

HEDGEYE



# CLOV | A SPAC BAMBOOZLE

Just a New Jersey Insurance  
Company Valued at \$4B

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February 10, 2021



## Hedgeye Health Policy

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Please submit questions\* to  
**qa@hedgeye.com**

\*Answered at the end of the call

## [ 1 ] Traditional Medicare

- Created in 1965 to provide hospital care for the elderly free of charge. Expanded to cover other services like doc visits
- Physicians are paid on a fee for service basis and bill Medicare through separate financial intermediaries

## [ 2 ] Medicare Advantage

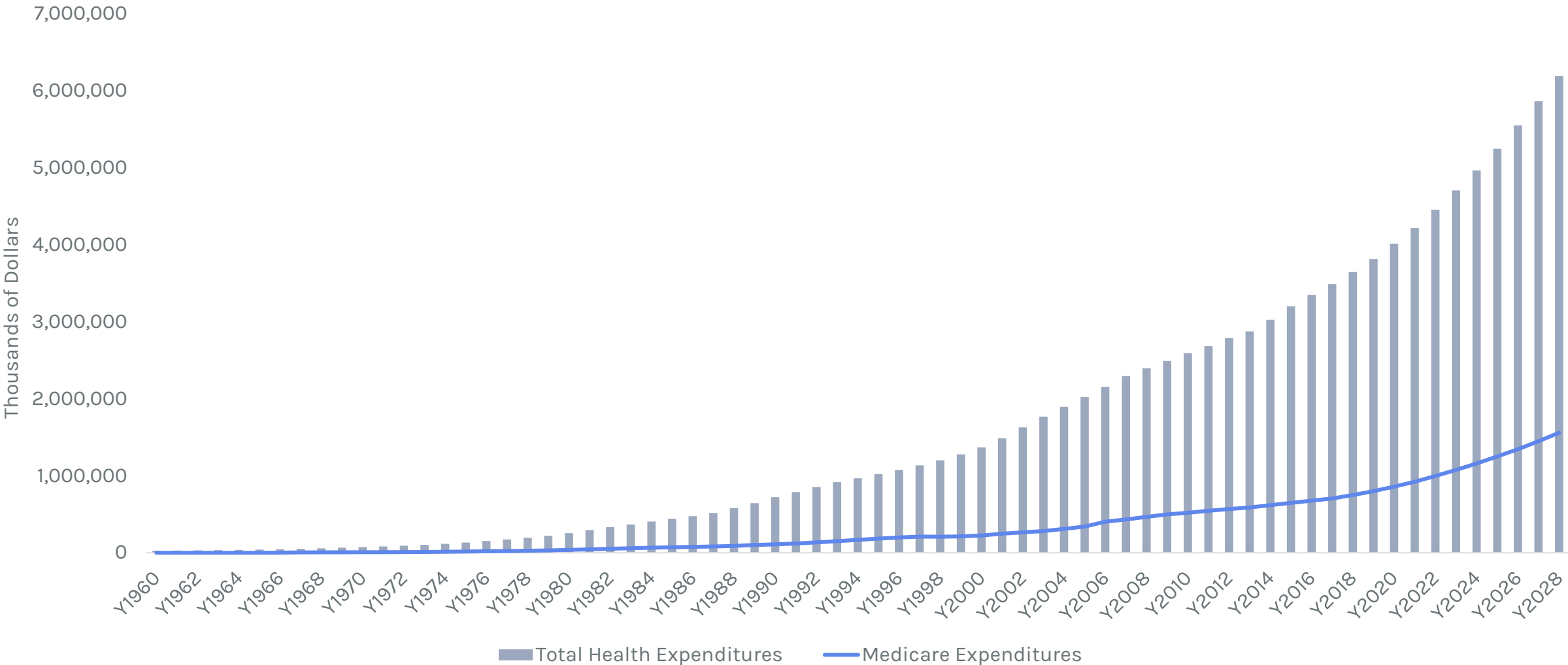
- A privatization of Medicare whereby commercial insurers like United Health and Clover are paid on a monthly basis
- The monthly capitated rate is adjusted based on the health of the patient

## [ 3 ] Direct Contracting & Other Pilots

- The federal government regularly explores various alternatives to MA and FFS. The most recent is Direct Contracting

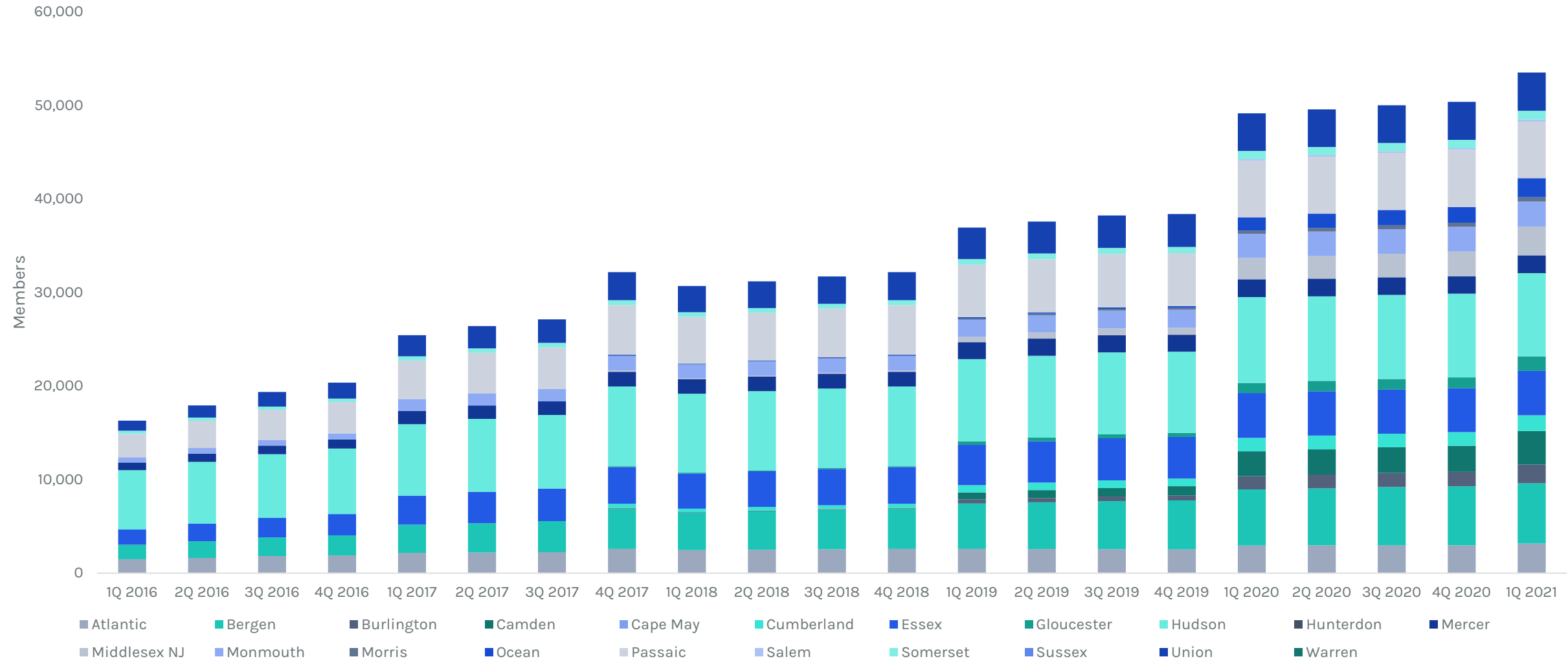
# Health Spending Grows

Puts stress on federal budget and affects all health care spending



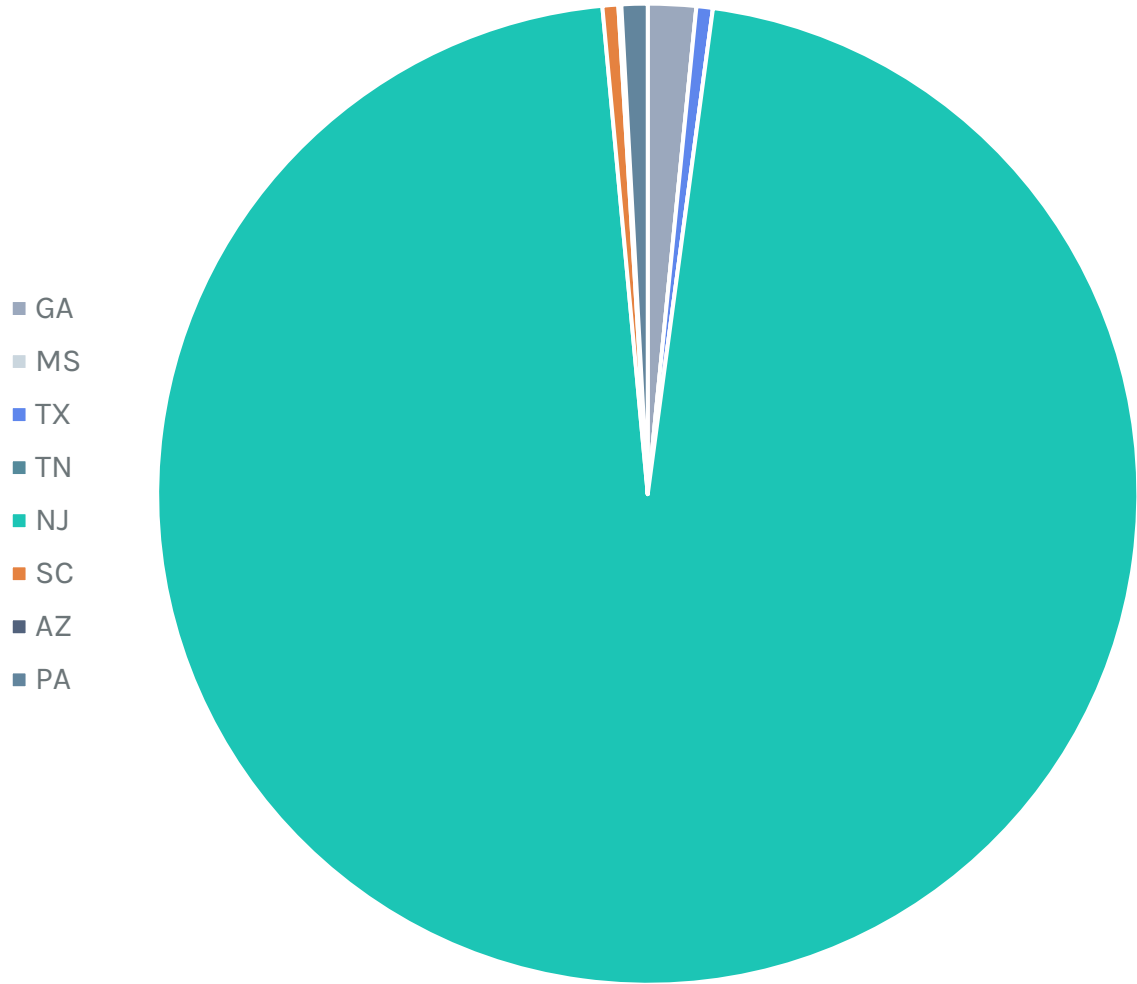
# What CLOV Is | An Insurance Company In New Jersey

Of the 13,000 new members added in Q1 2020; 10,000 were in NJ

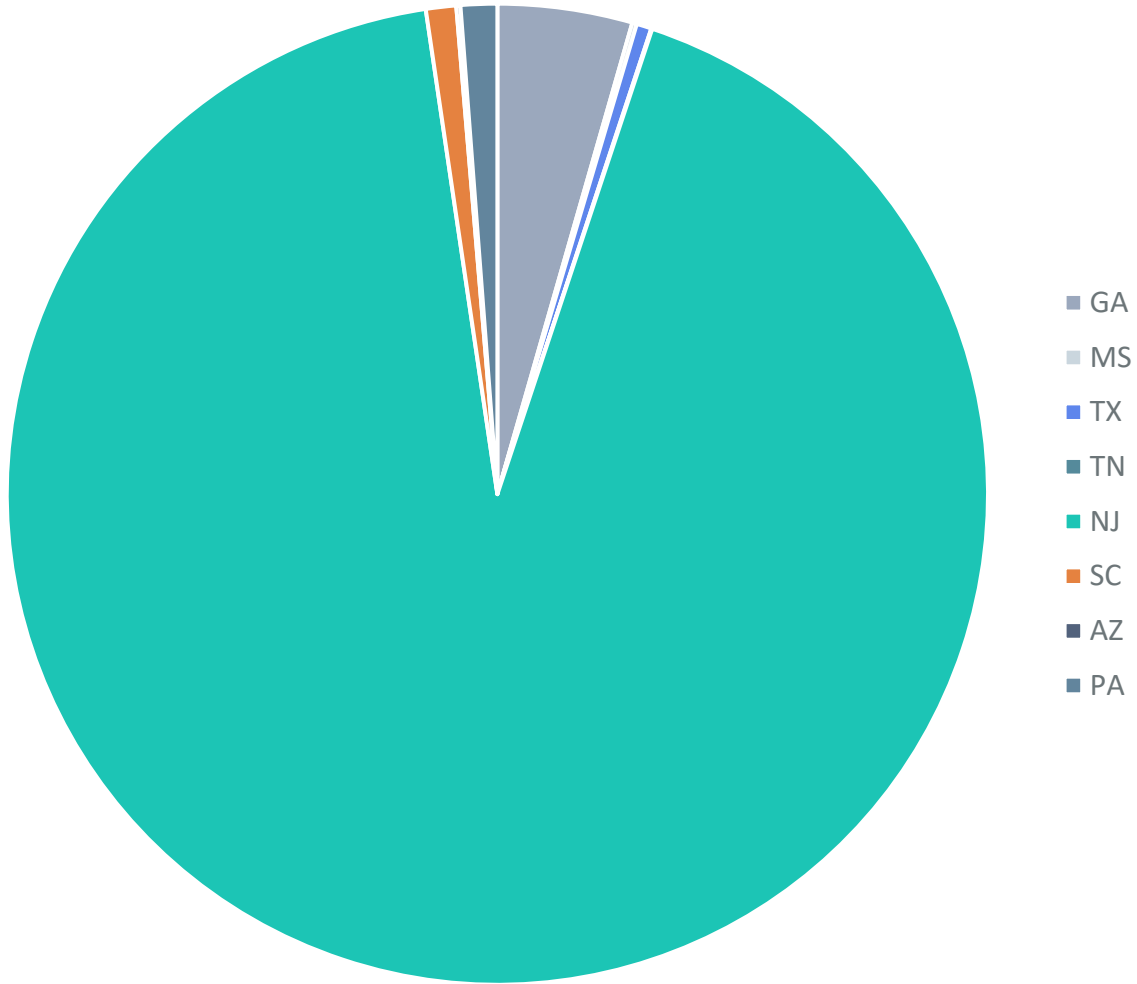


# What CLOV Is | An Insurance Company in New Jersey

1Q 2020

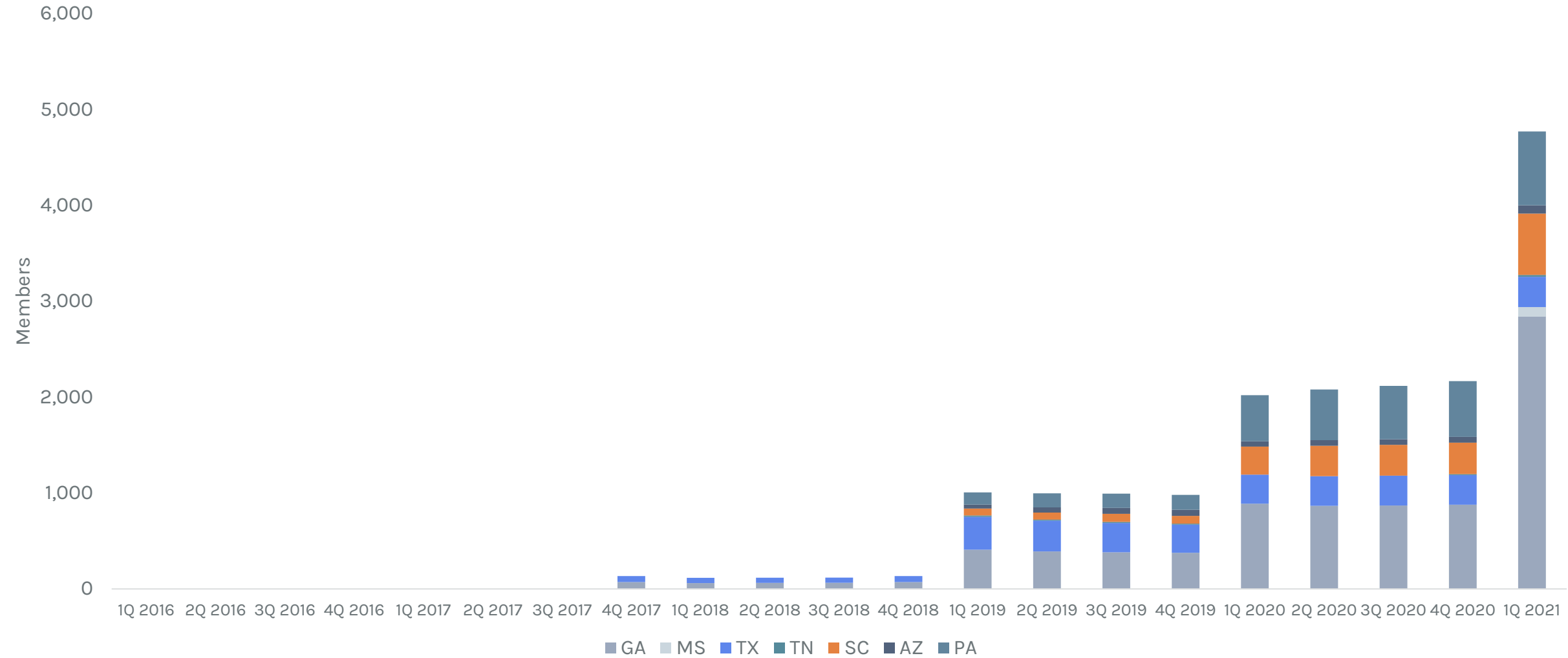


1Q 2021



# What CLOV Is | Modest Membership Gains in GA

Likely due to Walmart Bake-off





# What CLOV Is | Relationship with Walmart

Competitive and controlled by Walmart

## The Right Plan for the Right Person: Introducing Walmart Insurance Services



Press Kit ▾



Oct. 6, 2020

By Lori Flees, SVP and COO, Walmart U.S. Health & Wellness

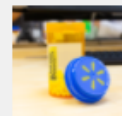
Health care can be complicated. But we think quality health care should be within reach of everyone, and pricing should be transparent and affordable. Our money-

### Additional News



Be a Hero to a Health Hero: Get Your Flu Shot

October 22, 2020



Walmart and Sam's Club Support Safe Medication Disposal with DEA National Prescription Drug Take Back Day Events in Communities Across the Country

October 21, 2020



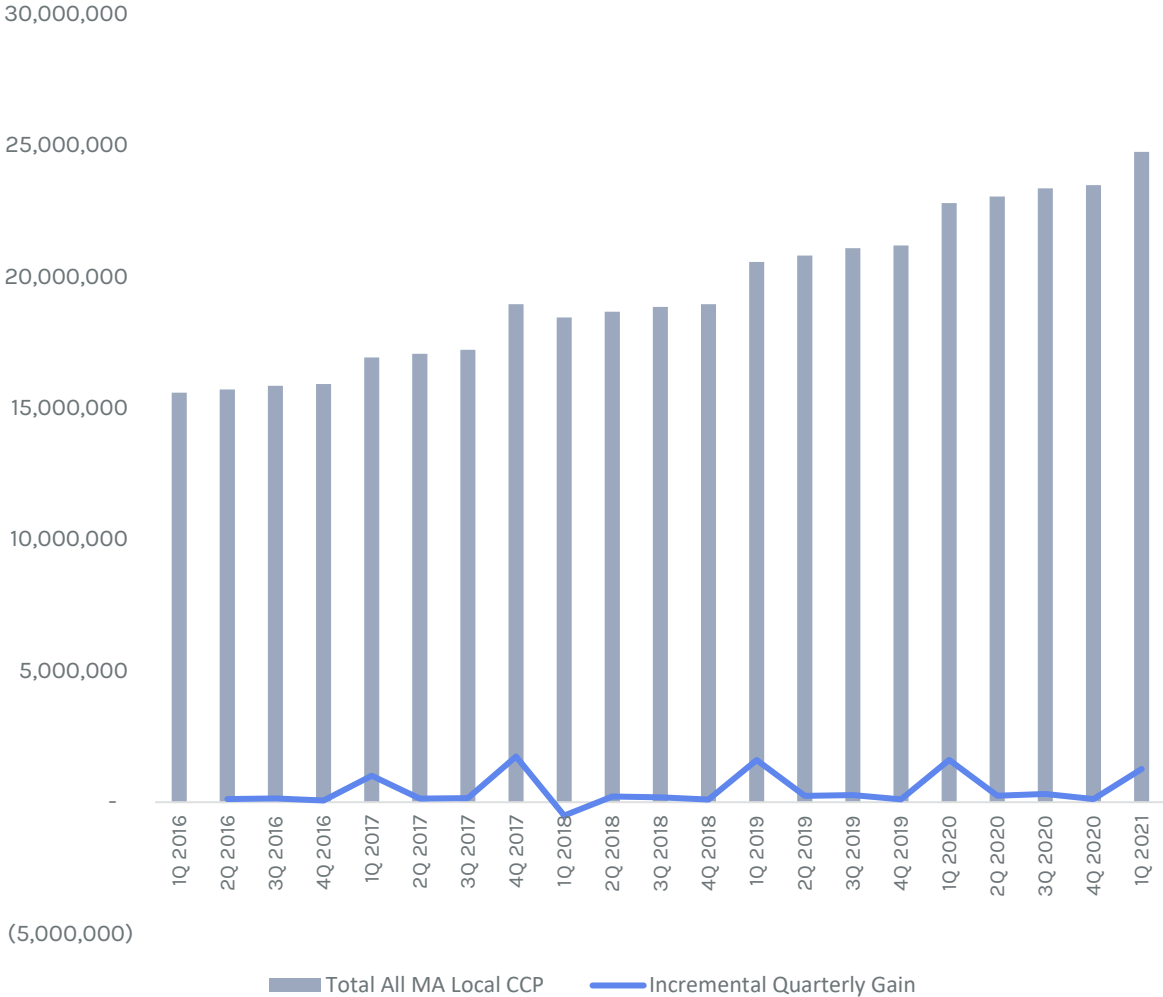
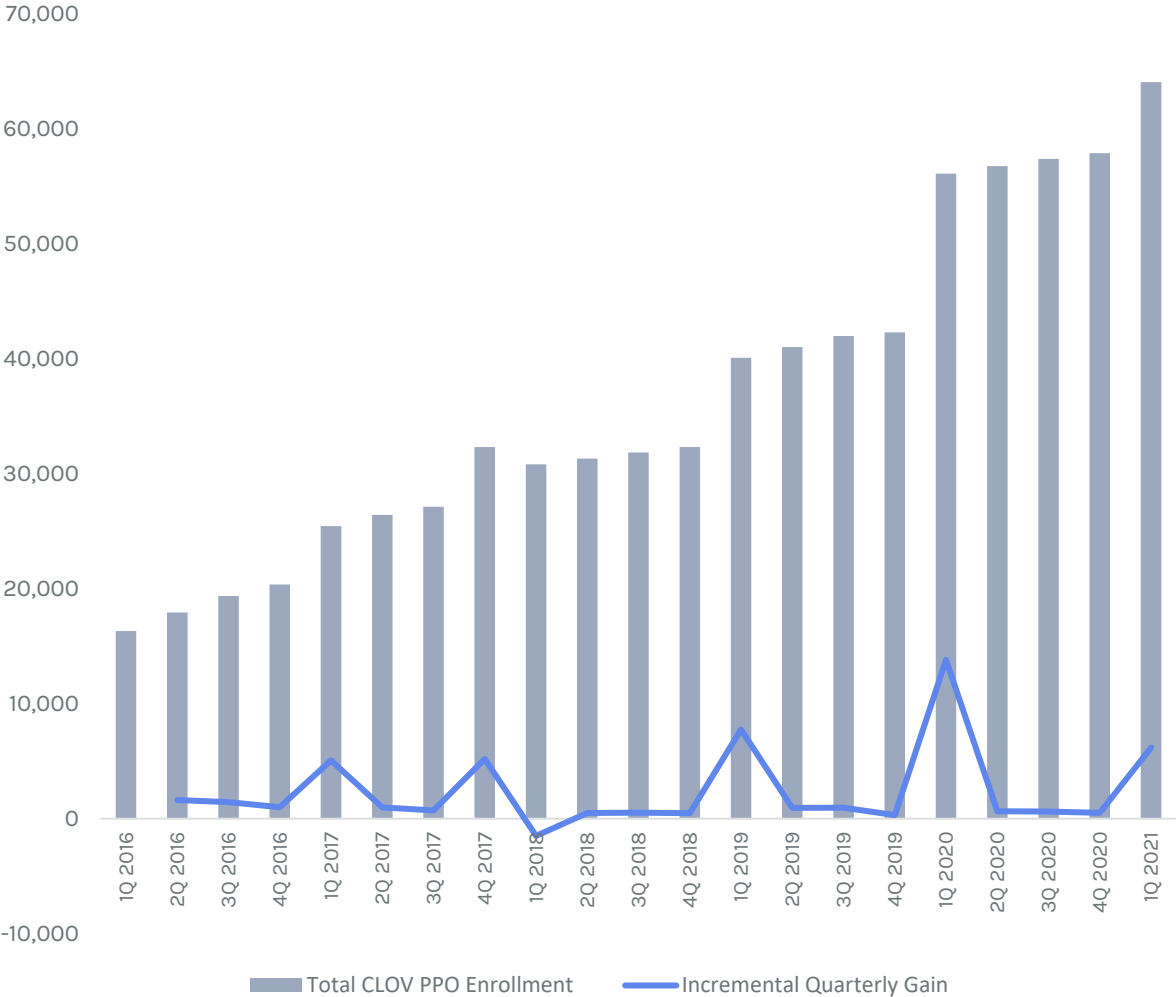
Walmart and EVERFI Offer Free Online Prescription Safety and Mental Wellness Resource

October 5, 2020

**“At launch, Walmart Insurance Services will provide Medicare plans (Part D, Medicare Advantage and Medicare Supplement plans) offered by Humana, UnitedHealthcare, Anthem Blue Cross Blue Shield, Amerigroup, Simply Health, Wellcare (Centene), Clover Health and Arkansas Blue Cross and Blue Shield. More carriers may be added in the future. We are licensed in all 50 states, plus Washington D.C., and we have built a team of licensed insurance agents who can help people find the right insurance plan for them.”**

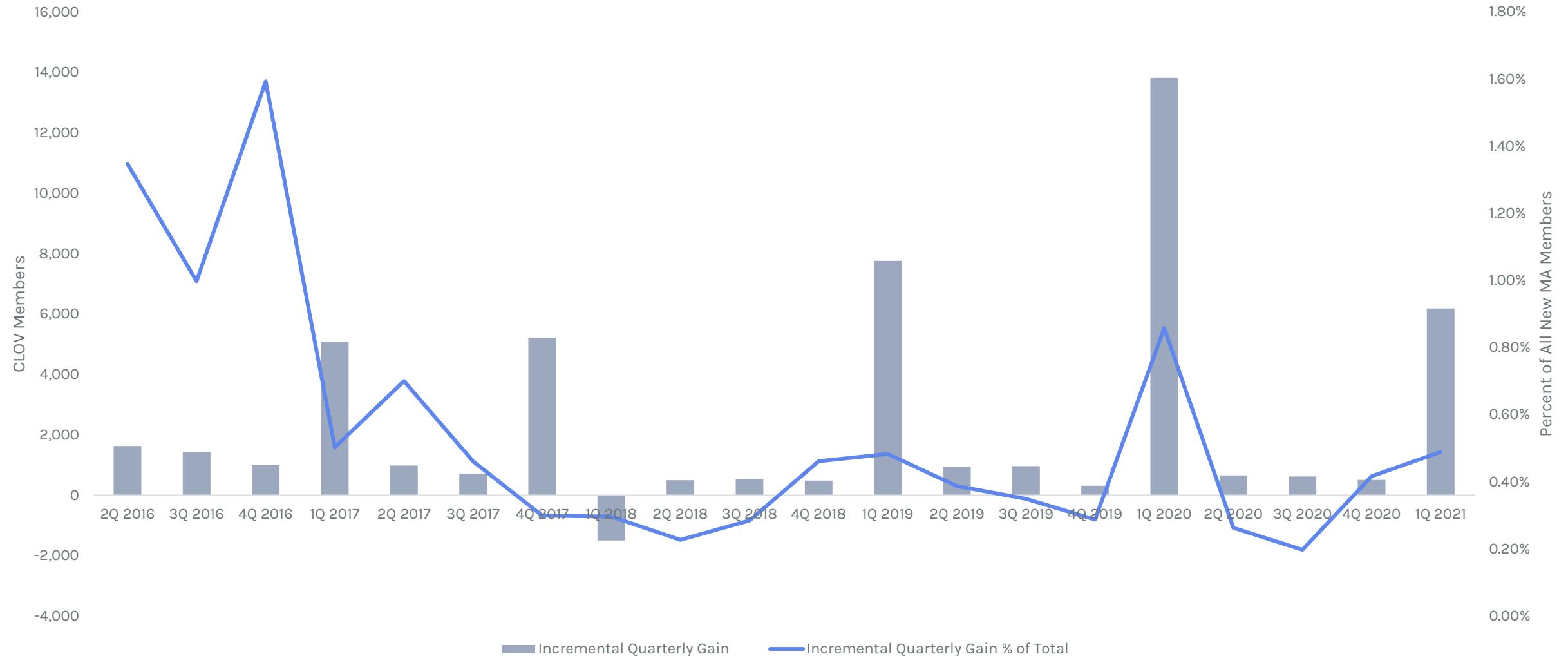
# What CLOV Is | Enrollment Growth Consistent w/All Plans

## Slight outperformance in 2020



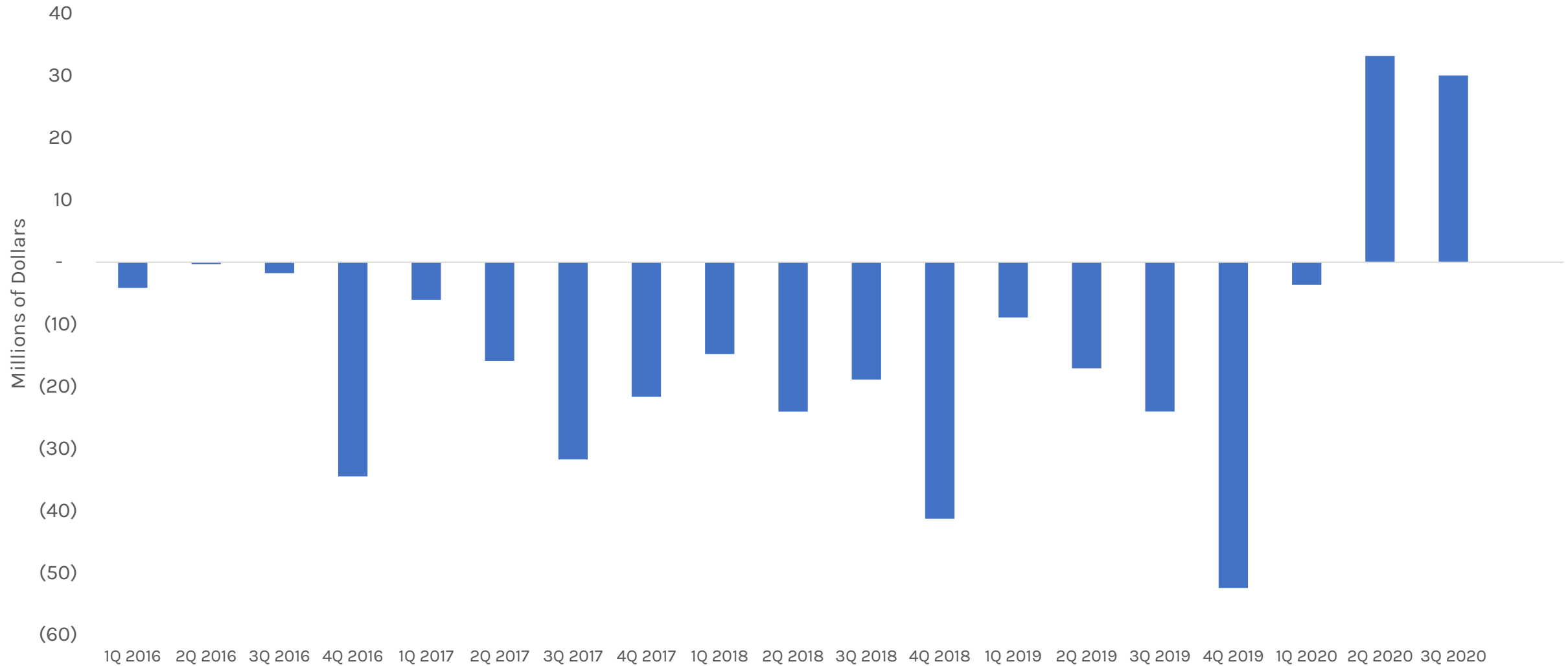
# What CLOV Is | Share Gains are Modest

So far 1Q 2021 shows slowing penetration of MA enrollees



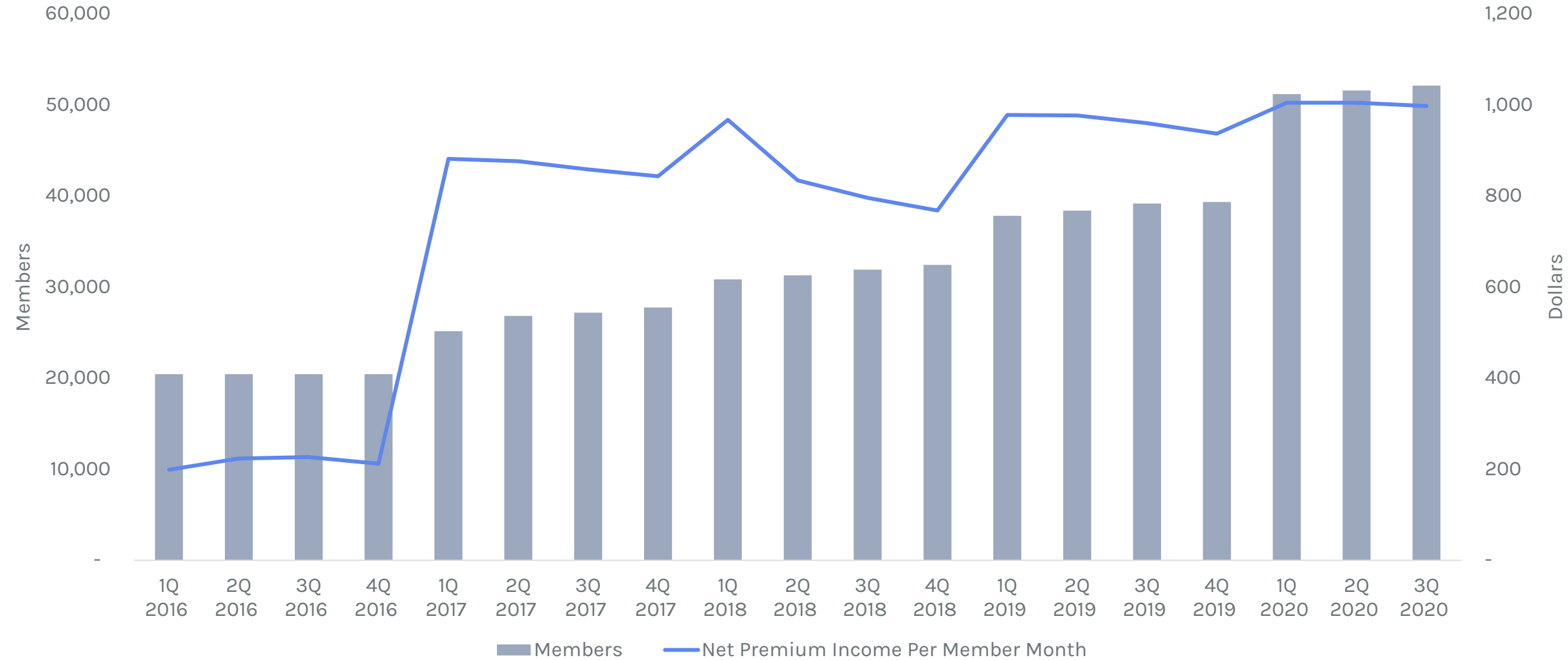
# What CLOV Is | Not a Very Good Insurance Company

Consistently recorded a net underwriting loss until COVID



# What CLOV Is | Net Premium Per Member Month

Drifting sideways for several years



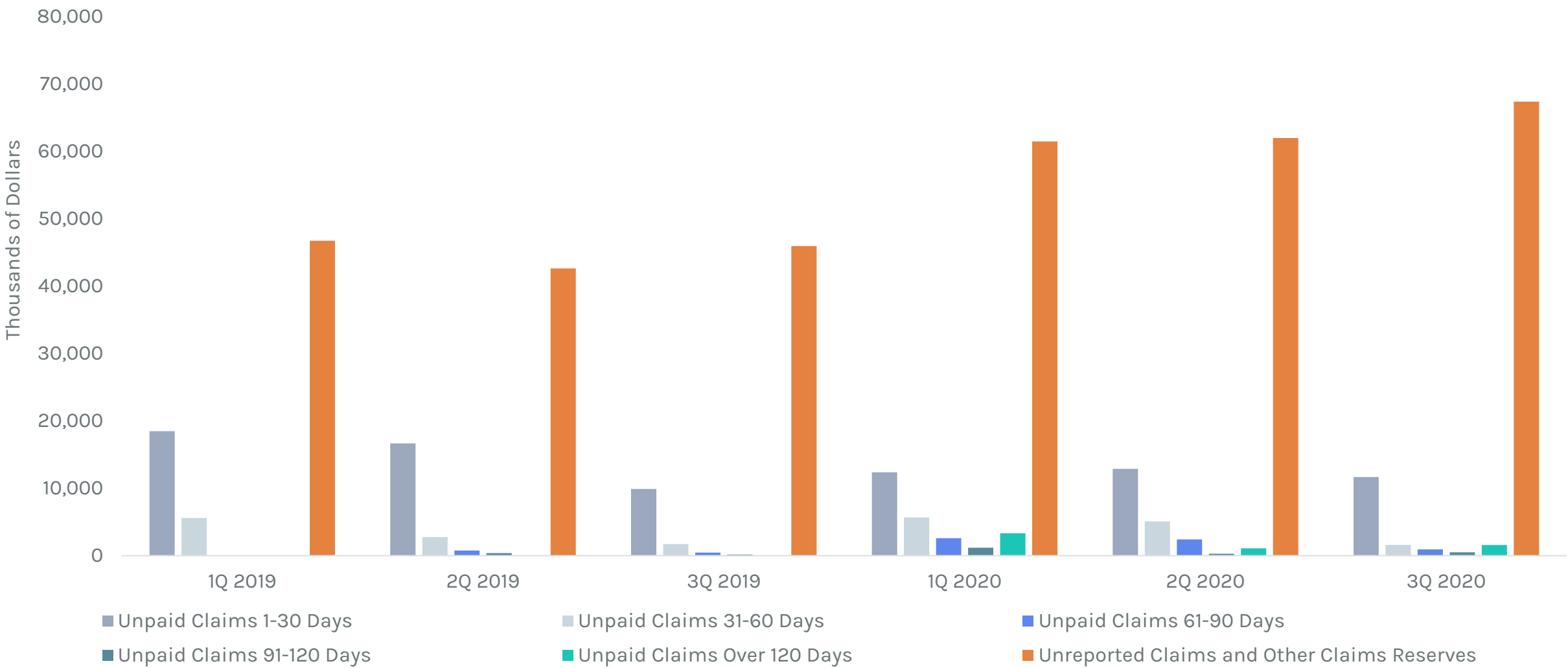
# Benefit Expense Consistent with Seasonal Pattern

No clear evidence of cost controls; no special sauce



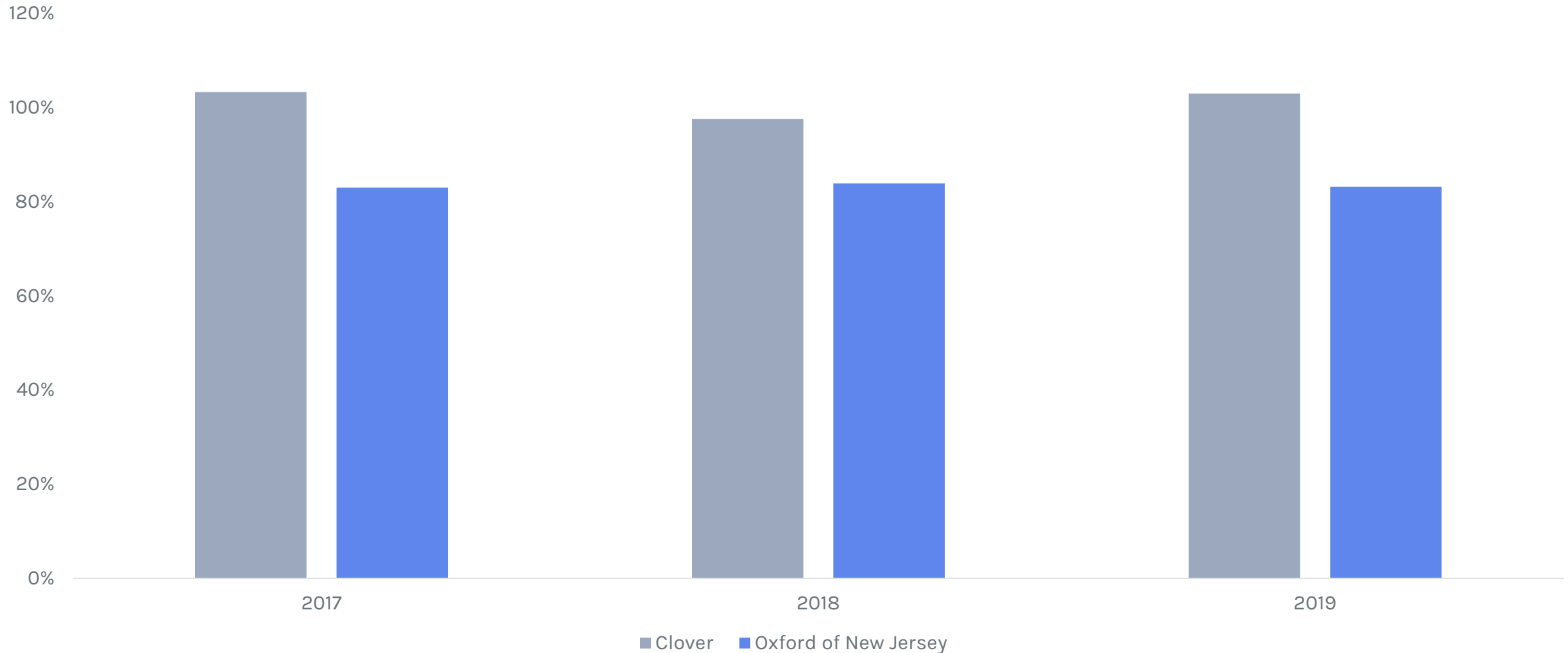
# What Clover Is | Unpaid Claim Trend

Unpaid Claims over 120 days increased in 2020; What is That About?



# What Clover Is | Clover v Oxford of New Jersey

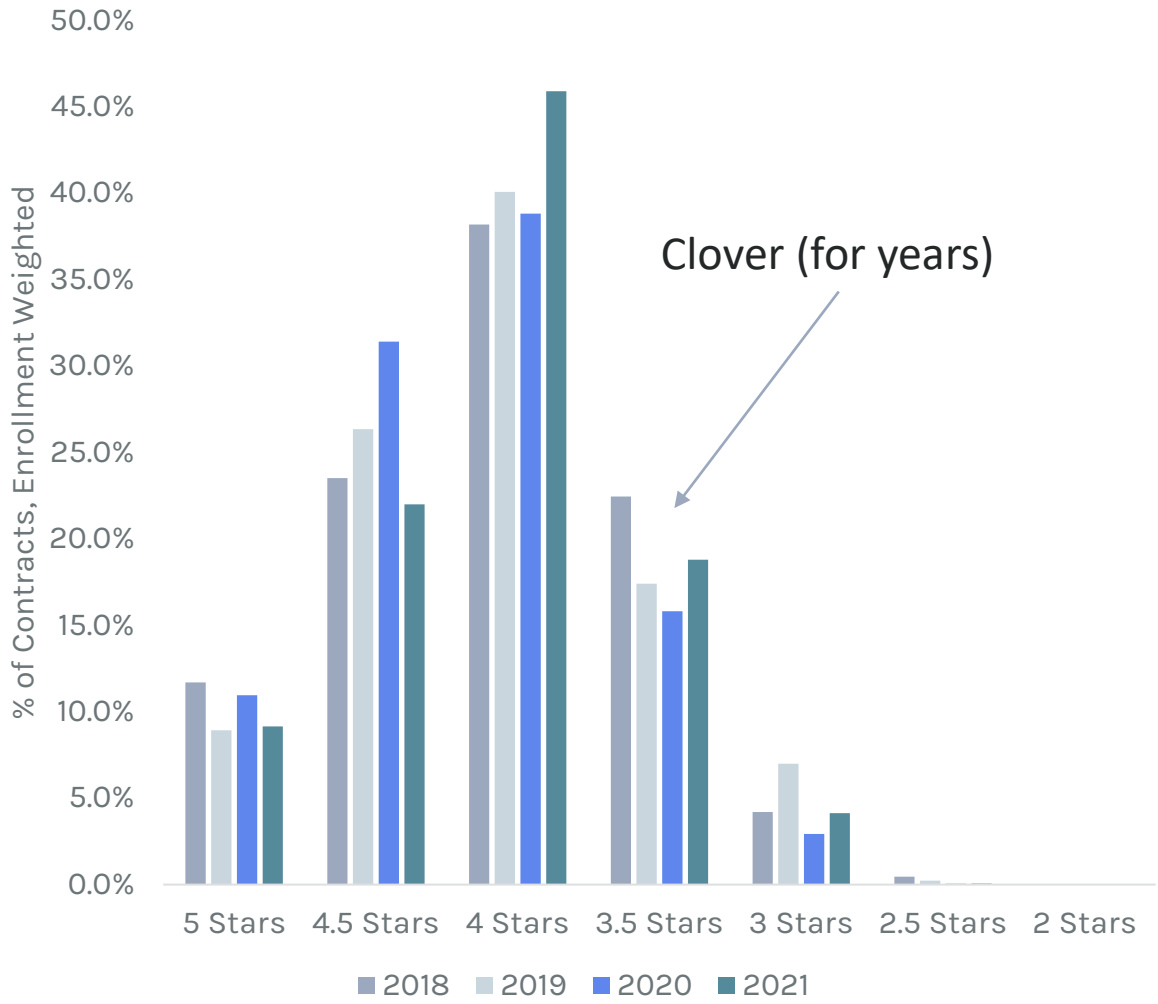
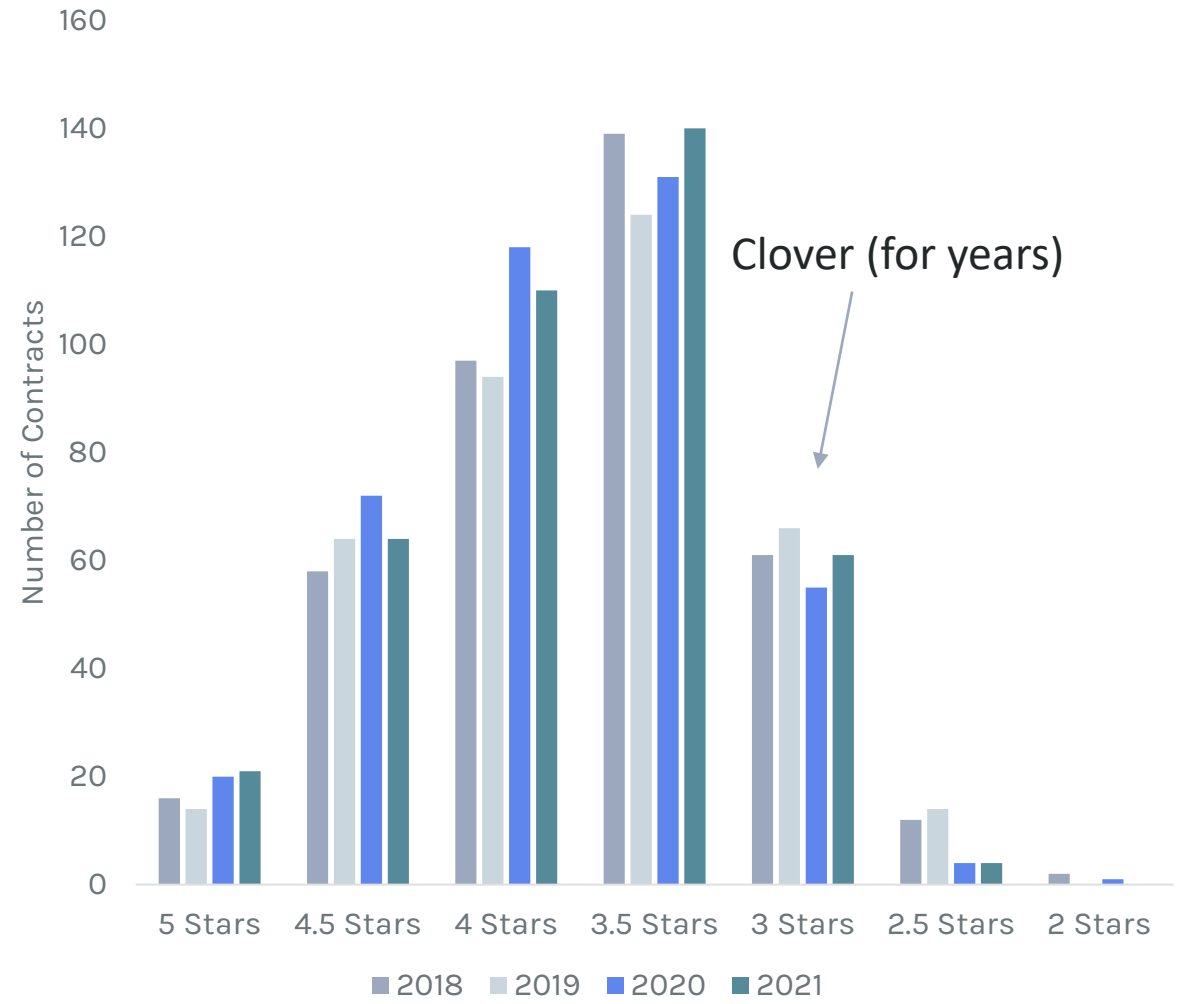
## MLR reported on annual NAIC filings





# What Clover Is | Medicare Advantage Plans by Star Rating

Number of contracts v % of all, enrollment weighted



# What Clover is Not | A Disruptive Technology Platform

Like hundreds of websites and apps, Clover Assistant is designed to enhance reimbursement

## The Clover Assistant, your partner in care

We've created the Clover Assistant Program to share Clover Health's data platform with healthcare providers to help them provide great, personalized care to their patients.

Participating providers are guaranteed higher, faster, and more accurate reimbursement.

[Learn more](#)



Physicians are paid \$100 above the Medicare reimbursement rate to use Clover Assistant

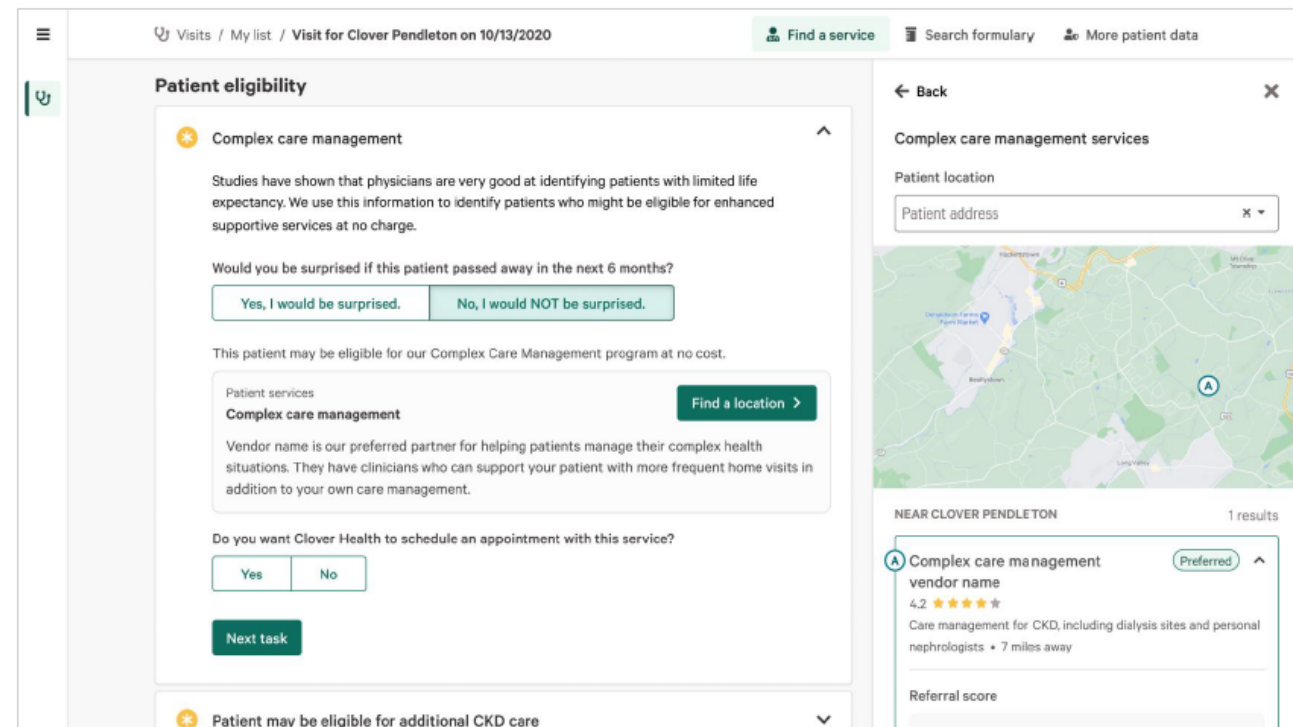
“Clover Assistant is a free, web-based technology platform designed to help support primary care physicians (PCPs) with care delivery and decision-making processes at the point of care for any and all evaluation, management, and annual wellness visits.”

# What Clover is Not | A Disruptive Technology Platform

What else the Clover Assistant can do? Who knows.

Note: This slide illustrates the functionality that Clover is currently in the process of developing for the Clover Assistant. It is intended as a design concept and does not represent a screenshot of the Clover Assistant in active use today. The final product may evolve and appear significantly different than what appears on this slide.

## Example: The Clover Assistant & Complex Care Enrollment



Note: This slide illustrates the functionality that Clover is currently in the process of developing for the Clover Assistant. It is intended as a design concept and does not represent a screenshot of the Clover Assistant in active use today. The final product may evolve and appear significantly different than what appears on this slide.

# Benefit Expense Consistent with Seasonal Pattern

No clear evidence of cost controls; no special sauce



# What Clover is Not | A Direct Contracting Entity

## [ 1 ] Model 1

- **Designed for non-traditional risk bearing entities**
  - PCP practices
  - Other Providers
  - Accountable Care Organization
- **Professional Model = 50% risk sharing for enhanced primary care services**
- **Global Model = 100% risk for either primary care capitation or total cost of care capitation**
- **Applications accepted and DCEs selected**
- **Begins April 1**

## [ 2 ] Model II

- **MCO-based to manage expenditures of dual eligible Medicare FFS beneficiaries**
- **Must be a Medicaid Managed Care Organization**
- **Should be releasing initial participants shortly**
- **Still in development**

## [ 3 ] Model III

- **GEO-model requires participants to take risk in a geographical area**
- **Applications will be accepted in March**
- **Geographical areas:**
  - Atlanta
  - Dallas
  - Denver
  - Detroit
  - Houston
  - Los Angeles
  - Miami
  - Minneapolis
  - Orlando
  - Phoenix
  - Philadelphia
  - Pittsburgh
  - Riverside
  - San Diego
  - Tamps

<https://innovation.cms.gov/innovation-models/direct-contracting-model-options>

# What CLOV Is | A Start-up from the 1990s

Nothing they are doing is new and they aren't good at it.

## Projected Financial Results<sup>(1,2)</sup>

Tracking to mid-60s

Metric (\$ in mm)	2021E <sup>(1)</sup>	2022E	2023E	Long-Term	Commentary
Average MA Membership <sup>(3)</sup>	73,477	99,194	138,871	NA	Increasing market share in existing markets and new market expansion
Member Growth	30%	35%	40%	30%+	Capital raised in transaction is expected to accelerate membership growth in 2023+
Premium Revenue	\$872	\$1,214	\$1,717	NA	Increase as membership grows
Medical Care Ratio, Net	89.3%	85.7%	84.0%	82-83%	Increasing CA adoption and product enhancements expected to more than offset increasing share of new members (who typically have higher MCRs)
Operating Expense Ratio	20.9%	17.2%	15.4%	~11%	Improvement as we grow membership and gain efficiency on fixed costs and less variable cost on a PMPM basis
Adjusted EBITDA Margin <sup>(4)</sup>	(9.4%)	(2.6%)	1.1%	6-7%	Profitability by 2023 and long-term above-industry margin (~4%) while maintaining above-industry growth (~10%)
Clover Assistant Penetration	64%	67%	69%	70%+	Continue to drive higher CA adoption in existing and new markets

Implies both enrollment growth & reimbursement increase

(1) Clover's formal 2021 outlook will be provided in early 2021, after the completion of AEP and following further CMS guidance on Direct Contracting

(2) Excludes Direct Contracting and any other non-MA subsidiaries/entities.

(3) Represents average number of members projected over the course of the year. Includes growth through AEP prior to the year and then OEP and SEP during the year.

(4) Adjusted EBITDA is a non-GAAP financial measure defined by us as net loss before interest expense and amortization of notes and securities discounts, provision for income taxes, depreciation and amortization expense, change in fair value of warrants expense, loss (gain) on derivative, restructuring cost, stock-based compensation expense and health insurance industry fee. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Gross Premium Revenue.

For more information, contact us at:

**support@hedgeye.com**