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Agilon Health, Inc. (AGL)

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CORPORATE PARTICIPANTS

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Matthew Dale Gillmor
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Kenny Bellendir
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OTHER PARTICIPANTS

Adam Ron
Analyst, BofA Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Adam Ron

Analyst, BofA Securities, Inc.

All right. Thank you, everyone, for coming. For those of you who don't know me, my name is Adam Ron. I cover managed care and healthcare services here at the Bank of America with Kevin Fischbeck, with a particular focus on value-based care and companies like Agilon. Agilon is a physician enablement company that helps doctors transition to value-based care, particularly in Medicare Advantage.

Today from the company, we have Tim Bensley, the CFO; Kenny Bellendir, the Markets Chief Financial Officer; and Matthew Gillmor from Investor Relations. And with that, we'll get started.

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QUESTION AND ANSWER SECTION

Adam Ron
Analyst, BofA Securities, Inc.

Q

So you reported Q1 earnings earlier this week.

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

A

We did.

Adam Ron
Analyst, BofA Securities, Inc.

Q

How would you characterize the performance here today? Because there were a few moving pieces.

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

A

Yeah.

Adam Ron
Analyst, BofA Securities, Inc.

Q

The Medical Margin was at the lower end of the guidance, but there was PYD in there. And so how would you characterize the same-period performance, and then what happened in 2022?

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

A

Yeah, sure. Let me talk about – first of all, Adam, thanks for having us, and great crowd for a Thursday, the last day of the conference.

Adam Ron
Analyst, BofA Securities, Inc.

Q

Yeah.

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

A

Thanks, everybody, for hanging in there for us today. Yeah. I mean, we put up a really strong first quarter following a strong 2022, I think. We'll certainly talk about Medical Margin. When you start at the top, I mean, one of the highlights of the quarter was very, very strong – I'm sorry, very strong membership and revenue growth again. We ended the quarter with more than 400,000 MA members, which is pretty far above the high end of our range. That includes a number of – all these new markets that we brought on that we've been implementing for the last year, but also about 14% same-geography growth, and that's really the hallmark of how we drive growth.

I think that membership was up 61% MA membership year-over-year. And it really just demonstrates, I think, the strength of the model where we're out there year-over-year adding markets, adding new members, building success. And that just becomes a great point of attraction for other new partners and other new physicians to join

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the network, and that's been working phenomenally well for us. So very, very happy about the membership growth.

And by the way, that also allowed us to give more confidence in our membership projection for the year, and now we're saying our membership growth will be certainly more towards what was the high end of our previous guidance. We've tightened that up and because we have more members on early, this – we'll come back to this in Medical Margin in a second, our average membership for the year, our ability to drive Medical Margin with those members will be obviously greater for the year. And obviously, we have them on the platform earlier to be generating Medical Margin in 2024 and beyond. So very, very happy about the membership side of it.

From Medical Margin side, the absolute number I think is fantastic. $162 million of overall Medical Margin, that's $135 on a – $135 on a PMPM basis. I think that's up 17% on a PMPM basis. The dollars are up 88%. But one of the things we've always talked about is our year-one members, our year-one markets really don't generate a lot of increment – a lot of Medical Margin usually for this year around, say, $45 or so on a PMPM basis, and not a lot of EBITDA flow-through. Most of that is coming from our year-two-plus markets.

Our year-two-plus markets in this quarter, we're generating $178 of Medical Margin PMPM, which I think is up 47%. So it was like $121 last year. So the overall – and I think even including the PYD, that Medical Margin on a percentage of revenue or our MLR improvement was about 110 basis points. So any way we look at that, it feels like very strong performance on a year-over-year basis. And just it's showing you continued really strong momentum in terms of our cohort maturation on Medical Margin, much like I think on track with what we shared at the Investor Day.

So, to your point, within that number is about $12 million of prior-year development in the Medical Margin number. A number of things were driving that, coming through last year. Typically, that $12 million would flow through a little less than 50% EBITDA. So there's probably about $5-million negative impact in the quarter on EBITDA, $12-million negative impact on development. And all the things I talked about, early members coming on, really great confidence in our clinical programs that are driving that Medical Margin which Kenny can talk a little bit about in a second just gave – gives us continued confidence that notwithstanding that $12 million of prior-year development that we're very comfortable with our full-year Medical Margin guidance and we reaffirm that guidance on the call.

Just a couple of other quick things to categorize or to put some character around the quarter. We feel good about our ability to take that Medical Margin and get leverage to drive through to EBITDA. Our platform support costs, which – all those platform resources are very important to driving our business, but we get great leverage against them. We got another 100 basis points off platform support costs as a percentage of revenue, dropped to 4.2% from 5.2% last year. So that's another good movement. We've been taking that 100 basis points or so of leverage every year in platform support costs.

And then the last part is, it's not the biggest part of our business, but we're pretty pleased with how the ACO REACH – I guess, this is the first year of ACO REACH. As we transition to our direct contracting, pretty pleased with how that's worked. I think everybody knows there's a few headwinds to ACO REACH this year. This is the last year that they've increased the global discount up to 3%. But that notwithstanding, with that as well as a few less members, since we didn't start any new ACO REACH markets this year, we put up about $3.3 million of EBITDA contribution from ACO REACH, that's pretty much the same as what we did last year on a little bit more membership without that headwind.

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So, we're seeing good underlying Medical Margin progression and performance in ACO REACH as well, and that allowed us to say for our guidance going forward. We're more comfortable now with the high end of our $5 million to $10 million of contribution ratio reached this year and remain confident in our overall EBITDA guidance.

And the last thing, sorry to run on, but just this just...

Adam Ron
Analyst, BofA Securities, Inc.

Q

No, no.

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

A

...the whole category – the whole character of the quarter. Also said we're again very confident in the numbers that we put out for 2024 membership. I think we have actually now named five of the new partners that are coming around, a very diverse group, including a couple of health systems, a couple of more health systems, including in addition to main health 00:06:36 that we went live with this year. And so our ability to now in 2024 jump up membership by another about 145,000 members feels very, very confident of that. And Steve, on the call, talked about – Steve Sell, our CEO, in the call talked about we're seeing great momentum in the class of 2025 progression as well now. So, I don't know if you want to go to another question that might be interesting. One of the things I want to talk about...

Adam Ron
Analyst, BofA Securities, Inc.

Q

Yes. Go ahead.

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

A

...is how well Medical Margin is progressing. Notwithstanding the prior period development, we're able to put up a pretty strong number and that's really driven by the underlying clinical programs and the progression we're making them. And Kenny Bellendir, who's our Senior Vice President and CFO of our Markets, has – I think we got the correct number now, he's like employee number for at Agilon. So he's been here the whole way along and is really responsible for supporting and guiding those programs, how we track them, how we implement them across all of our markets. So, might be interesting for you just to talk a little bit about how those programs are working and how that's driving our Medical Margin.

Kenny Bellendir
Chief Financial Officer-Markets, Agilon Health, Inc.

A

Yeah, absolutely. So, as we think about the clinical programs that we're rolling out, what we're really focused on and we're doing is really building on the success that we've had from a BOI in quality standpoint, implementing those early in our life or early in the – in our partnership lifecycle. So, now, applying that same level of rigor, monitoring, education to these various clinical programs around kind of our highest cost patients. And so, much of this is new to some of the PCPs that are coming from a fee-for-service world. They didn't have to worry about the renal spend or palliative care when they weren't properly incentivized to do so.

And so, as I've mentioned, we're now bringing that same level of rigor and kind of performance monitoring to the clinical programs that we did to the Burden of Illness program. And so, and just a couple examples of that, we've rolled out our palliative care program now in six markets, and just like on the BOI side where a physician would

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see all of the potential diagnoses that a patient has right there at the point of service, they're now being fed a palliative risk score as well. So, that palliative risk score is based on our own internal algorithms. Basically, a likelihood of an unfortunate event in a coming time period.

And so, we put that information right in front of the PCP as they're with the patient and say, we think a referral to palliative is appropriate here. They either do or do not make that referral. But we're tracking that all in real-time and really, focused on driving out variability within the physicians to bring kind of low performers up to the high end just like we've done in BOI. And so, very similar on the renal program side where we know which patients have kind of CKD3, 4, 5, these are very expensive patients. We've now got this extension of the care team that we can refer patients into for renal disease. But very similar. We're feeding that information to the PCP right at the time of the visit. Easy for them to make the referral over and then, if that is not happening for some reason, easy for us to circle back and see why not.

And I think as Tim was mentioning, we're very encouraged by that. As Steve mentioned on our Q1 call, just in the first quarter alone, we've enrolled thousands of patients in these programs and picking up momentum. So, in 10 markets on renal, 6 in palliative, we're in 27 markets and the idea is that over in the very near to short term, we're rolling these programs out across all markets and learning from them.

Adam Ron
Analyst, BofA Securities, Inc.

Q

Great. Thank you so much. Sticking on the topic of markets. So at the Investor Day, you showed a slide about breaking down all your cohort economics and for 2018 and 2020, which are fairly large in terms of membership, there was a very significant step-up in terms of Medical Margin PMPM. And so just wondering how those markets are progressing against that year-over-year increase and how much these programs like renal and palliative are a part of that?

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

A

Yeah, no, absolutely. The couple of components to that question. The first thing is, the numbers that we've seen coming through Q1 as we exited – actually numbers we've seen exiting 2022 and as we've now completed Q1, are very much right on track with what we expected across our market cohorts for delivering in 2023 and being ready to transition to 2024. There's a couple of things that drive that – that drive that point of inflection this year. One of them is this is just a year where there's a higher-than-normal benchmark increases on the revenue side.

And for us, because our model is so – to the second part of your question, our model is so geared to improving the quality and outcome for our patients that actually drives cost down. When there is a pretty good high benchmark year, the differential between that benchmark revenue rate and what we're doing across just gets wider, and so that drives a higher point of inflection and because our cost continued to just go in the right direction, because of all the things that Kenny was talking about. So, across those market cohorts specifically 2018, which is really our inaugural partner market in Columbus with Central Ohio Primary Care and then our 2019 cohort – and then our 2020 cohort, which is the other one you're talking about, which have pretty big points of inflection are all like doing very well coming through the first quarter and actually exited the year last year very strongly as well.

Again, in terms of components of what's driving it, I mean, really when you get those, more mature cohorts, now, when you're into year five, six in some of these cohorts, the primary thing driving our Medical Margin expansion is the length of time that those members have been on the platform in those markets and have benefited from all the things that are modeled, does to help improve the quality and cost of their – of those outcomes. And the programs

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that Kenny talked about is a big part of that. So those cohorts, you know, on the cost side are being really primarily driven – on the Medical Margin improvement are really being driven by cost. And then obviously, the cost differential benchmarks' higher in a year like this, so...

Adam Ron
Analyst, BofA Securities, Inc.

Q

Okay, great.

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

A

Hopefully, that was straightforward.

Adam Ron
Analyst, BofA Securities, Inc.

Q

Yeah, yeah. No, no. So, you mentioned...

Kenny Bellendir
Chief Financial Officer-Markets, Agilon Health, Inc.

A

Adam, if I could add one thing to that.

Adam Ron
Analyst, BofA Securities, Inc.

Q

Yes, yes please.

Kenny Bellendir
Chief Financial Officer-Markets, Agilon Health, Inc.

A

I think, there's one part of the business that, you know, just in terms of the Medicare Advantage business that there is a prospective element in terms of the drivers. So, the activity you do in 2022 gives you visibility into the drivers of the business in 2023. And that has to do with documentation, how you're doing on quality, it has to do with your payer contracting. And then of course, we've got visibility into the underlying membership growth on those curves too. And Tim talked about the dilution that growth can cause. So I would just add that...

Adam Ron
Analyst, BofA Securities, Inc.

Q

Yeah. Yeah.

Kenny Bellendir
Chief Financial Officer-Markets, Agilon Health, Inc.

A

...in terms of that context.

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

A

Yeah, that's a really good point because when you think about the revenue – we have obviously a pretty big revenue PMPM uptick forecast this year, but that's the part of the business that is the most known because the things that are driving revenue really are known when you enter the year, because it's the benchmark as well as it's the [indiscernible] (00:14:01) the Burden of Illness work that we did last year that helped us this year.

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Now, we don't have perfect visibility to mix in exactly how everything is going to come out, but the revenue side is a lot more kind of a known quantity going into it. So that would give us even more increased confidence in the 2023 outlook. But again, in a benchmark, a year of high benchmark with how our cost programs work, you just have a – you can get a better spread off that. And so it'll be a good year for us for those years in terms of point inflation.

Is there anything else on what's driving our older markets or anything from a programming standpoint that you wanted to jump in with or add to?

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

A

I would just say the – kind of coming out of the pandemic, I think last year had much better opportunity to get patients in, seeing more of our patients. And so we took a little bit of a step-up in terms of our overall BOI performance relative to the prior year, which is going to contribute a little bit to that.

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

A

Yeah, and to Matt's point, I think on the revenue side, it's more of a known quantity, in our projections and our forecast and obviously we are very confident in the cost side as well, but you know, you do the work on the cost side in the year, the revenue side is kind of something you know more of going into the year.

Adam Ron
Analyst, BofA Securities, Inc.

Q

Okay, great. So, you've talked a lot about the benchmark in that answer and so that's a good segue into maybe 2024. So, obviously next year, the benchmark isn't as generous. And part of that is the risk model revision that Humana had talked about on their call, how they see it as a net headwind, even net of benefit design changes to the primary care business that they own. And this is something I've talked to you about on the earnings call that I'd like to dig more into is one of the drivers you mentioned that you think leaves you less exposed is that your end markets that aren't as penetrated in value-based care, but Humana's in markets that are very penetrated, and to me, that might even be better because then, all the providers are equally seeing high [indiscernible] (00:15:56) scores.

And so, MA plans would have to adjust benefits equally down. And so, there wouldn't be as much of a net headwind potentially in markets where value-based care is more penetrated and in newer markets, you might be more of an outlier. And so, like how do you think about those two dynamics?

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

A

Yeah. I think generally speaking, I mean of course, we're talking about the advance rate notice is an impact on revenue rate because of the restructure of the – of risk adjustment essentially. Markets or at any level of market, a group that has overall higher risk adjustment, overall higher [indiscernible] (00:16:30) score is going to be disproportionately impacted by it. So, whether or not we're in a – I don't think the penetration of value-based care is as big a driver as just our presence in those markets. We have more of a full bell curve and a lower overall risk adjustment...

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Adam Ron
Analyst, BofA Securities, Inc.

Q

But that would be the growth impact but the net of payer benefits is unchanged.

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

A

Yeah, so no, that's absolutely great question. So one of the things that we've said is, it'll be different, and Humana, I think, said this as well. What they do with benefits versus the rate notice will be different mark-to-market driven by a lot of the things that you said. And our markets are not homogenous. So obviously, we'll have a different impact on one versus the other. But one of the things we said was, of the levers that we have to go pull, any kind of benefit compression is sort of just what I would call, de-risking our ability to get to the number. But we're very confident in our ability to deliver what we need to on 2024 on our progression to 2026 with or without any significant benefit compression. So we're not counting on that.

I do think that we have markets that – what we're seeing in terms of where we are and what the impact is in that market if we will likely across payers see some benefit compression in our market. I mean, it's not going to be, I'm sure, as high as the market [indiscernible] (00:17:42) with the super-high [indiscernible] (00:17:45) scores that are – there are going to see a bigger impact. But we're not reliant on benefit compression to hit our number. But I think we will see some across payers in the – in some of our markets as well.

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

A

Okay. And just to remind the audience in terms of the levers that we have in our business that we feel confident about that are – so why don't we hit that, too?

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

A

Yeah. Ken, do you want to talk a little bit about the – or maybe if I can just start on when we're looking at a couple of things that when we're looking at the impact of it. First of all, is we have really strong operations that will allow us to implement the changes very effectively without kind of leaving anything on the table. So, we have a very good strong BOI program, a very good, strong BOI infrastructure that will allow us to work with our providers and make sure that everything is done correctly and that we transition to the new version very quickly.

The second thing is, our model is really driven around improving the quality and overall health outcome of our members and therefore is really more based on what we're doing to drive cost. And we are seeing – we're really, really impressed with how much Kenny was talking about earlier, about the progress that we're making against those programs. And as those accelerate, we believe that gives us some [indiscernible] (00:19:06) as well.

And the last thing is, and it's one of the first things I talk about when we sat down up here is we are just getting members on the platform earlier than we thought when we were putting out guidance over the last few years and that early membership coming on just generates more credible margin dollars earlier and gives us a lot of [indiscernible] (00:19:25) against those projections going forward as well. So, I mean, I think – more membership quicker, continue to accelerate and get great value out of our clinical programs and our ability to change very tightly in our operation. Those are at least three of the things. I don't know if you, guys, anything else you want to tackle on to?

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Kenny Bellendir
Chief Financial Officer-Markets, Agilon Health, Inc.

A

I think one thing that I want to add is just our overall proximity to the physician. So you may have heard at our Investor Day we had a physician panel and one of the physicians said he walked around the office and he doesn't know who's badged an actual employee of his or who's badged an actual employee of Agilon. But our proximity to the physician is a key lever for us. And so, as we talked about the advance rate, we've now been out and met with every – each of our 27 life partners, walked them through it in detail and what it means for them and what the changes are and what we're doing from an operational standpoint on our side.

And so, our – I like to think that our physicians are better educated and more prepared and know what they have to go do, relative to maybe what some of the health plans or others can do in terms of getting the message through to the physician.

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

A

Adam, one more thing I'd like to add to that would be if the class of 2024 particular is being onboarded much earlier, and so we do think that they will start at a higher point in terms of overall performance, including margins, Ken, if you can comment on sort of what that means on the ground? And we were in Minnesota recently, but I think that is a great, kind of anecdote about why early implementation really matters in the model.

Kenny Bellendir
Chief Financial Officer-Markets, Agilon Health, Inc.

A

Yeah, absolutely. So, when we're implementing new markets, so right now we're in year zero for the five or six markets that will go live in on January 1, 2024. We've got a 9 to 12-month period there where we're operating kind of on a really on a daily basis. And so that – those operations on that basis really cross three things. There's one, which is first the BOI of getting patients in and getting them coded appropriately and making sure that when we go live, we start off with the appropriate revenue – from a appropriate revenue standpoint.

The second is really building out the infrastructure so that building our team, building out the team from the partner side that will kind of provide supplementary care or supplementary resources, and then from a tech perspective as well, so we just completed the acquisition of mphrX which allows us to get data faster on the patients that we'll be going live with. And really one of the cool things that we've seen with these earlier implementations is the ability to even implement some of our clinical programs in that year-zero before we were even at risk for the patient.

And so, what Matt's referring to is we have board meetings with all of our physicians, we always start that with a patient story and we were in Minnesota this week for the Minnesota board meeting, then also for our earnings release. But the patient story there was really neat. So Minnesota is in – they're now in year one, but the patient story they told was about a patient that was – had 11 HPCs, was on 13 different medications, in 2021 had 10 hospitalizations, through August of last year, I think had six hospitalizations. We implemented a pharmacy management program in year zero in Minnesota, and through that kind of really intensive care management from a pharmacy perspective, well before we were at risk, this patient has not had a hospitalization since August of last year.

So, as we think about the savings that we're generating right out of the gate and getting our revenue at the right starting point, these implementations are allowing us to really launch off at a higher place since [indiscernible] (00:23:27).

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

A

And that's so important for 2024 because of the rate, because of the rate notice. And one of the things to just call back again that we said that we're normally in that $30 to $60 Medical Margin PMPM range for new markets, you know, I think we've gone out already and said for 2024 that we believe now because of some of these factors, that the class of 2024 is going to start at or above the high end of that range. And so that's a great fourth lever to match the point that gives us confidence in our ability to deliver 2024 with or without any significant benefits compression from the payers.

Adam Ron
Analyst, BofA Securities, Inc.

Q

Okay. Great. You mentioned Investor Day. So, at the 2026 Investor Day or the commentary around 2026, you raised the Medical Margin guidance by $200 million, but EBITDA was held relatively flat. I think you pointed to three, like, factors and what's held back potentially what could have been a higher guidance, which was Hawaii underperforming ACO REACH and then potentially higher other medical costs. And then I'm not sure. Maybe the rate notice played a role there. But if you could touch on that for us.

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

A

Yeah. I think all that obviously does completely – when we re-updated the numbers, a couple of good things for 2026 that we put out where one is, hey, very competent still in our ability to deliver. So now we're going to have to get into this for a second. And so the – in the old presentation of adjusted EBITDA...

Adam Ron
Analyst, BofA Securities, Inc.

Q

Right.

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

A

...that we would be generating over $600 million. So I think hopefully that was a strong message that given all the things that we're talking about, rate notice, et cetera, we believe we can get over $600 million still and very comfortable with that number, very confident in that number.

Within that number, I think the two issues of – or not two issues, but two questions of ACO REACH, I think the difference between year-over-year is within that more than $600 million old presentation of EBITDA, we have derisked it by taking ACO REACH down to a lower percentage of – a lower number in that overall $600 million. We're still confident that ACO REACH region is a great strategic program for us. We're actually very happy what we're doing this year, but we don't think it's going to be a bigger part of it. So that – we set $600 million. So I think that's great.

And the second thing is, on Hawaii, our original market that the company went live with in 2017, a completely different model. It's not the same complete partnership aligned model that we have to drive significant – these [ph] 150 to 250 (00:25:53) on Medical Margins that we're projecting out of these other markets. And so we're being a little bit more conservative in how much that could be attributed. That's important because it's lower Medical Margin, but we also have partner-sharing. So, that can have a disproportionate impact on our numbers and we derisk that as well.

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I mean, and the last thing is, yeah, with in terms of over – oh, we did go in and actually say that we can make sure that we're getting to the Medical Margin dollars that we projected. We have put what we think is an appropriate level of investments in areas that fall into other medical expenses. So those are other resources that we're bringing to the market to support the initiatives that drive it, so that we could put in a little bit higher investments there. And the last thing is obviously we are coming through in our three-year phase of – well, now it's a three-year phase of the new rate notice and obviously that has an impact.

The offsets to that, besides the things that I just talked about are just these tremendously faster rates that we're getting members onto the platform. And so that's a big confidence boost in 2026 is we're getting a huge class of 2023 that we just implement – or just brought live. We have a very big class coming on in 2024 and getting those almost 300,000 members from those two classes on – 280,000 or so members from those classes on early just gives us huge confidence that they'll be where we need to be in 2026.

Adam Ron
Analyst, BofA Securities, Inc.

Q

And a quick follow-up. So how should we think about the new adjusted EBITDA presentation in context of the $600 million? Like, you gave geographic entry cost this year or should it be basically that number but flex up or down based on...

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

A

Yeah.

Adam Ron
Analyst, BofA Securities, Inc.

Q

...membership growth.

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

A

No, no. Great, great question. And a couple of things on geography entry cost. One thing is, there – we're – obviously we've always talked about that. We've tried to be very transparent in what those are, our results, every time that we report it. We've been given general guidance going forward that, hey, you should always consider that. We're investing this year for growth next year. And, somewhere between $400 to $600 a member is the cost of those – of driving that growth. By the way, that's phenomenally inexpensive and just an incredible quick return on investment or if you want to look at it in a lifetime value, the customer acquisition cost metric 10 plus to 1, we're very happy with that. That is – those geography entry costs are the thing that's driving our growth. So really important.

The fact that we're restating how we include those in, or don't include those in adjusted EBITDA, is really just a change – it's not a change in our economics, it's not a change in our outlook, how the company is going to perform. It's just a change in how we're actually reporting it. And in addition to how we're reporting our numbers, we also now giving – are giving specific guidance. So, as we move forward, we spent about $67 million on that to get in 2022. That is getting us 138,000 or so new members this year. We've guided that we're going to spend $65 million to $78 million in 2023, which is supporting 145,000 new members that we'll bring live next year.

At Investor Day, we said that we would add about 300,000 members over those last few years. So again, about 150,000 a year. So, we haven't gone out and specifically restated all of those future numbers, but it's very fair to

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assume that that geo entry costs will stay fairly consistent on a dollar basis over those years because our membership growth and the future years are staying pretty solid. So, if we're assuming $70 million or so geo entry cost for each of those years, that's probably a good assumption at this point. Obviously, if we accelerate growth, that number could change there.

Adam Ron
Analyst, BofA Securities, Inc.
Q

Okay. We don't have a lot of time left. So, I'll squeeze one more in.

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

Sorry for taking too long.

Adam Ron
Analyst, BofA Securities, Inc.
Q

No, no...

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

But I just want to make sure that's actually a big deal, obviously.

Adam Ron
Analyst, BofA Securities, Inc.
Q

Yeah.

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

So want to make sure of that.

Adam Ron
Analyst, BofA Securities, Inc.
Q

So you have nearly $1 billion in cash, we're talking about being free cash flow breakeven next year like you did a pretty small acquisition recently, but going forward...

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

Small but important.

Adam Ron
Analyst, BofA Securities, Inc.
Q

Right. If you do hit the free cash flow breakeven, like what's the plan for all that cash and what would you do with in terms of capital deployment?

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

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Yeah, I mean, right now – sorry to just give the same answer [indiscernible] (00:29:59) but it is the right answer. Our priority for how we use our cash has not changed. Our primary use of cash is to support our partners in driving their growth and we just talked about that. And that will still be our number one use of cash.

Number two, we do continue to look for opportunities to use our cash to invest in or acquire capabilities that will also drive all the great things that Kenny was talking about, mphrX is the first thing that we've done. It wasn't a huge acquisition. It was about $44 million net cash for us to buy that company. But it's going to have a very, very big impact on our ability to do things like, onboard new markets in a more successful way. We don't have time to talk about it [indiscernible] (00:30:35).

And the last thing is, we continue to invest in our technology to make sure that in this very complex payer world where this year we have over 100 payer contracts, data coming in that we're able to manage that, ingest that data, analyze it and use it in a way that helps drive positive outcomes for our partners, obviously positive quality and health outcomes for our patients. So those three categories of drive growth, number one, look for ways to invest in more capability and continue to invest in technology are still going to be the three uses of our cash going forward, which is the same answer I gave you last time you asked, but it still it is the same answer...

Adam Ron

Analyst, BofA Securities, Inc.

Can't blame me for trying. Thank you so much for coming. That's all we have time for.

Timothy S. Bensley

Chief Financial Officer, Agilon Health, Inc.

Sure. Absolutely. Thanks, Adam, appreciate it.

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