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Agilon Health, Inc. (AGL)

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MANAGEMENT DISCUSSION SECTION

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Okay. Thank you. So welcome, everyone. My name is Michael Ha, the Managed Care and Healthcare Services analyst at Morgan Stanley. In our next session, our first session today is with agilon health, one of the largest providers of physician services to its capitated physician JV model. I'm pleased to have with us today Chief Executive Officer of Steven Sell; Chief Financial Officer, Tim Bensley; and Head of Investor Relations, Matt Gillmor.

With that, thank you again and Steven, Tim, Matt, I'd like to turn it over to you for some introductory remarks.

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

Great. Thanks, Michael. And it's wonderful to be here. Just to kick things off, I'd like to frame I think we've built a really powerful business around very unique partnerships. Long-term, 20 year joint venture partnerships with physician groups who've been in their communities for decades. And what we focus on exclusively is moving their senior population. Same doctors, same patients, same health plans from fee-for-service and where just things are uncoordinated and fragmented and challenged into a very holistic, full risk, value-based care model.

We've been able to build a tremendous network this year. We're north of 500,000 senior patients. We're in 14 states. We're working with 30 partner groups. And the value to those primary care physicians is very distinctive, and our platform supports that. Two themes that I hope that will kind of reinforce throughout this is, one, is we are performing extraordinarily well, right. The power of our model in a period where people are talking about higher utilization and the results we're able to report in the first half, the guidance we're able to give for the second half, I think really reflects that. And we're very confident in that for the full year.

And then as we look out to 2024, we see another year of a really meaningful step up in terms of EBITDA. A big part of that is our ability to really manage well this new risk model, the Version 28 that people are talking about.

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And probably the best data point on that is for our existing markets and members. Those folks that were here in 2023, we're here in 2024, we see our revenue PMPM up 1% to 2% for those existing geographies, which is an important data point if you're thinking about that.

With that, ready for the conversation.

QUESTION AND ANSWER SECTION

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you. I definitely want to touch on everything. I think firstly, maybe I'll start with utilization, the differentiation of the agilon model. So, year-to-date, I understand in-patient tracked better than expected. It's helped to offset some of the increase in the outpatient trend. And your ability to drive better utilization is in large part like you mentioned, the advantage of the agilon partnership model, how providers are incentivized to improve quality and control of utilization. So, to start off, could you talk more about that, specifically, the benefit of having all your members attributed in agilon PCP versus MA plans where the vast majority to be attributed to physicians on fee-for-service utilization and contracts?

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

A

Yeah, I mean, I think there are real differences out there in terms of models and different models will drive different results. And we're seeing that in this period of 2023. This attributed PCP relationship, that's a big word attributed, but it really means that PCP's in a long-term relationship with the patient and they have the total care and cost and quality responsibility for managing that. When you've got that type of relationship plus our platform, there are few things that really allow those differences in terms of performance that I talked about.

One is there's a better information model. We're able to provide our primary care partners with visibility on their patients that they've never had before. We're able to identify those most complex patients that are consuming 50%, 60%, 70% of their total costs and really focus on. So, better information model. There's a better resource model. We're able to provide them with resources that they never had before. Social workers, pharmacists, care managers that really allow them to spend time with those most complex patients and make sure that they're managing them throughout their care journey. And then there's a better incentive model.

So, the economics of this relationship, because you're against the total care and cost and quality budget, is physicians are rewarded for their outcomes, not for their activity. So, they can spend the time where they should. They've got the resources to do that and they know who those patients are. And so, those are really the distinctive differences. The examples I'll give you are things like high risk patients, 15% of patients driving a majority of costs. Our primary care partners know who those patients are. We know through technology and data when they're in the inpatient setting, which is the most expensive setting, and when they're being discharged, and we're able to follow-up with those high-risked patients within two days, that shows a dramatic reduction in re-admission rates.

And so, in the fee-for-service markets we're in, 17% re-admission rate is sort of the average across those. Our best performing partners are sub-10%. So, if you think about the magnitude of that savings, it's really meaningful. And year-to-date, we've seen a 28% increase in terms of those high risk patients being seen within that two day

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window. Previously it was 7 days or 14 days. But the difference that makes is really substantial. So, I think that's the power of the model through that information or resource and just the incentives.

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Q

Great, great. And I definitely want to jump deeper into the high risk engagement model on the clinical care. But maybe second question on utilization, just an update. Is there a more recent update on utilization that you can provide? Are you seeing a continuation of these same trends? Or perhaps has the outpatient slowed down and moderated over the summer?

Timothy S. Bensley
Chief Financial Officer & Executive Vice President, Agilon Health, Inc.

A

Yeah, I mean, we haven't given a kind of inter-quarter update. We'll give one here in a bit when obviously we report Q3. It was interesting when we were coming through Q2, that's where we started to and everyone else started to hear some commentary from the big payers that, hey, there may be some kind of a spike going on in utilization. Of course, when we reported Q2, we hadn't seen that in our numbers yet. And in fact, our performance is more along the lines of what Steve was saying. But, even in that higher rate environment or even potentially – I'm sorry, in that higher utilization environment, we were pretty encouraged, obviously, by the overall trends that we're seeing and not through a decrease in inpatient utilization.

I mean, we are seeing and we had been seeing just like everybody else is talking about an increase in outpatient. But that's not really new to us, right. We've been talking about that now for a number of quarters even coming through last year, that there's been some shift, I think, going on in terms of site of service for procedures from inpatient to outpatient. But the overall decrease in inpatient, which is by far the largest bucket of cost for us, has obviously been offsetting that.

So, but the second thing that we did, of course, coming through that and hearing that commentary from the payers was we also strengthened our reserves for the – for somewhat in Q2 and then also in our guidance for balance of year with the understanding that if there – if we do that at some point, see that that there was some kind of a spike up or an increase in utilization, that we're adequately covered for that within the reserves that we put out there in the guidance that we've put out there. And, all of that, notwithstanding any commentary from the payers on utilization, leads us to believe we're well reserved and we feel really confident with those guidance – with that guidance that we put forward for the balance of year. And I'm sure we'll get into it later.

But of course, one thing that allows us to do that and it's interesting when you look at the utilization data on the other side was the fact that we're really performing well on the ACO REACH business this year and kind of outperforming our expectations. And one of the things we talked about in Q2, when you look at the ACO REACH data, which is very current for us, and we also get the benefit of seeing that kind of overall reference population data that we can compare to, we are significantly outperforming that reference population on cost trend.

And that's really encouraging. I mean we're treating those patients with the same techniques, with the same – on the same platform that Steve talked about, with the same programs as Steve talked about. And we're seeing something like a greater than 300 basis point improvement on our performance versus the Medicare fee-for-service reference population. So that gives us a really good confidence that our model is working the way that Steve described, in the last question.

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Michael Ha
Analyst, Morgan Stanley & Co. LLC

Q

That's great. And I definitely to touch on ACO REACH. It sounds like prudent conservatism, though, for 2023 guidance coupled with ACO REACH which was...

Timothy S. Bensley
Chief Financial Officer & Executive Vice President, Agilon Health, Inc.

A

Yeah.

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Q

...performing well which is great. But for now, diving deeper into the agilon story, specifically the growth story, and this can be a bit of a longer question, but as you think of the strength of your membership growth and revenue growth, 57% membership growth, 71% revenue growth year-to-year, and not to mention 50% membership CAGR over the past [indiscernible] (00:09:31) six years. One would think this growth eventually has to slow down. But low and behold, you've walked up to the Class of 2024, 145,000 annualized and 25,000 more ACO REACH lives and you've already begun signing partnerships with 2025.

So, the question is, with your pathway to 2026 targets now becoming increasingly attainable, which is great, I wanted to focus more on how you view the sustainability of this growth pipeline, not just in [ph] 20 – (00:10:01) through 2026, but going forward. So, could you talk number one at a high level, just the sheer number of untapped high quality physician groups out in the country that you could potentially partner with and, fuel the growth for years to come?

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

A

Yeah. Well, it's a great question and thanks for all the detail. [indiscernible] (00:10:20) I mean, when you're growing 50% a year, you've been able to do it and we've already announced 2024, which is another record class for us. We're out working on 2025 and 2026. So, this is an incredibly forward-looking model. I mean, I think what's evident is we are the choice for primary care doctors, who want to move their senior panel into full risk value-based care. The value for them, that they're getting from this, the value that they're seeing peers get is making this the place that they want to go.

And, there's two ways we grow. I know you know this [ph] with this (00:10:58) context is new partners, new markets. People are making the choice to move a large scale group, they've been in their communities for decades. They might have 10%, 15% of the adult primary care capacity within a market. And then our same geography growth, which has been just incredibly strong as other physicians decide to join in and the practices patients turn age 65 every year. So, both of those are really strong.

Specifically to your question about the TAM, for new markets and new partners, which are when we announce these classes, that's what we talk about, there are literally hundreds of groups that are available to us that are scaled, that could be available. And now when you realize we've added regional health systems, MaineHealth was our first in this Class of 2024, we've announced two more, Premier and Holland. There is infinite opportunity. The key is making sure that we're choosing those right partners because we're building around them for 20 years and we really think about this as a community strategy. We are intentionally going to these markets that are 100% fee-for-service. And we're going to move them to value for the first time.

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We're not in Southern California, Southern Florida, Arizona, right. Markets have been doing it for a long time. We're trying to change the market. We're trying to do what Kaiser did, 50-plus years ago in Southern California. We're doing these markets around the country and building that, that infrastructure and the success is what's attracting other people to that. And in terms of runway I gave you the numbers, but think about the fact that we have 1.5% of the adult primary care physicians in the country right now. So, a lot of it and only 1% of seniors. So, I mean, there is so much further to go, Michael, between the groups, between the natural aging population and sort of the evolution that I think we believe it's very sustainable.

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you. Yeah, the TAM is just staggering, hundreds of thousands of PCPs out there in the country. So, I think you mentioned this in your response just now briefly, but if you could expand and talk more about what the value is for the PCP to join agilon platform versus other alternative value-based care platforms out there?

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

A

Yeah, I mean, I think there's a few things. One is if you're an independent physician or an independent group and you want to stay independent, that's a big fork in the road. There's a lot of people out there that will require your practice. But if you want to stay independent, that's fork one. Two is the ability to move in for your entire panel into full risk value-based care.

One of the distinctive things about our platform I think that really separates us and what we constantly hear is we work with multi-payers. So, we're in a market with three, four or five payers. The significance of that for the primary care doctor is that it's for all of their senior patients. This isn't a partnership with one health plan and it's 20% of their senior patients that we're working on, it's for everyone. And so, that means from a process perspective, it's the same processes regardless of the card you've got for the front office staff, for the care team, for the PCP. And so, it's easier to administer.

Think about the things I talked about, better information, better resources, and then that incentive model, they can spend more time with the most complex patients, which is the way they were trained back in medical school. But fee-for-service has not given them the resource or the time to do that. So, more times the most complex patients. You stay independent and then the economic value to them.

What we consistently hear is the value that's being derived for our primary care partners from a financial perspective, which is really important to sustain their practice is two to four times any other value proposition that they've been presented. Why? Because it's all of the senior patients, 400, 500 senior patients, they're able to drive by keeping patients out of the inpatient setting, the ER with some of the clinical programs that I talked about within a few years, $150 to $200 PMPM, right. And so, you can see an incremental $200,000 for these physicians within very short order, which is the difference between really thriving and changing that market and being a very challenging existence. It's hard to be a primary care doctor. And so, I think just the magnitude of that and then just the experience. The better we do with our existing partners, the more the doctors want to join. So, that's really that value proposition.

Timothy S. Bensley
Chief Financial Officer & Executive Vice President, Agilon Health, Inc.

A

Yeah. The it kind of makes logical sense that the most opportunity for all that incremental surplus can be generated, if you're at, obviously at full risk. But it's not easy to get there. So, one of the big reasons to go with

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agilon, if they go with agilon is, we can get them there across, take full risk across all members and all payers in the market. And it's a matter of, you have to be able to implement that process. You have to go in and, there's a pretty big investment to go to do that. And obviously we bring the financial capacity for them to make that transition into it.

And then once you're in and running it, it's not like, hey, we got a bunch of payer contracts, everything is easy. You have to get the contract in place and manage those contracts to manage those relationships and information flow over time and financial information flow over time. And we bring all of that to our platform as well. In addition, of course, to all the incredible operational data, information and insights that we bring to actually drive the outcomes. So, there's a lot that we bring from a capability standpoint that unlocks all of that potential surplus upside that Steve was talking about.

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Q

[indiscernible] (00:17:03)

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

A

Michael, if I could chime in before I forget. I'm glad you asked the question, because I think it is something that's sort of probably underappreciated by the investment community. I think there's a view that sort of value-based care is value based care, risk is risk. But being multi-payer full risk is really distinctive because the of things that Tim and Steve just described, but I'm glad you asked the question.

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Q

Okay, great. And maybe a follow-up question. You mentioned you enter markets that are 100% fee-for-service. So, would it be appropriate to characterize that you're not necessary competing against other value-based care platforms in those markets because there's complete like green spaces, white space opportunities, and you're more sort of pitching your model and – to new physicians that are still in that archaic fee-for-service model.

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

A

I mean, I think that's right. I think the opportunity is these markets are ultimately going to move the value and the advantage of being first gives us also a distinctive advantage. We're looking at scale groups. There may be smaller groups that are going to decide to sell to a health system. We're looking at that big scale partner. But what's starting to happen, Michael, is that same geography goes as those groups that used to sell to the health system [ph] or Optum (00:18:20) are saying, hey, I could stay independent. I wasn't big enough to do the initial partnership with agilon, but now the infrastructure is here. The contracts are here, the clinic but – and I can add in to that. And so, that's what's driving that really strong same store or same geography, growth on top of the record, new classes of new partners and new markets.

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Q

Great. Great. So I wanted to segue here to a hot topic [indiscernible] (00:18:47) risk model revisions the V28. And as we look forward and think about the beginning of the three year phase in next year, it's becoming, like I said, an increasing topic and especially, toward high quality diabetes care providers. And you've mentioned previously that it's going to disproportionately impact providers with more aggressive risk [ph] quoting (00:19:09) which

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doesn't necessarily apply to agilon. You guys have average risk score of 1.0, and I think you mentioned your existing members are going to see 1% to 2% revenue PMPM bump. And I think the overall membership...

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

Yeah.

Michael Ha
Analyst, Morgan Stanley & Co. LLC
Q

...flat to slightly up. So, which is quite strong and actually that if I'm not mistaken, would imply roughly minimal to negligible impact from this model revisions. So, the question is how confident are you in that slightly up revenue PMPM? And based on your own internal analysis, have you quantified the actual impact from risk model revisions each year?

Timothy S. Bensley
Chief Financial Officer & Executive Vice President, Agilon Health, Inc.
A

Yeah, we have absolutely, of course, quantified the impact and we have all the information in the system to allow us to do that. So, at this point, we're pretty confident in what the impact to V28 is going to be and we're just going to talk about it in terms of impact on our 2024 outlook. And the revenue rate that we expect to see net at the end of this. But we think the gross – at this point, the gross impact is calculated of the change itself before anything else is probably about a 2% hit or, minus 2% to our revenue rate. Of course, there's a 2% benchmark increase that will offset that. So, you get kind of to a neutral starting point for us as I think where we are.

Now on top of that, of course, we do all the [indiscernible] (00:20:24) every year with our processes and systems and platform to drive improvement and across our partners in terms of their overall risk adjustment. And we'll get the continued benefit of that. So, when you put that in and look at the – let's just talk about the – take out the new members for next year and just look at the – our partners and our members that'll be on the platform for a year or two plus next year. So, the ones that are already on the platform now, we'll probably get a rate increase next year of in the 1% to 2% range up. So, that's a good spot for us to be next year.

Now we have a huge class coming next year that we talked about, a really strong Class of 2024. So, when you look at the overall blended rate, that'll bring that back down to probably a slightly positive. But the important part is that the year or two plus members are going to be 1% to 2% positive. And then those – that new class that is coming in, that'll be a little bit dilutive on a revenue rate basis. The good news for us next year is that they are a very positive or projected to be a very positive medical margin PMPM group.

We normally talk about our new partner starting in the $30 to $60 medical margin range, but usually typically right around that – the midpoint of that of $45. That's about where we breakeven from an EBITDA standpoint with the market, it's about – and then [ph] partner (00:21:39) market is about $45 in medical margin PMPM. We're looking at next year's class and it will be coming in at or above the $60 range, which means, the nice thing is that group will be accretive to EBITDA next year, which is, not the usual case for a new market. So, the base kind of grew year two plus and the 1% or 2% revenue increase all-in, 100,000-plus new members coming in that are going to be EBITDA accretive puts us in really good shape for 2024.

Michael Ha
Analyst, Morgan Stanley & Co. LLC
Q

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Great. Great. And the 2% hit to [indiscernible] (00:22:12) that's much lower than what being quoted by AGP article, a 10% to 20%...

Timothy S. Bensley
Chief Financial Officer & Executive Vice President, Agilon Health, Inc.

A

Yeah.

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

A

...was significantly lower. And it sounds like your new class is going to be accretive on medical margins. But in the sense that the growth impact, do you have any mitigation plans in place to directly address that offset it? Is that something that you thought about and are going to roll out pace and timing as well across the three years?

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

A

Well, I mean, I think that, A, we're highly confident that the numbers that Tim just walked through because you've got all of those elements and you can see it, we've got a lot of experience. So, that's number one. I think that, the fact that we're in these markets that are 100% fee-for-service, the larger impacts that you're hearing about our folks who've been in geographies where it's much more mature and I'll just say kind of optimized at Southern California, Southern Cal, Florida, or you're in very complex, narrow populations like duals. And so, I think that sort of the distinction that we made around that.

But when you look out to 2024, think about what we've talked about. We've got this really large Class of 2023, it's maturing very well. And so, that run rate is going to be strong. We've got really strong quality in clinical programs. We are rapidly ramping those out. At our call we were talking about a third to half of our markets being covered today. By the end of the year, we're saying they'll be two-thirds. And by the end of 2024 Michael all of our markets, including the Class of 2024, will have these clinical programs, renal, palliative, high risk patient management in place. That's what's driving the utilization. You started with the inpatient flat to down that really cushions the investment in primary care and moving to that outpatient setting. So, that's really powerful.

There's the Class of 2024 that Tim talked about. And why is that class going to start so well? Because the sales cycle is faster, the implementation is longer. We did this acquisition of this software platform that allows us to integrate more rapidly [indiscernible] (00:24:34) the electronic medical records and get the data that allows you to get patients identified [indiscernible] (00:24:40) earlier. And this class has some larger folks in existing geographies in which they're able to take advantage of existing contracts, existing clinical programs. So, you put all of that together and it gives us tremendous confidence. And those are levers that I'm not sure everyone has, but that's what I know of.

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

A

And then I think...

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

A

Oh, sorry.

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

A

I was going to say, I was going to suggest, Steve, you hit on sort of what we're hearing from payers...

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

A

Yeah. That's what I was going to say.

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

A

...and it's like something a little sort of newer to our thinking as well.

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

A

Yeah. So, we talked about this a little on our Q2 call, but like I'm right in the middle of meeting with the national leadership of the payers right now. And I think what we're finding is in the markets that we serve, because this is a market by market basis. You are seeing those payers being more conservative and having a reduction in terms of those benefits. And so, when we had talked about next year initially, we were not counting on that significantly. That's like a dollar for dollar benefit in terms of what that would look like from a cost perspective. And so, I think that's an added element to if you're talking about 2024, which would be a tailwind for us next year.

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Q

So, that's incremental. Beyond your prior expectations of what was embedded in 2024? That's a positive. Okay.

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

A

Positive. Yes.

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Q

That's good to know. And you mentioned the clinical care initiatives, and it sounds like they're being deployed heavily by the end of 2024. I wanted to touch on the high risk engagement program, the high risk member engagement program.

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

A

Yes.

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Q

What does that exactly entail? Like presumably, risk stratification, of course, could start, but what types of resources or care support do you provide thereafter and what type of quality measurement improvements have you seen from this initiative?

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

Yeah, I mean, I think we've seen tremendous benefit. This program is now in all of our markets, the renal and palliative program I talked about, are going to get to every market by the end of 2024. But this one is the most mature. And so first is the ability to stratify or identify those, who are those 15% and really making sure that the primary care doctor and the care team understand who those are. Then it's knowing where they're at. So, this is about technology and data, knowing when they're in the inpatient setting, rounding with them and knowing when the discharge plan is, and then the ability to get those folks in within two days to see their primary care physician is this dramatic change in terms of the reduction in the re-admission rate that I talked about. And so, that care team resources that scheduling, the logistics and understanding what the timing needs to be and holding those appointments on the schedule to get that done. And so, that's significant.

When you think about a re-admission, 10,000, 15,000, I mean, it can be really massive in terms of cost. And you see that 28% increase in two day follow-up. That's meaningful in terms of what we've seen year-to-date. And it's only going to expand as we go further. And then there's care managers that for the most complex patients Michael, they are literally contacting them, dialoguing with them every single day.

And so, if you look at our Investor Day in some of the case studies we shared, we talked about a care manager who's working with a patient and was able to get that patient to a plan of improving their health where they could actually take a vacation for the first time in years and go see grandchildren. And so, those are the things that are about that resource model, about that information model and just being able to spend time with those most complex patients that makes a really big difference. And that's the benefit to Matt's point about multi-payer, you're able to do that across 400 or 500 senior patients and isolating in those 15% that really need that. Great for the patients. And it's obviously great for the physician experience.

Michael Ha
Analyst, Morgan Stanley & Co. LLC
Q

That's great to hear. The 15% that drive...

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

Yeah.

Michael Ha
Analyst, Morgan Stanley & Co. LLC
Q

....70% to 80%...

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

[indiscernible] (00:28:56)

Michael Ha
Analyst, Morgan Stanley & Co. LLC
Q

...of their health care costs. Maybe switching gears, I know we've one more minute. ACO REACH, and after a couple of volatile years this year, you intentionally took a one year hiatus. But performance has been great. As you return back to growth, could you discuss the sustainability of ACO REACH over the next few years?

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

A

Yeah, absolutely. I mean, we're so much more confident in this now that we have great visibility. All the variability in it for us has always been around the revenue side. And through the information that CMS is now giving us on a monthly basis, we have tremendous visibility into exactly what's happening to revenue. So we can kind of track what the size of that retro trend adjustment will be as we move along. And our performance underlying performance, particularly in, a bit of a higher utilization environment, has really started to shine. And we can really see the impact of our model on ACO REACH cost. So, we talked about in addition to having much more confidence in what that revenue number is and being able to really project that and have and put that into our guidance. We're seeing this, 300 or so basis point or more than 300 basis point spread between our performance and the underlying – or the overall Medicare fee-for-service population.

As we move forward into future years, the revenue number on ACO REACH moves with that cost trend. So, as long as we go forward, we are continuing to perform at or better than the reference population will sustain that base profitability of $30 million to $35 million we generate this year and hopefully be able to expand that over time. And then the second thing is, of course, next year returning to growth of about 25,000 ACO REACH members, and that will allow us to expand the overall size of the profit pool as well.

Michael Ha
Analyst, Morgan Stanley & Co. LLC

Perfect. Well, right at time. Thank you, Steve, Tim, Matt and thank you everyone.

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

Thanks. Thank you, Michael.

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

Thanks Michael.

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

I appreciate it.

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