expansion of Direct Contracting from 6 to 10 geographies at the beginning of the year.

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From a margin perspective, our MA medical margin increased by 49% to $82 million or $103 per member per month in the second quarter, up from $95 per member per month a year ago. Medical margin performance was consistent with our expectations, with strong performance in our partner markets, offsetting dilution at unit level from higher membership growth.

As we have discussed with you, our ability to grow membership and profitability at the same time is a hallmark of our capital efficient partnership model. Importantly, we share these economics with our physician partners and the local communities we serve. Year-to-date, we have reinvested over $80 million back into our local communities. This reinvestment is helping to sustain and grow access to primary care and transform healthcare delivery.

Our medical margin performance reflects positive momentum within our 16-partner markets. In our 10-partner markets that have been live more than a year, medical margin per member per month on a year-to-date basis increased by 26% from $108 to $136. This is a key metric for our business, and this increase was entirely driven by efficiency within our healthcare claims expense.

One of the clinical drivers behind this performance is our ability to increase access to primary care services, including touch points with complex high risk seniors. To be clear, greater access for high risk patients is made possible by two things that are fundamental to our model. First, our primary care partners are now in a business model that rewards them for creating time in their schedule for complex seniors.

Second, through the Agilon platform, our PCP partners better understand who their high risk patients are and when a proactive visit would be most valuable. Physicians in traditional fee for service or even partial risk don't have a business model that rewards this type of investment. We are also encouraged by the early performance of our six year-one markets. These new partners are achieving results typically seen in more mature markets as they benefit from implementing best practices from across the Agilon network.

As I noted earlier, Direct Contracting performance was positive during the quarter and included strong gains in margins and 63% year-over-year membership growth. Direct Contracting allows our physician partners to have a single full-risk model across their entire Medicare panel and leverages existing investments we have made into Medicare Advantage.

In terms of profitability to Agilon, our strong performance in Medicare Advantage and Direct Contracting, combined with platform support cost leverage translated to adjusted EBITDA of $7 million during the quarter and $20 million year-to-date, which is nearly a 10-fold increase from $2 million last year. Tim will provide some additional color in his remarks.

Let me turn now to an update on our implementation work for the class of 2023 and new partner development for 2024. For our seven new partners starting in 2023, we are currently focused on two key areas for the back half of the year. First, establishing clinical processes that will support our performance in year one, which includes expanding access for members, so they can do things like see their primary care physician for an annual wellness visit. These processes also help us to identify high-risk members that will need more proactive support from the care team over the coming months and years.

Our second focus area is completing contracts with health plans, both national and regional. We are making strong progress on both fronts and our new partners continue to benefit from the broader Agilon network. As we complete the payor contracting into year-end, we will update you on a refreshed class of 2023 membership outlook, just as we have done in the past with prior classes.

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With respect to new partners for 2024, our business development team has made great progress in the last couple of months. The breadth and depth of the pipeline remains very strong, and we are seeing significant opportunities across diverse partner types and geographies. This includes all types of physician organizations, including independent groups and health systems in both new and existing states.

I'm pleased to share with you that we have already signed two letters of intent for 2024, and we will begin implementing these partners in the coming months. The inflection in demand we are seeing reflects macro drivers, namely payor demands for value and the growing senior population and the level of success that our partners are seeing on the platform. We believe all 200,000 primary care physicians in the United States will need a new business model for their senior patients over the next decade. Our success will be determined by the value we create for these PCPs, their patients, and their communities. We believe our approach has clear advantages, and this is becoming increasingly visible every day.

I wanted to close by highlighting an example of how we reinforce and leverage the power of Agilon's growing network of 2,000-plus primary care doctors. Tomorrow, we will kick off our Pod leadership meeting in Portland, Maine, which will bring together over 100 physicians from across the Agilon network. These Pod leaders serve as mentors to smaller groups of PCPs within their respective practices, which helps to reinforce clinical best practices.

We have found that these smaller physician pods are highly effective in driving outcomes and reducing variability, especially in areas like high risk member touches which we talked about earlier. Over the weekend, we will examine several case studies from across the network, and how our pod leaders can become even more effective.

Our ability to share best practices between our partner groups is getting stronger and stronger. This is reinforcing the sense of empowerment primary care physicians gain from being a part of the Agilon network and helps to drive performance for both new and mature partners.

With that, let me turn things over to Tim.

Timothy S. Bensley

Chief Financial Officer, Agilon Health, Inc.

Thanks, Steve and good evening. I'll now review highlights from our second quarter results and our guidance for the third quarter and full year 2022. Starting with our membership growth for the second quarter, total members live on the Agilon platform including both Medicare Advantage and Direct Contracting increased to 352,000 members with Medicare Advantage memberships coming in above our previous guidance for the quarter.

Our consolidated Medicare Advantage memberships increased 44% to 261,000 members and our Direct Contracting memberships increased 63% to over 90,000 members. Our Medicare Advantage membership growth was driven by the addition of six new geographies in January and 13% same geography growth in existing markets.

Direct Contracting membership benefited primarily from the addition of new markets joining the program. Revenues increased 34% on a year-over-year basis to $670 million during the second quarter. Year-to-date, revenues increased 45% to $1.32 billion. Revenue growth was mostly driven by membership gains from our new and existing geographies. Normalized for the timing of a large retroactive group contract in the prior year, revenues would have grown 42% in the second quarter. On a per member per month basis or PMPM, revenue

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declined 2% during the quarter, which primarily reflects market and member mix as well as the expiration of the sequester moratorium.

Medical margin increase 49% year-over-year to $82 million during the second quarter. Year-to-date, medical margin increased 57% to $168 million. Even with the dilution from our membership growth, medical margins increased as a percentage of revenue and on a PMPM basis. Medical margins were 12.2% of revenue during the second quarter, compared to 11.1% last year. And medical margin PMPM increased 8% to $103 compared to $95 last year.

Medical margin growth was primarily driven by the maturation of our year two-plus partner markets and member cohorts, which offset the dilution from stronger membership growth. On a year-to-date basis, medical margin PMPM and our 10 partner markets that have been live more than one year increased 26% from $108 to $136.

Utilization trends were consistent with our expectations and remain near 2019 baseline levels. Utilization for inpatient services continues to run below historic baseline, while outpatient utilization is modestly above baseline. COVID related utilization was relatively modest in the quarter and similar to prior year. Network contribution, which reflects Agilon share of medical margin increased 50% to $37 million during the second quarter. Year-to-date, network contribution increased 44% to $78 million.

The year-over-year increase in network contribution reflects the gain in medical margin, as well as the relative contribution of medical margin across our geographies. Platform support costs, which include market and enterprise level G&A, increased 18% to $36 million. On a year-to-date basis, platform support costs increased 19% to $70 million. Growth in our platform support costs continues to trend well below our revenue growth and highlights the light overhead structure of our partnership model. As a percentage of revenue, platform support costs declined to 5% during the second quarter, compared to 6% last year.

Our adjusted EBITDA was $7.5 million in the quarter compared to a negative $1.7 million last year. On a year-to-date basis, adjusted EBITDA was positive $19.5 million compared to a positive $2.1 million last year. The increase to adjusted EBITDA reflects the gain in network contribution and leverage against platform support, as well as a positive $6.2 million contribution from Direct Contracting.

Direct Contracting performance during 2Q was solid, reflecting positive trends in both revenue and claims expense. Medical margins for our DCEs increased over 100% in the quarter to $21 million and increased 12% on a PMPM basis to $79. Results from our Direct Contracting entities are reflected on a net basis within other income.

Turning to our balance sheet and cash flow. As of June 30, we had over $950 million in cash and marketable securities and under $50 million in outstanding debt. Given the strength of our balance sheet and low-capital requirements, we invested $285 million of our cash into US treasuries and high-quality corporate debt during the quarter. These investments are reflected in the market – in the marketable securities lines in our balance sheet.

Cash flow from operations was negative $60 million for the quarter, which was consistent with our expectations. The increased use of cash this quarter primarily reflects the timing of risk pool settlements with our health plans which we expect will normalize in the back half of the year. We remain extremely well-capitalized and do not anticipate needing any external capital to drive our future growth.

Turning now to our financial guidance for the third quarter and full year 2022. For the third quarter, we expect ending membership live on the Agilon platform will grow 50% at the midpoint to a range of 348,000 to 356,000.

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This includes Medicare Advantage memberships of 263,000 to 266,000 and Direct Contracting membership of 85,000 to 90,000. We anticipate revenue in a range of $645 million to $655 million, or 42% growth at the midpoint. We expect continued progression with our medical margin and adjusted EBITDA as members and markets mature on the platform. For the third quarter, we expect medical margin in the range of $65 million to $70 million, representing 55% growth and adjusted EBHITDA of negative $2 million to negative $5 million compared to negative $14 million in the prior year.

We estimate Direct Contracting will contribute low- to single-digit EBITDA in the third quarter and for the second half of 2022. For the full year 2022, we have raised our membership and revenue outlook to reflect greater pull-through of commercial agents and year one market membership, while largely maintaining medical margin and adjusted EBITDA as these members generally start with lower than average margins.

We now expect total membership on the Agilon platform will grow over 49% year-over-year to 345,000 to 355,000 with revenue growth of 43% at the midpoint to a range of $2.615 billion to $2.635 billion. We continue to expect significant gains in medical margin and adjusted EBITDA. We now anticipate medical margin in a range of $292 million to $305 million and continue to expect adjusted EBITDA in a range of breakeven to positive $10 million, which represents a year-over-year gain and adjusted EBITDA of approximately $40 million to $50 million.

With that, we're now ready to take your questions. Operator?

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

Okay. Forum, I think we're ready for Q&A if you want to open up.

QUESTION AND ANSWER SECTION

Operator: Absolutely. [Operator Instructions] Our first question comes from the line of Lisa Gill with JPMorgan. Lisa, your line is now open.

Lisa C. Gill
Analyst, JPMorgan Securities LLC

Q

Hi. Thanks very much, and thank you for taking my questions. I have a couple, if I can. Steve, let me start with comments around entering four new states. Obviously, we knew about Maine at the Analyst Day. But how are you thinking about the opportunities in some of those other states? I think you talked about Tennessee, South Carolina, Minnesota? What are you seeing around the positions, the opportunities, the class size opportunity, anything that you can give us around that would be my first question.

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

A

Yeah. Well, thanks, Lisa. I really appreciate the question. We're really proud of the Class of 2023, as we've talked about before. It's a really big deal for us to be able to enter new states. There are a limited set of entry points and to be able to be first in terms of full-risk, value-based care, and then do it with a partner at scale that's really well-respected and understand those communities is a huge advantage. As I said in my remarks, we believe this gives us the ability to really shape value-based care in these communities for decades. And each one of these groups is wrestling with the challenges of growing senior population and the Medicare fee for service economics. And

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they've seen the success that our other partners are driving. And they recognize the value of a primary care physician on our platform. And they really believe – see opportunities to grow.

So, let me walk through these just a little bit. In Tennessee, we have a great partner in Jackson, Tennessee. This is a rural, underserved market. We have 40-plus PCPs that gives us a real scaled position in the market. This is a high growth market, growing about 13% a year in MA, which is well above the national average. And what we'll be able to bring in terms of investment and access around primary care and enhanced care team resources will be really transformational.

In Charleston, South Carolina, we've got two great groups. They represent about 35% of the independent primary care physicians within that market. That too is an incredibly high growth market. And as we talk about the value for PCPs, they see a real opportunity to grow. And other PCPs, they can join in.

And then finally, in terms of the Minneapolis-Saint Paul area in Minnesota, I was there last week. I'm originally from Minneapolis-Saint Paul. And I think we see a real opportunity to change the trajectory in that market. We're working with both regional and national players there. It's a market that has large health systems, and these groups are incredibly well respected. They have great relationships with those systems. And so, we think that they can drive just incredible success for us. So I think it's a real positive for us and one that we see driving more growth and very strong performance.

Lisa C. Gill
Analyst, JPMorgan Securities LLC

Q

And then, Steve, we saw the nice membership growth that you had in the quarter, but how do I think about the impact on MLR from that prior membership? And how does it impact your full-year outlook and your ability to really start to manage those costs for those patients?

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

A

Sure, Lisa. So very proud of our quarter and the growth. Our extra growth was about 5,000 members above the high end of our Medicare Advantage membership guidance, about 8,000, I think, above the average. That's really a function of strong same geography growth. But this quarter, the big chunk of that was in our year-one markets, those that went live as of January 1, and seen a faster pull-through by working with these health plans of that membership. So, we're executing better.

The dilution in the quarter was about 30 basis points from that extra membership. And Tim can walk you through kind of how that carries forward into the second half guidance. But I guess what I'm really proud of is, we talked about the key metric being our year two-plus markets and their performance, and that step-up year-over-year from $108 PMPM to $136, that really allows us to grow year-one markets even more to absorb it in the quarter and really drive strong performance, as well as this is the first quarter that we've had a year-over-year comparison in Direct Contracting, and that strong performance jumping from $71 PMPM a year ago up to $79, growing 63% as Tim talked about. Those two things will carry into the second half forecast. Tim?

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

A

Yes. Lisa, a couple of things – that was great. A couple of things I would add is that that incremental membership that we grew over our guidance range in, on average, it was about 5,000 members on the high end of our range, drove really almost all of them the lion's share of the incremental revenue. We were about $18 million higher than

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the high end of our guidance also on revenue. But that incremental revenue really does flow through to very little medical margin initially because of the reasons Steve talked about. A lot of those members are either agents which come in at a very low medical margin or were actually growth from our newest markets, our year-one markets, which were also starting out at a lower medical margin.

So, the overall medical margin flowing through from those was really less than really $500,000 in the quarter, hence, the [audio gap] (00:26:21 – 00:26:26) 20 basis points to 30 basis points, depending on how you want to look at it of dilution. Notwithstanding that, I think pretty happy with the overall numbers. The medical margin dollars that we delivered of $82 million were at the high end of our guidance. The overall MLR that we delivered of 87.7% is still a pretty big increase over a year ago, so we're happy with that as well. Obviously, those numbers also include some prior period development in them.

As we look forward into the second half of the year, which I think, Lisa, was the other part of your question, we had a pretty nice improvement in MLR in the first half of this year. When you adjust for some of that prior period development, it was about 190 basis points improvement. In the second half of the year, we're essentially forecasting that same kind of improvement when you look at our guidance now.

So, the second half, we've also guided to incremental revenue. I think the H2 incremental revenue over the former high end of our guidance is about $27 million. But again, almost all of that could be driven by the incremental membership growth that we've now guided to, which will flow through to a pretty low medical margin number and be relatively dilutive, but still allow it to deliver that 190 or so basis points increase in MLR in the second half.

Lisa C. Gill
Analyst, JPMorgan Securities LLC

Q

That's really helpful. Just a point of clarification, Tim. One of your competitor has talked about Direct Contracting having a retroactive adjustment of roughly 7.5%? Did that not impact you or were you able to just kind of work through that, as you talked about the increase on a PMPM basis that, that kind of stood out to me, that it didn't seem to impact you in the same way.

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

A

That's really a great question. So, just two seconds on the way the model works, Lisa. The CMMI comes out at the beginning of the year and tells you, hey, here's what we expect your trend to be which just drive the revenue number. And the way they set up this year was they originally said – and by the way, they used 2019 as a baseline, so the idea was 2022 trend will be 16.1% over that 2019 baseline.

Obviously, there were some low years in there including 2020 which was a decline. But what that really implied for year-over-year in 2022 was more than a 10% increase. When we went into the year and we talked a little bit about this in Q1, we looked at it and said, that looks really high to us. We've got a lot of experience now. We have a lot of members on the platform. We've got a lot of data and our analysis said that number feels high. We're expecting that there's going to be some, relatively sizable retro trend adjustments during the year.

So, when we booked our Q1, we actually booked an assumption of a retro trend adjustment even though it hadn't happened yet. And then, of course, when we booked Q2, we're already booking in line with that kind of a number. I think the actual adjustment that CMMI announced in their May update was 7.9% off that 16.1%. But we've been both booking to and our assumption for the first – for the full year is much more in line with a sizable retro trend adjustments, so we're not seeing that kind of swing back and forth quarter-to-quarter.

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Lisa C. Gill
Analyst, JPMorgan Securities LLC

Q

Okay. Great. Thanks for all the details. And congrats on the quarter.

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

A

Sure. Thanks.

Operator: Thank you for your question. Our next question comes from the line of Justin Lake with Wolfe Research. Justin, your line is now open.

Justin Lake
Analyst, Wolfe Research LLC

Q

Thanks. Appreciate the questions. First, just following up on what you just talked about on Direct Contracting. So, what is – when they're looking at – you're saying 2019 to 2022 was, I think you said 16%, 17%, and now it's adjusted lower. It was supposed to be 17%, now it's 10%. Is that the way to read it?

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

A

No. So, I'm just – to give it to you in two different ways, they quote to everybody the number of – a trend number of 2022 over 2019, which was about 16.1%. Now, if you want to look at that and say, well, what is that 2022 over 2021, that same 16% would have implied over a 10% improvement in – a 10% trend in 2022 over 2021. They've adjusted those numbers or they announced a interim retro trend adjustment sort of guidance of down 7.9% from that number in their May update. So, that's the way that works.

Now, for us personally, we had already accounted for a retro trend adjustment because, we've been through this last year. We kind of saw how that went. We've got a lot of data now. We were able to do our own estimate of what we think the trend's going to be, and we expect there to be a retro trend adjustment. So, we were already accruing for that in Q1 even before the May – obviously before the May announcement came out.

I will say that the underlying Direct Contracting performance, though, is still really strong, we're pretty happy. Big increase in membership, right. I think from year-end, we've increased like 39,000 members from a year ago, and we've increased something like 34,000 members. And even with that increase, as Steve spoke about, we're seeing a pretty nice pickup in medical margin on a PMPM basis, I think, $79 this Q2 over $71 in the first quarter – second quarter of last year, which is the first quarter we had it. That's like a 50-basis-point pickup in MLR. So we're seeing really positive trends in the second year, notwithstanding that huge membership growth both in claims and our ability to drive revenue so – membership and revenue so we're pretty pleased with it.

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

A

Justin, just a quick add. I mean, we're 90,000 members in Direct Contracting now. It's 25% of our membership. I know we don't consolidate revenue, but on a revenue equivalent basis, it's a larger percentage of that. We spend a lot of time with the Innovation Center. We certainly learned a lot through the first year. So I think what Tim just described is really kind of a prudent approach to what we're doing and I think it gives us just incredible confidence around our strategy, right? We sort of said all along we're going to look at this as a single line of business.

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Our partners on average have 400 senior patients across Direct Contracting and Medicare Advantage in the 10 markets where we've got both. And they're now seen the real power that's being driven off of that. We've got over $100 PMPM year-to-date in MA. We're approaching $80 PMPM in Direct Contracting, all with the growth that Tim just talked about.

So, I think the power of that approach and the first time we've been able to now do a year-over-year comparison, I realize it's in a different spot and you've got to go pull it out of the queue, but Tim, [indiscernible] (00:33:04) for you. It's extremely encouraging to me and to all of our partners. And I think other physicians out there are seeing that, and that's how we're seeing this uptake in terms of growth with other physicians joining the platform.

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

And, Justin, if I could just add one other thing real quick. We don't obviously consolidate these results. We just report them on a net basis in other income. But we do actually report out, so you can obviously pick those up in our 10-Q. And just as a point of comparison, I mean, we've generated over $500 million of revenue in Direct Contracting through the first two quarters of this year. So, you can pull that out of our – out of the 10-Q. But, it's a big number. This is really a big part of our business now.

Justin Lake
Analyst, Wolfe Research LLC
Q

Thanks for all the detail. I appreciate it. Then a couple of numbers questions. One, can you tell us what the drivers of the negative development has been this year, and versus what normal should be positive to some extent, probably some reserve for adverse deviation? So, how far off of you from where you would have expected to be? And have you learned anything from that that you think educating the reserves going forward if you increase the reserves or something?

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

Yeah, that's a great question. First of all, our expectation would be, we always you know, we're always thinking to be correct, right. So, and obviously it'd be nice to be correct with maybe a little bit of conservatism. And obviously this time around, it was the other way. And we do have some prior period development. The drivers of it were really a couple of things that we think are a bit anomalous. One of them was, as we've now started to complete the run out in through of claims in the back half – for the back half of last year, we did see some change in seasonality in the back half where especially Q4 was a little bit higher seasonality of claims than we had seen previously. And so, that caught us a little bit off. We have a couple of large value claims that large dollar claims that we didn't have visibility to that have become apparent to us now. And then, we did have a little bit higher COVID costs than we're originally expecting in Q4 that obviously you see now as we move through the run out. So, all of those things have kind of contributed and stacked up in one direction to create some negative PPD that we recognized now a little bit in Q1 and some more in Q2.

As we go forward, we've actually looked at that seasonality now and included those learnings into how we're both accruing and forecasting for the second half of the year. So our guidance for the second half of the year includes some of those changes that we've seen in trend. And we'll just continue, obviously, to continue to use all the data and all the operational information we have and try to make sure that we're getting the getting the ball as close to the pen as we can on our accruals.

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Justin Lake
Analyst, Wolfe Research LLC

Q

Got it. And the last quick one, the – you said you have two physician groups signed up for 2024.

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

A

Correct.

Justin Lake
Analyst, Wolfe Research LLC

Q

Where was that last year in terms of at this point? How many jobs in 2020 – 2021 at this point and 2020, maybe just to give us a little bit of comparability? Thank you.

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

A

Yeah, I mean, it's a quick one, Justin. We've never had group sign-up this early. When we talk about an inflection in demand, when we talk about groups understanding the value that they have and what they can achieve through a partnership with Agilon, that's accelerating this.

And so, the two that we've signed last year, at this point, we had zero and every year prior to that, we've had zero. So these will have 16-, 18-month implementations, which should give us just a tremendous leap forward. And the rest of the funnel for 2024 looks extremely strong, basically, at every step down on that process from qualifying all the way down to signing letters of intent like we talked about. We're ahead of where we've been.

And I think it's a function of just what we talked about, which is the challenge these practices face, the need for this new model, the success that we've had, and the ability to talk to enough peers now, so that it's not Agilon telling, it's a peer who went through a similar decision.

Justin Lake
Analyst, Wolfe Research LLC

Q

Perfect. Thanks again, guys.

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

A

Yes.

Operator: Thank you for your question. Our next question comes from the line of Stephen Baxter with Wells Fargo. Stephen, your line is now open.

Stephen Baxter
Analyst, Wells Fargo Securities LLC

Q

Yeah. Hi. Thanks. I wanted to ask a big picture question on the medical margin performance. So, we've generally heard from your health plan partners that the utilization environment, especially for Medicare and Medicaid, is pretty benign running below baseline levels. I know that you're characterizing that as closer to baseline levels. Also I think you said your markets – your one markets are performing a bit ahead of plan. So, the combination of

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these two things, I guess maybe I'm a little bit surprised that maybe the medical margin guidance on a dollar basis, like I get the diluted impact new members have on the percentage, but I guess I'm a little bit surprised that dollar basis, maybe has not increased more throughout the year.

Essentially, the health plans seem to be saying, they're expecting higher utilization in the future than they're seeing today, doesn't necessarily seem to be the way that you guys are thinking about it. Would love to just get your insight into some of the – maybe the things that could be holding back the medical margin dollar guidance for improving this year and also thoughts on kind of your view of utilization versus maybe some of your health plan partners. Thanks.

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

Yeah, Steve. Absolutely. I think our medical margin forecast for the second half of the year, first of all, we do have a little more confidence in the range, and we tighten it up a little bit by raising the lower end of the range. And that is based on some of the performance that we've seen so far this year. But our expectation is, hey, so far through the year, we have seen utilization just slightly below that 2019 baseline.

Now, I don't know, as everyone's talking about, there's a couple of different components to that, and we've talked about this on previous calls, but it's still pretty consistent. Acute utilization is definitely below baseline, but we're seeing a pretty good offset for that in outpatient and that kind of continues. That's what we basically built into our balance sheet here as well that we're going to continue to see those utilization numbers. That hasn't change since our previous guidance, although we did tighten up the range a little bit, as I said, because we have a little more confidence.

I mean, in addition to that, of course, we did increase our revenue guidance. But I think as we talked about earlier on the call, we wouldn't expect that to flow through too much incremental medical margin, because it's primarily being driven by incremental agents or more members in our new geography – in your one geography markets.

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

Yeah. And, Stephen, I would just add...

Stephen Baxter
Analyst, Wells Fargo Securities LLC
Q

Okay. And just a question – go ahead.

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

Go ahead. What I was just going to...

Stephen Baxter
Analyst, Wells Fargo Securities LLC
Q

You want to add on to that.

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

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Okay. What I was going to add to what Tim said is, I mean, he just gave you the context earlier about kind of run rate first half performance relative to last year first half to first half and comparing – continuing that forward. That first half performance has the clinical programs that we've invested in and those kind of expand throughout the year. But the utilization comments he made about being in line, I think, is right on.

Stephen Baxter
Analyst, Wells Fargo Securities LLC

Q

Okay. Appreciate that. And then, just on the managed care contracting side of things, I do remember maybe earlier in the process when you guys were going public, there were some markets where some of the national plans participated in some, but not others. But just love an update as the health plans have seen more data, has the kind of the coverage of your markets of the national health plans change at all or is that still an opportunity for you guys in the future?

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

A

Well, we have very deep partnerships with five national payors. We have joint operating committees. We plan growth. I mean, there are markets that they would like us to expand to that we've got out that we're planning on. In every market in which we're working with the national plan that we've approached them on and we've been able to contract and do that successfully. So, I think the depth of that relationship is pretty significant, Stephen. And I think there's a lot of opportunity in terms of additional markets going forward.

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

A

Stephen, I think what is probably differentiated and Steve can comment on this is, our ability to contract with regional plans is very differentiated and that gets us into a lot of different markets. We have a lot of experience with that now. And then, our ability to contract and take risk on PPO is also fairly differentiated. It's something that actually drove a little bit of upside in the quarter in terms of the membership pull-through, because there are some attribution processes that go along with taking PPO risk.

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

A

Yeah. The majority of our health plans, Stephen, have never done full risk contracting before we contracted with them. Those are obviously regional payors. Some are relatively new to Medicare Advantage. And so, our ability to do that, our ability to take full risk on PPO products in many parts of the country that we're the only one doing that, period. And so, for the nationals, for the regionals, I think the partnership is working well.

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

A

Right. Forum, I think we can go to the next question.

Operator: Okay. Perfect. Our next question comes from the line of Brian Tanquilut with Jefferies. Brian, your line is now open.

Taji Phillips
Analyst, Jefferies LLC

Q

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Thank you. So, you've actually got Taji Phillips for Brian. Thanks for taking my question. So just curious as you approach providers for partnerships, can you just clarify the incentive structure there specifically on the gain share component?

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

Sorry, you broke up. What was the...

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

On a gain share, asking about the incentives for partners, particularly on the game share, you mean on like surplus sharing.

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

Let's talk about the...

Taji Phillips
Analyst, Jefferies LLC
Q

Yes. So, sorry. If you didn't catch my question. I'm sorry.

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

I think we got it. I think we are. Let me let me tell you how it works. So, we enter a new market. We talked about four states today that we've entered. We've got a partner in each one of these markets. We enter into an exclusive 20-year joint venture with them. We take all of the downside. We bring the people, the process, the capital to the table. They bring all of the local know-how, the investments they've made, patients, physicians, facilities, et cetera. And we put that together and create a partnership that's focused on Medicare Advantage and focused on moving to full risk. And we do that in a 12-month implementation. Justin just asked about some of the [ph] headwinds (00:44:16). Sometimes that's even longer than that.

That implementation is done, so that when we hit day one, year one, we're really set. We've got an excellent baseline from a cost perspective and from a revenue perspective. As we talked about in our prepared remarks, we really understand who those complex patients are that need even more services and we're able to wrap them with the care team. And the incentive or the surplus is split 50/50 on the upside. So, when we talked about investing $80 million back into these communities year-to-date, that's really a reflection of the surplus that's generated by being able to manage costs and take out waste. And then that less local expenses, that 50% going to those partners. So, that's how the incentive structure works.

Taji Phillips
Analyst, Jefferies LLC
Q

Great. Thanks for the color.

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

Sure.

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

A

Thank you.

Operator: Thank you, sir. Thank you. Thank you for your question. Our next question comes from the line of Whit Mayo with SVB Securities. Whit, your line is now open.

Whit Mayo
Analyst, SVB Securities LLC

Q

Hey. Thanks. Good afternoon. You guys have talked around this a little bit, but is there any way to – excuse me – to potentially quantify how much of the member growth you get annually comes from agents? And is this year tracking higher than normal? And are there any really big differences in the conversion ratio in MA and DCE?

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

A

So in the quarter, we were 13% same geography growth. That's a combination of those agents and organic growth. Those are elective, and then physicians joining. That physician component continues to grow. In the quarter, it was just under half, came from physicians that are joining, so that that's a very strong component within it. The split on agents versus fee-for-service, I'm going to guess it's 80% or more agents. We can work offline, Whit, and get you more of that. But I'm guessing that's about what it is.

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

A

Yeah. Of the 13% same geography – I'm just going to say just to put a finer point on the 13% same geography growth that we reported, about 60% of that in the first half of this year was organic, which is agents or fee-for-service conversions. And the majority of that would have been agents. I don't know the exact percentage break on that part of it, but...

Whit Mayo
Analyst, SVB Securities LLC

Q

Do you feel like you are seeing a higher conversion of agents this year versus normal years? And I'm just wondering if this is a function of any internal initiatives or just the way the year sort of landing?

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

A

So, I think we're seeing – what drove the outsized performance on membership growth in the quarter was a faster pull-through with our health plan partners around on PPO products and this attribution work that we do with them. That's a function of working more closely with them, getting that that logic agreed to, accelerating the touch points with those patients as an example of health plan, it might require you to have a patient verbally verify that this is their primary care physician before that attribution becomes effective. And so I think that we are seeing more senior patients choose at a faster rate. I think it's a function of execution. I also think it's a function of their primary care physicians really seeing incredible value and comfort within this so I think it's a combination of those two.

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

A

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Yeah. And just, sorry not to belabor, but nearly all of the incremental membership that we saw versus our guidance in the quarter and for the balance of the year, the vast majority of that is coming from either agents or incremental members in those year one market, Whit, because they're in their first year, our lower medical margin PMPM as well. So, that's kind of what caused the dilution, and it's one of the reasons why in the second quarter, we can raise our revenue by about $27 million, but don't anticipate that there'll be a huge incremental medical margin driven by those members.

Now, ultimately, there will be and we love to get those members on the platform, because it means obviously there's a ton of embedded margin there for us to get as those members mature on the platform. But initially in that first six months in the second half of the year, [indiscernible] (00:48:56) will be pretty low medical margin contribution.

Whit Mayo
Analyst, SVB Securities LLC

Q

Okay. Thanks. I'll hop back in the queue. We got a pretty busy night. Thanks, guys.

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

A

Yes, sir.

Operator: Thank you for your question. Our next question comes from the line of Kevin Fischbeck with Bank of America. Kevin, your line is now open.

Edward Han
Analyst, BofA Securities, Inc.

Q

Hey. This is Ed Han, on for Kevin. Going back to that gain share discussion, other medical expense came in higher than we were modeling, at least. And if you divide other medical expense in live geography divided by medical margin year-to-date, you get about 54%, which is more than the 50%. So, is just timing throughout the year? How should we think about what's in that line and how exactly we should be modeling that?

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

A

Yeah. Other medical expenses has two components to it. Part of it is the partner sharing, and part of it is the actual other medical expenses, which the primary portion of that is another incentive that we pay to physicians which are incentives we pay for their completion of annual wellness visits. So, those are kind of the two components of those, which is one of the reasons why the -over the – partner sharing part itself is not 50% of medical margin, because it's – what we're sharing is actually the market level profitability, not the market level medical margin. But the reason it's hard to approach 50% overall is other medical expenses that are also deducted, which other medical expenses, not partner sharing, which are, again, the largest part of that is going to be AWV incentives.

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

A

And there can be some fluctuation quarter-to-quarter, some of it's dependent on market-by-market dynamics.

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

And for instance, just that part of the broader other medical expenses that is not partner sharing, the part of that's, for instance, that's AWV expenses, that can be accelerated earlier in the year if we're completing those more quickly. Obviously, that would be a good thing if we get them done earlier in the year. But that's kind of how that works.

Edward Han
Analyst, BofA Securities, Inc.
Q

Okay. Got it. And then, some other point, as there was some discussions in support of Medicaid investigation business that you no longer own. But just curious if you could comment on that and what's happening at California.

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

The – I think he's talking about the ...

Edward Han
Analyst, BofA Securities, Inc.
Q

California.

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

Yeah. I mean so, we've been out in California for a couple of years now. I think it was really a strategy decision. That's a delegated model state, [ph] Kevin (00:51:45), in which to basically be able to pass risk, you have to have an MSO. The groups pay the claims, they do the UM. They do a lot of the customer service around that. Very different from what we do in other places. And so, the logic was really focus on the partner business and that's what most of the country looks like, much more PPO products in other places. So, that's kind of the logic around that. Within the Medicaid business, that was a part of what we had there in California. And I think that's progressing in terms of where we're at right now.

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

And you can, of course, read our SCC filings. There's information about the divestiture. It does reference some noncompliance issues that were actually self-disclosed by Agilon. Those predominantly predated Agilon's ownership, and you can read about that in our filings. But the penalties that were paid by some of the health plans were relatively immaterial. But I encourage you to read our SEC filings on that.

Edward Han
Analyst, BofA Securities, Inc.
Q

Thank you.

Operator: Thank you for your question. Our next question comes from the line of Ryan Daniels with William Blair. Ryan, your line is now open.

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Q

Yeah. Hey, guys. This is [ph] Jackson (00:53:12) on for Ryan Daniels. Thank you for taking my question and congrats on the solid quarter. I just want to first touch on the conversations you're having with clients and specifically other health systems. I'm just kind of curious how that's progressed during the more volatile market. And especially as it relates to MaineHealth, are you still continuing to see an uptick in conversation with health systems? And if so, do you see that kind of stemming from the MaineHealth partnership announcement or is it more just from the overall thematic trend and from the shift from fee for service to value-based care, is it a little both? Just kind of curious if you have any comments on that. Thanks.

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

A

Yeah. I mean, I think health systems are a tremendous opportunity for us. I think that we're seeing pretty robust conversations with a number of health systems. I do think that the MaineHealth announcement certainly helps that. There's also a series of health systems within existing geographies where we've got a partner that there's some dialogue. So, I think that health systems face a lot of the same challenges in terms of Medicare. I think they face the same challenges in terms of primary care, in terms of what's it's costing to subsidize those primary care physicians and how they really integrate them. And I think, increasingly, they're realizing the value that they have within that and the opportunity for this new primary care model.

So it's a tremendous opportunity for us. We've got a number of conversations going on that. The last thing I'll say is these tend to take longer just given the size and the complexity of these health systems and the number of stakeholders that are involved, but we're encouraged.

Q

Great. Understood. Thank you. And just a really quick follow up regarding guidance. So just given the third quarter guidance and calculating out the implied fourth quarter guidance, it appears as though like revenue will be flat to just slightly up in the fourth quarter. Am I thinking of this correctly and is there any additional information that you might have on how we should kind of think of the revenue cadence during the remainder of the year?

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

A

That is a good question. I don't think it's flat in the fourth quarter.

Q

Normally where you'd expect in our seasonality is for revenues not to grow much during the year. And part of what's going on there is just the seasonality of the business.

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

A

I thought you meant flat versus prior year I think. It's not flat versus prior year in the fourth quarter. You mean flat quarter-to-quarter?

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Q

Sorry. Yes, sequentially. Sorry.

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

A

Yeah. Yeah. No, that's – yeah, that's exactly what. Sorry, I was misinterpreting you. Like I said, we're definitely not going to be flat year-over-year. Yeah. That's typically what's going to happen. As we move through the year and we will pick up more members, but our revenue in PMPM will start to decline a bit as well. And the reason for that is, I think what Matt was just about to say is, as we lose the older members on our platform as they trade off the platform as we move through the year to the higher revenue PMPM members and the new members that come on which as we talked about before, primarily agents have very low revenue PMPM. Part of the fact that's driven by partly by the fact that they – when they age and they have, we have kind of a default very low RASK, where that goes against their – it goes against their – each of those members. So, we would expect that revenue PMPM kind of decline a bit as you move through the year.

Now, that's offset total revenue dollars now are helped out by the fact that we're also increasing members. But the two of those can either – can result in either that revenue number saying from Q3 to Q4 relatively constant dollars or maybe even dropping a little bit in Q4.

Q

Okay. Perfect. Thank you. I appreciate that.

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

A

And by the way, just in case anybody didn't pick up on it, the other factor that will affect obviously the second quarter revenue or second half, sorry, revenue PMPM is we'll see the second half of the reinstitution of the sequester as well. So, at about a 1% impact on Q2, but it'll have a 2% – a full 2% impact for the back half of the year.

Operator: Perfect. Our next question comes from the line of Gary Taylor with Cowen. Gary, your line is now open.

Gary Taylor
Analyst, Cowen and Company, LLC

Q

Hi, guys. Good afternoon, guys. A few questions. I just want to come back to just on DCE. If CMS was implying a 10% for 2022 versus 2021 and they got 7.9% out of it. So they're low-2s fee-for-service cost growth, that actually seems awfully low in terms of how I imagine the year plays out. But does CMS – will they look at this every quarter? Do you have any visibility on where the next retro this might be? Yeah.

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

A

Yeah. So, Gary, a couple of things. One is that does seem low. And I think, they do an update in May. They'll do another one later this month and they'll do another one in November. So not every quarter, but three times a year.

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We look at kind of all the overall trends from the data we have. And so, we kind of make our own estimate of how we think that'll work over the full year. We'll get another update in August, but it does feel like the 7.9% adjustment is probably high and maybe driven by just what the – essentially what the first quarter look like, and that may not hold or probably won't hold through the whole year. So that's a good call out on that one.

Gary Taylor
Analyst, Cowen and Company, LLC

Q

Got you. And then, just going to the prior developments a little bit, tax – obviously negative and that would preferred fee. You mentioned a few items is related to. It's actually fairly small as a percent of your last year's medical claims, maybe 70 basis points or so. But since you're right around breakeven EBITDA, it's actually big relative to EBITDA. So, just trying to think about the guidance you have for the third quarter on EBITDA. I would imagine at this point in the year, you're not anticipating that there's any development weighing on that number? Is that fair?

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

A

Yeah. I mean, by this point – yeah. By this point in the year, the run out of prior year is getting pretty close to complete. It's not 100%, but it's pretty close to that. That's right. I mean, if we're going to take prior-period negative development from 2021, obviously, the vast majority of that would have already been recognized and seen through Q2.

Gary Taylor
Analyst, Cowen and Company, LLC

Q

And how do we think about this quarter where you'd guided toward midpoint $5.5 million of EBITDA. You did $7.5 million, but you absorbed $8 million of negative development, and the quarter would imply current-year results, like well ahead of guidance unless you're anticipating there'd still be development based on 1Q trends. But is there any nuance to that? Yeah.

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

A

Clearly not the latter. Clearly not the latter in terms of anticipating it. But in terms of the former probably two big drivers; one is the underlying performance of both our partner markets that have been out there for more than one year, as well as better-than-expected performance in our year-one market, as Steve talked about, that underlying performance was definitely better than what we had forecast, and that helped to offset it. But the second thing was for the overall EBITDA number that you're pointing to where we delivered about $1.5 million or so better than the high end of our guidance, Direct Contracting definitely performed better than we had expected in the quarter. So, that helped contribute to that number as well.

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

A

Yeah. Gary...

Gary Taylor
Analyst, Cowen and Company, LLC

Q

Got it. Thank you.

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

A

When I just step back and look at this combined business that we're running across Medicare Advantage and Direct Contracting, year-over-year membership is up 50%. And even including the prior period you talked about in the dilution from the above forecasted growth. We're growing our net margin PMPM 8%. That is super encouraging for us. And it's really this year two-plus markets just executing really well and starting to see the benefit across MA and DCE. And you see it in the year-two membership for Direct Contracting as well. So, there is something to this execution, to the scale, to the consistency and leveraging the investments that we're making that's running through our performance, which we're really encouraged about.

Gary Taylor
Analyst, Cowen and Company, LLC

Q

Thanks.

Operator: Thank you for your question. Our next question comes from the line of George Hill with Deutsche Bank. George, your line is now open.

George Hill
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah. Good evening, guys and thanks for taking the question. Steve, I want to zoom out for a second in kind of a two big picture questions. Number one is with the entrance of Minneapolis-Saint Paul, I'm trying to find my best view of your kind of service map, but it looks like this is the biggest market from in like an MSA density perspective that you guys are going to end there. So, I guess I would ask about like what should we be reading into you guys moving into more dense urban settings.

And then number two, I'd ask you about comments on kind of in the competition for members in market, and like there's an organization that I would assume you guys compete with in Western Pennsylvania. It's a like an amalgam of health systems that's trying to do what Agilon does. It seems wanting to be aggressive in its marketing for members and markets. So, I guess I would ask about like talk to me about the battle for new members and new agents in market, and what you guys can do to arm your provider organizations as they try to attract new beneficiaries?

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

A

Yeah. No, I mean, look, I really appreciate the question, George. Just first point, Detroit would be the largest MSA that we're in, but Minneapolis is clearly right up there. So, two, is we are moving into these areas. We tend to do it with large groups at scale that have great reputations and we're first there. And so, in Minneapolis, I was there last week, all of the payors are excited about this. It's a mix of nationals and of locals. And it's – we're encouraged by what's there. That's also a market in which, like I said, there's two large health systems, but there's a number of independents that I think are really excited about this.

And so, this idea about the value that each primary care physician can provide and the benefit that they can see in their practice and the investment back in the community is really resonating. And so, the best way that we compete there is we continue to perform and we can attract new primary care physicians because they can see the results that their peers are joining.

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I wrote a note out to our partners just about different announcements out in this space, and it's a great time to be a primary care physician, and it's really – it's a sense of urgency that we all have to have to really perform because there is increased competition once you're in a market. We think we've got a lead. We think we're first. We think we're coming in at scale and it's going to give us that performance benefit. But people do have choices, and the best-selling pitch we've got is the results that their peers are enjoying that they can get by coming on the platform.

George Hill

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. I appreciate that. Thank you.

Matthew Dale Gillmor

Vice President-Investor Relations, Agilon Health, Inc.

Forum, I think we're going to go ahead and wrap it up. There's another call starting. Operator, I think we're ready to go ahead and end the call.

Operator: Perfect. Sounds good. This concludes today's conference call. Thank you for your participation. You may now disconnect your lines.

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