

HEALTH CARE Q&A

MAY 14TH AT 10:00AM ET

DISCLAIMER

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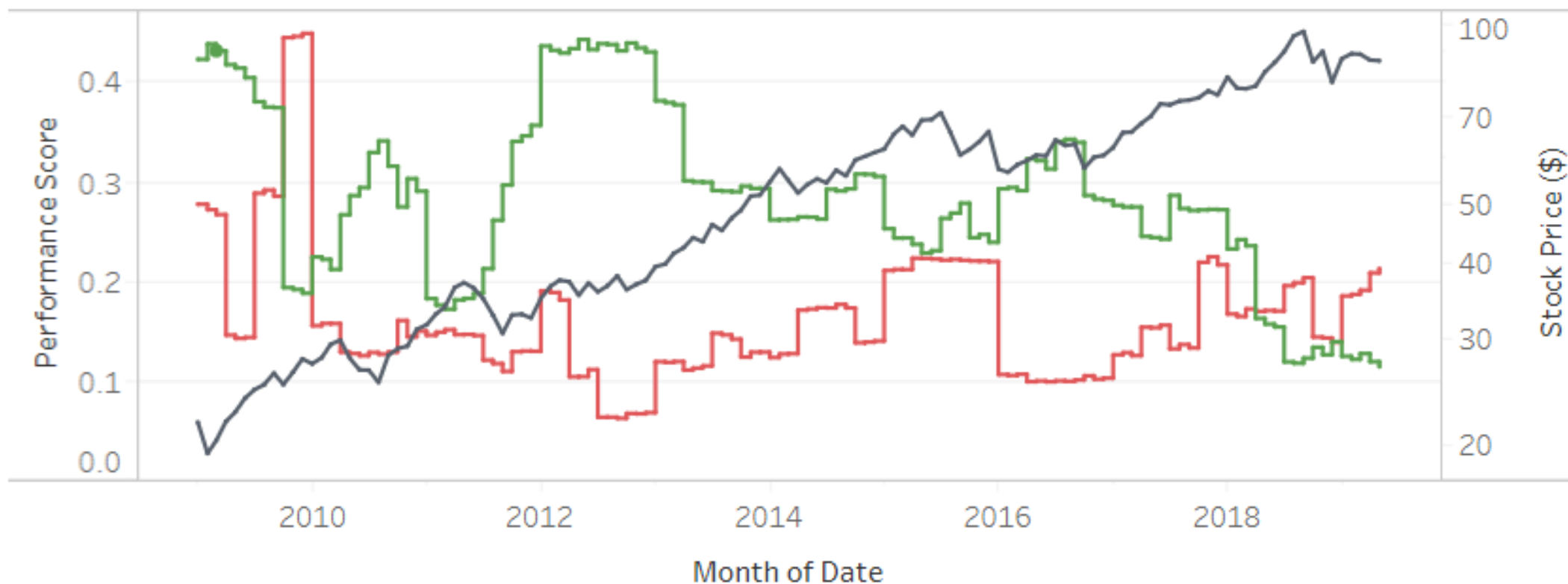
HEALTH CARE POSITION MONITOR

Best Ideas - Longs						Best Ideas - Shorts							
LONG						SHORT							
		Price	Mkt Cap (\$B)	Score	Trend	Tail			Price	Mkt Cap (\$B)	Score	Trend	Tail
Active Longs						Active Shorts							
THC	Tenet Healthcare Corporation	\$ 19.67	\$2.0B	(8.20)	✓	---	DVA	DaVita Inc.	\$ 50.40	\$8.4B	(4.63)	×	×
AMN	AMN Healthcare Services, Inc.	\$ 50.54	\$2.4B	(1.87)	✓	---	DXCM	DexCom, Inc.	\$ 116.05	\$10.6B	(29.57)	×	---
TDOC	Teladoc Health, Inc.	\$ 58.16	\$4.2B	(37.05)	✓	✓	HQY	HealthEquity Inc	\$ 67.18	\$4.2B	(12.69)	×	×
ZBH	Zimmer Biomet Holdings, Inc.	\$ 118.87	\$24.3B	(10.27)	✓	✓	UNH	UnitedHealth Group Incorporated	\$ 238.45	\$226.6B	(12.24)	×	×
							SGRY	Surgery Partners, Inc.	\$ 10.18	\$0.5B	(10.68)	×	---
							MDRX	Allscripts Healthcare Solutions, Inc.	\$ 9.90	\$1.6B	0.55	×	×
							SYK	Stryker Corporation	\$ 184.42	\$68.8B	(6.98)	×	×
Long Bias						Short Bias							
HCA	HCA Healthcare Inc	\$ 120.11	\$41.1B	(5.57)	---	---	ABBV	AbbVie, Inc.	\$ 76.61	\$113.3B	(3.07)	---	---
UHS	Universal Health Services, Inc. Class B	\$ 121.07	\$10.0B	(6.02)	---	---	GERN	Gerner Corporation	\$ 67.77	\$22.1B	(9.33)	---	---
MD	MEDNAX, Inc.	\$ 28.77	\$2.5B	(14.83)	---	---	MYGN	Myriad Genetics, Inc.	\$ 27.19	\$2.0B	(11.92)	---	---
DGX	Quest Diagnostics Incorporated	\$ 96.96	\$13.0B	(8.68)	---	---	EXAS	Exact Sciences Corporation	\$ 88.62	\$11.4B	(13.60)	---	---
LH	Laboratory Corporation of America Holdings	\$ 162.32	\$16.0B	(6.12)	---	---							
ILMN	Illumina, Inc.	\$ 302.02	\$44.4B	(9.48)	---	---							
ANTM	Anthem, Inc.	\$ 260.77	\$67.1B	(11.94)	---	---							

Score refers the difference between the Outperformance and Underperformance scoring system as defined by a multi-factor machine learning algorithm

HEALTH CARE SENTIMENT BY MACHINE LEARNING

IT'S YOU, NOT ME

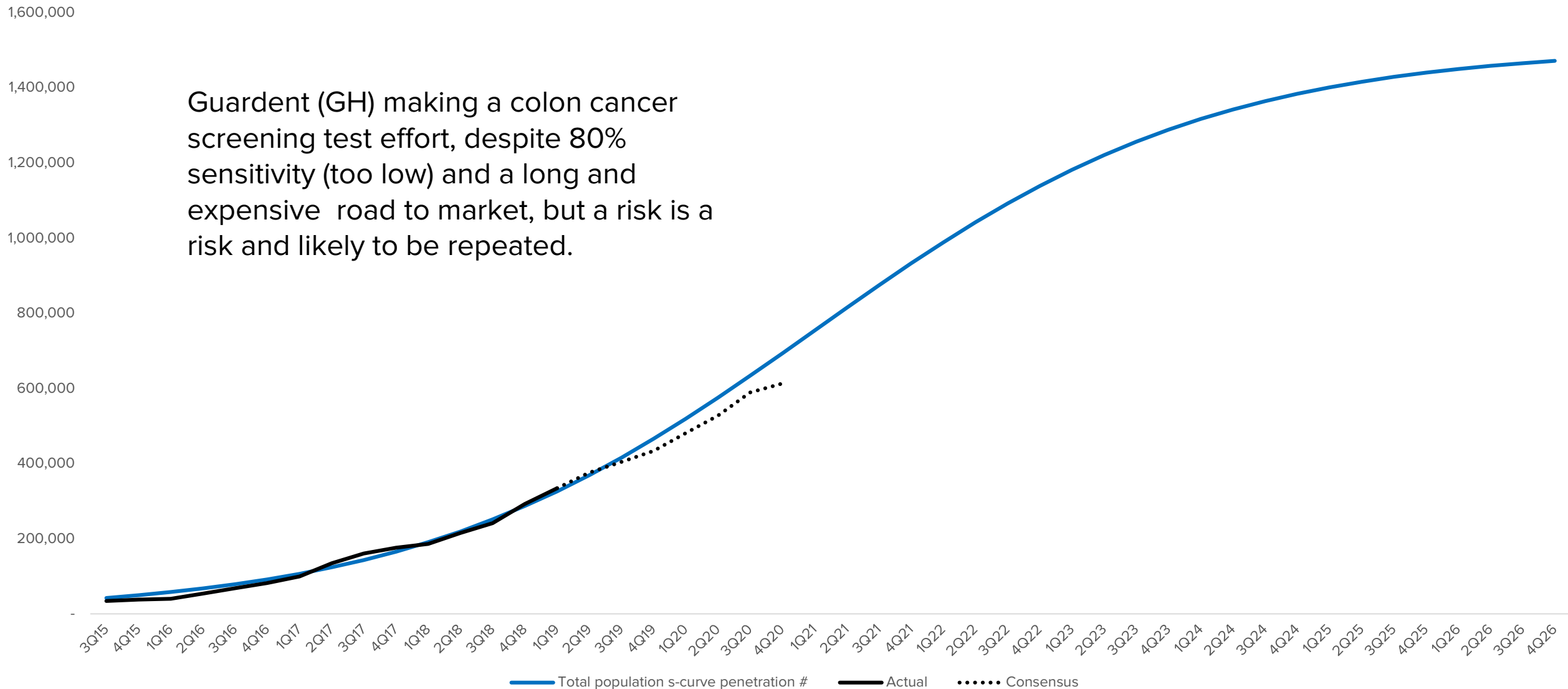


The aggregate of our universe of our stocks are increasingly likely to underperform while also *increasingly unlikely to outperform*

COLOGUARD S-CURVE

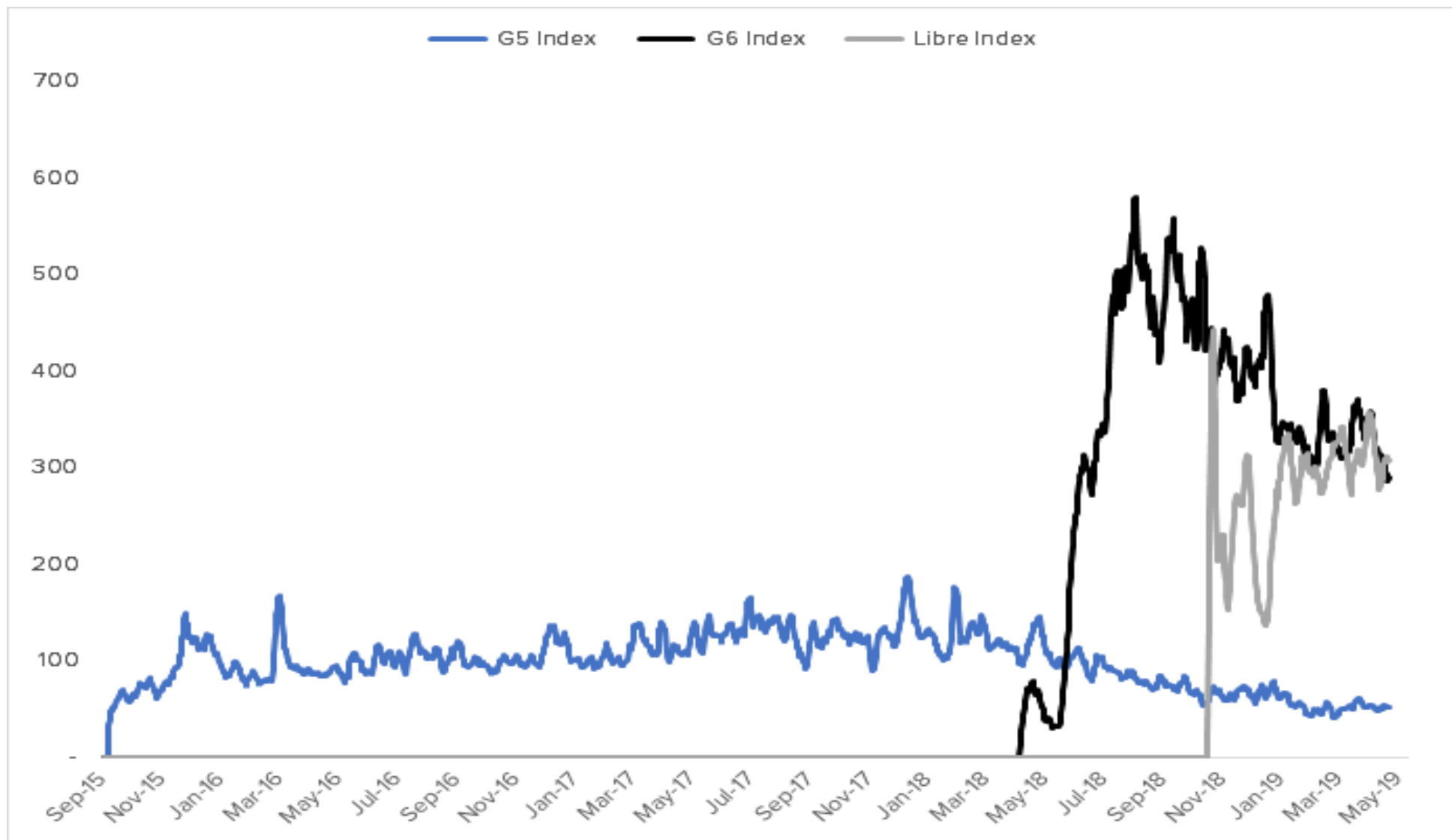
UPSIDE TO CONSENSUS, BUT THERE IS A WAIT INVOLVED

Guardent (GH) making a colon cancer screening test effort, despite 80% sensitivity (too low) and a long and expensive road to market, but a risk is a risk and likely to be repeated.



DXCM WEEKLY APP DOWNLOAD INDEX

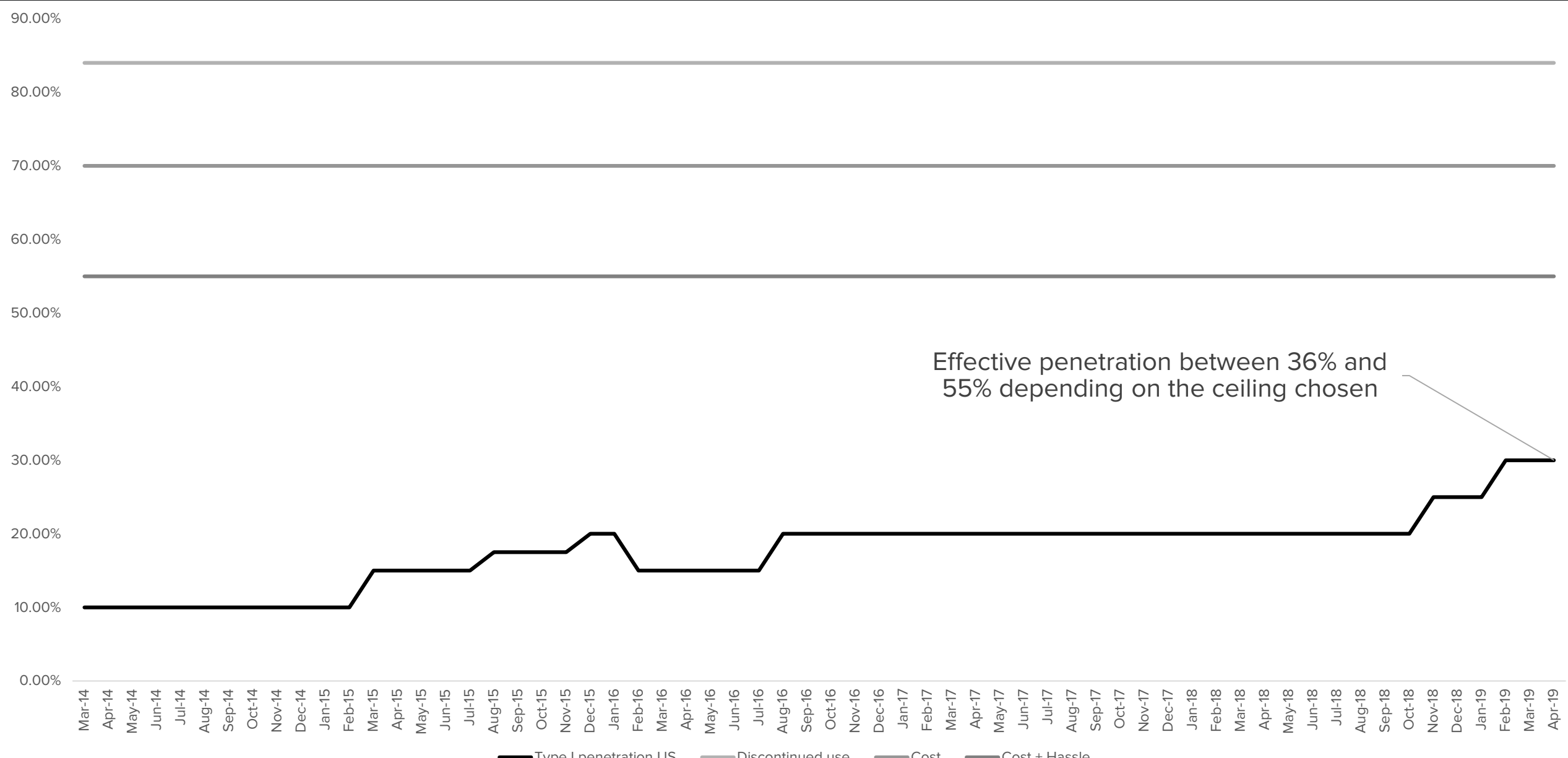
SPLITTING NEW DOWNLOADS WITH ABBOTT



SALES CORRELATIONS TIGHTEST AND MOST RELEVANT

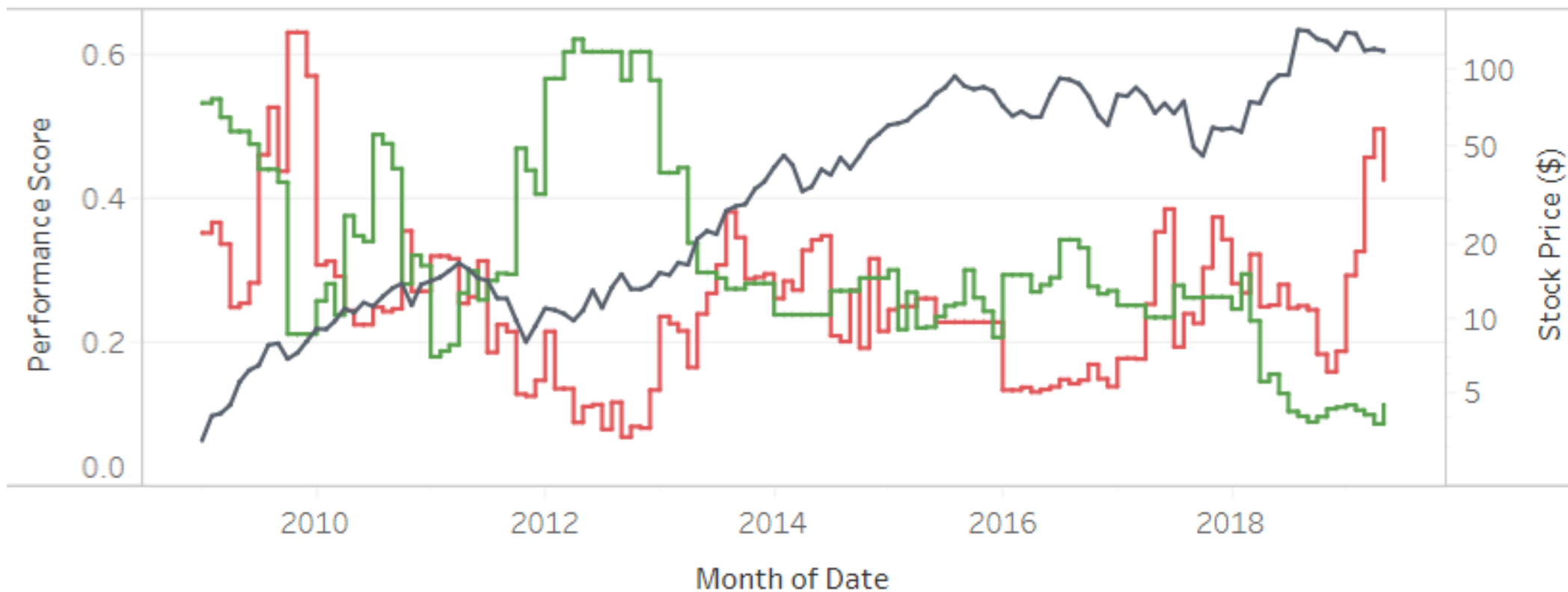
	Duration	EPS NTM	EPS STM	EBIT NTM	EBIT STM	EBITDA NTM	EBITDA STM	SALES NTM	SALES STM
Price	1Y	0.75	0.81	0.73	0.80	0.76	0.80	0.87	0.88
Price	2Y	0.79	0.72	0.75	0.72	0.76	0.77	0.89	0.91
Price	3Y	0.60	0.36	0.66	0.44	0.67	0.49	0.77	0.85
Price	4Y	0.41	0.28	0.50	0.39	0.63	0.50	0.57	0.59
Price	5Y	0.25	0.28	0.40	0.49	0.56	0.62	0.73	0.74
MCAP	1Y	0.76	0.82	0.74	0.81	0.77	0.81	0.87	0.88
MCAP	2Y	0.80	0.72	0.76	0.72	0.77	0.78	0.90	0.91
MCAP	3Y	0.57	0.33	0.65	0.41	0.67	0.46	0.80	0.87
MCAP	4Y	0.34	0.20	0.45	0.33	0.60	0.47	0.65	0.66
MCAP	5Y	0.19	0.22	0.34	0.44	0.53	0.61	0.79	0.79
EV	1Y	0.73	0.80	0.72	0.79	0.74	0.79	0.86	0.87
EV	2Y	0.79	0.71	0.75	0.71	0.76	0.77	0.89	0.90
EV	3Y	0.57	0.33	0.64	0.41	0.66	0.45	0.79	0.86
EV	4Y	0.33	0.21	0.44	0.34	0.60	0.47	0.64	0.66
EV	5Y	0.19	0.22	0.34	0.44	0.53	0.61	0.78	0.79

TYPE 1 EFFECTIVE PENETRATION



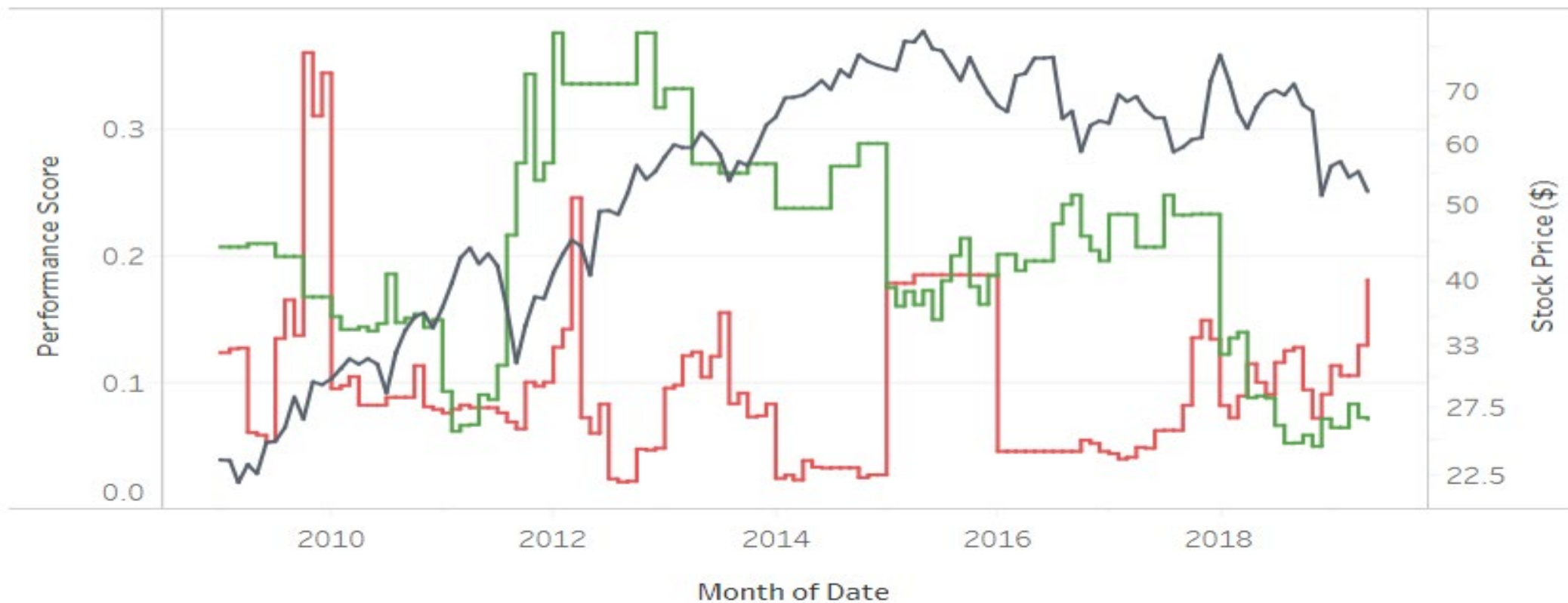
DXCM SENTIMENT DETERIORATING

STOCK REMAINS -25% BELOW THE HIGH DESPITE A MASSIVE 1Q19 BEAT

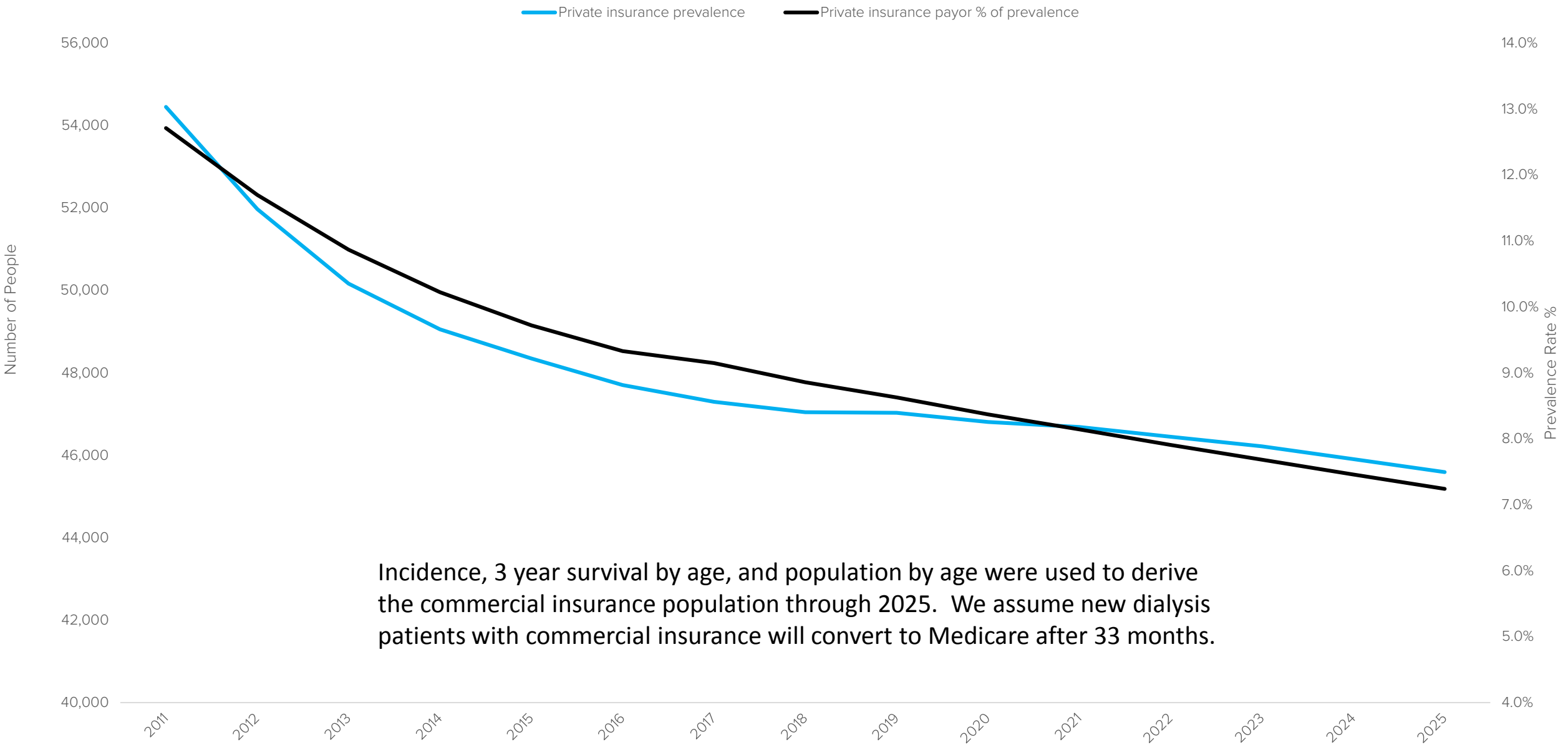


DVA SENTIMENT DETERIORATING

HEDGEYE SHORT AS OF 12/11/2018

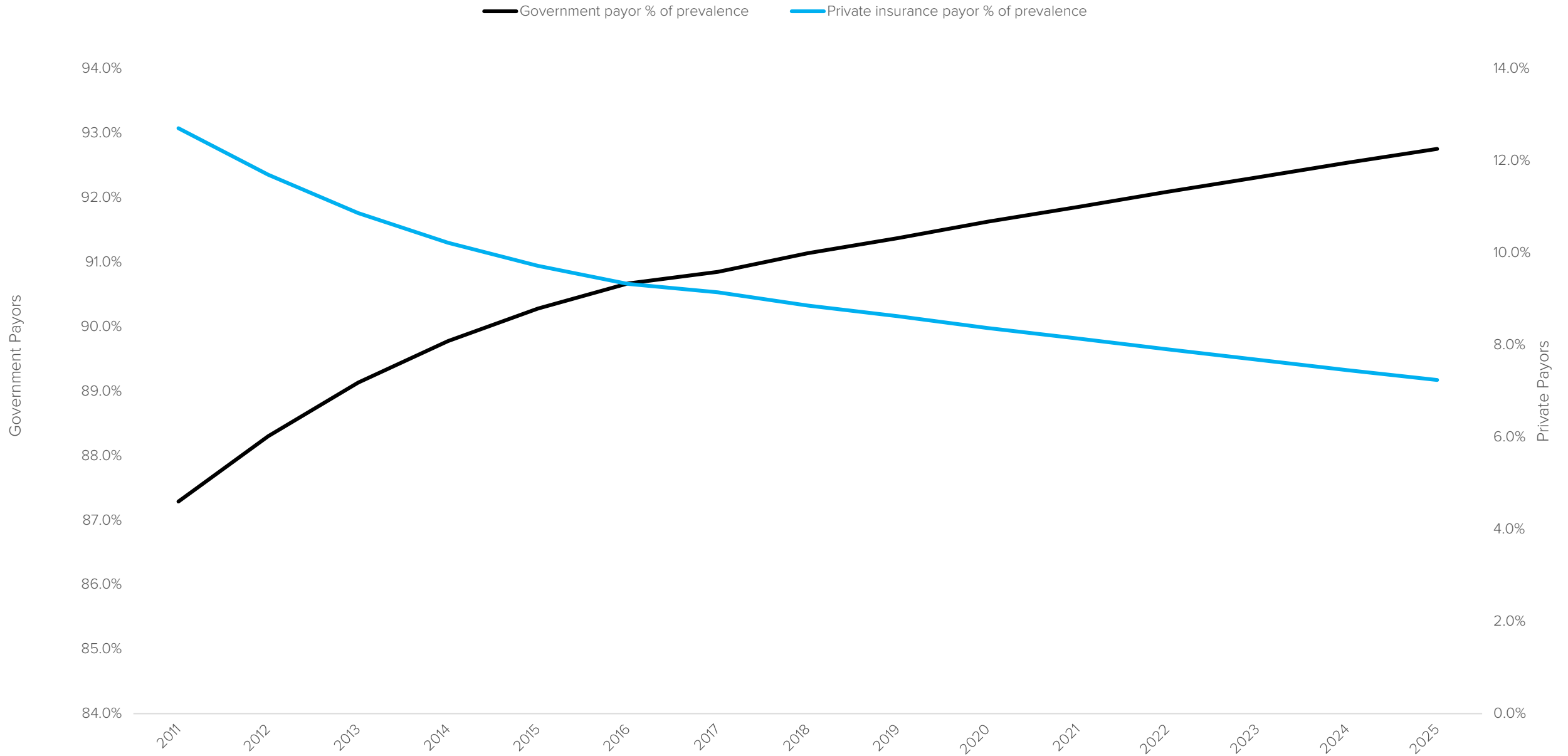


PRIVATE INSURANCE DIALYSIS IN DECLINE



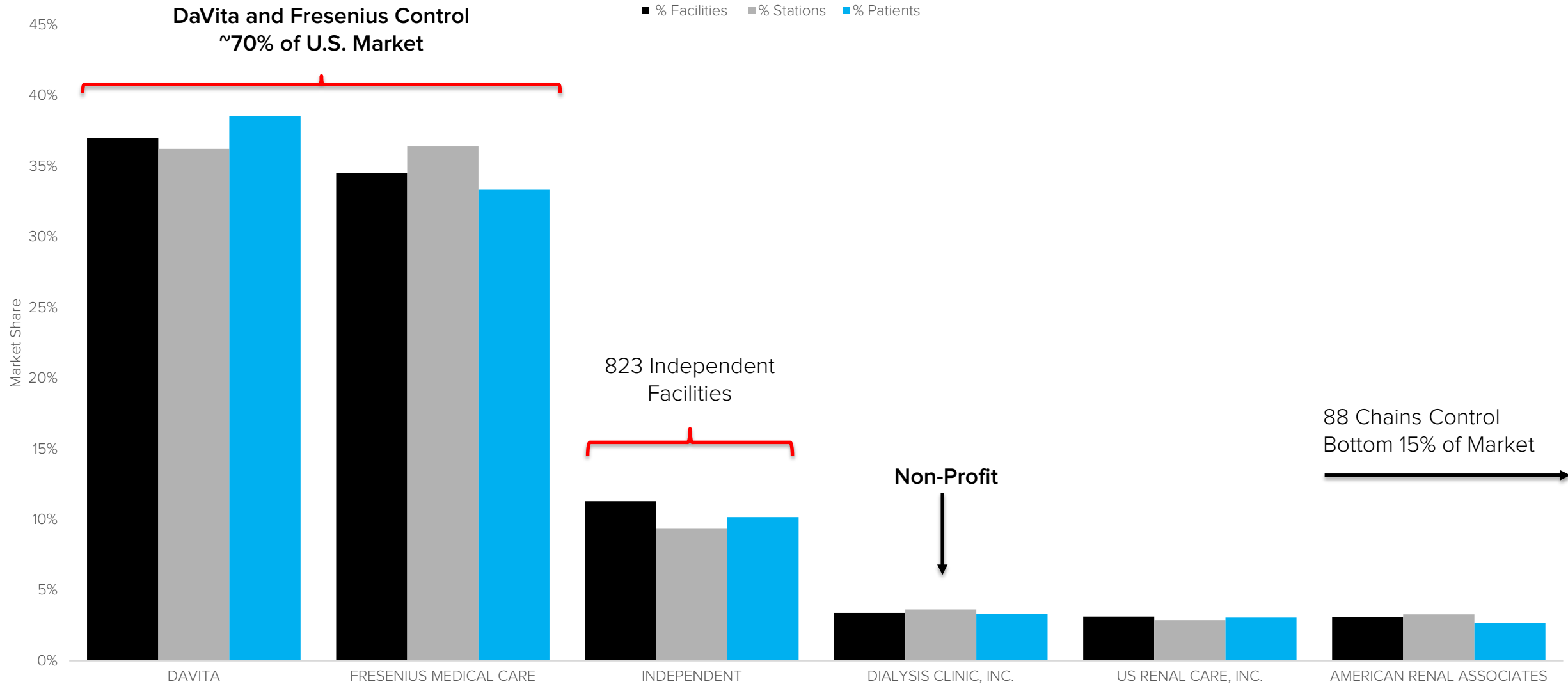
Incidence, 3 year survival by age, and population by age were used to derive the commercial insurance population through 2025. We assume new dialysis patients with commercial insurance will convert to Medicare after 33 months.

HIGHER MIX OF GOVERNMENT PAY



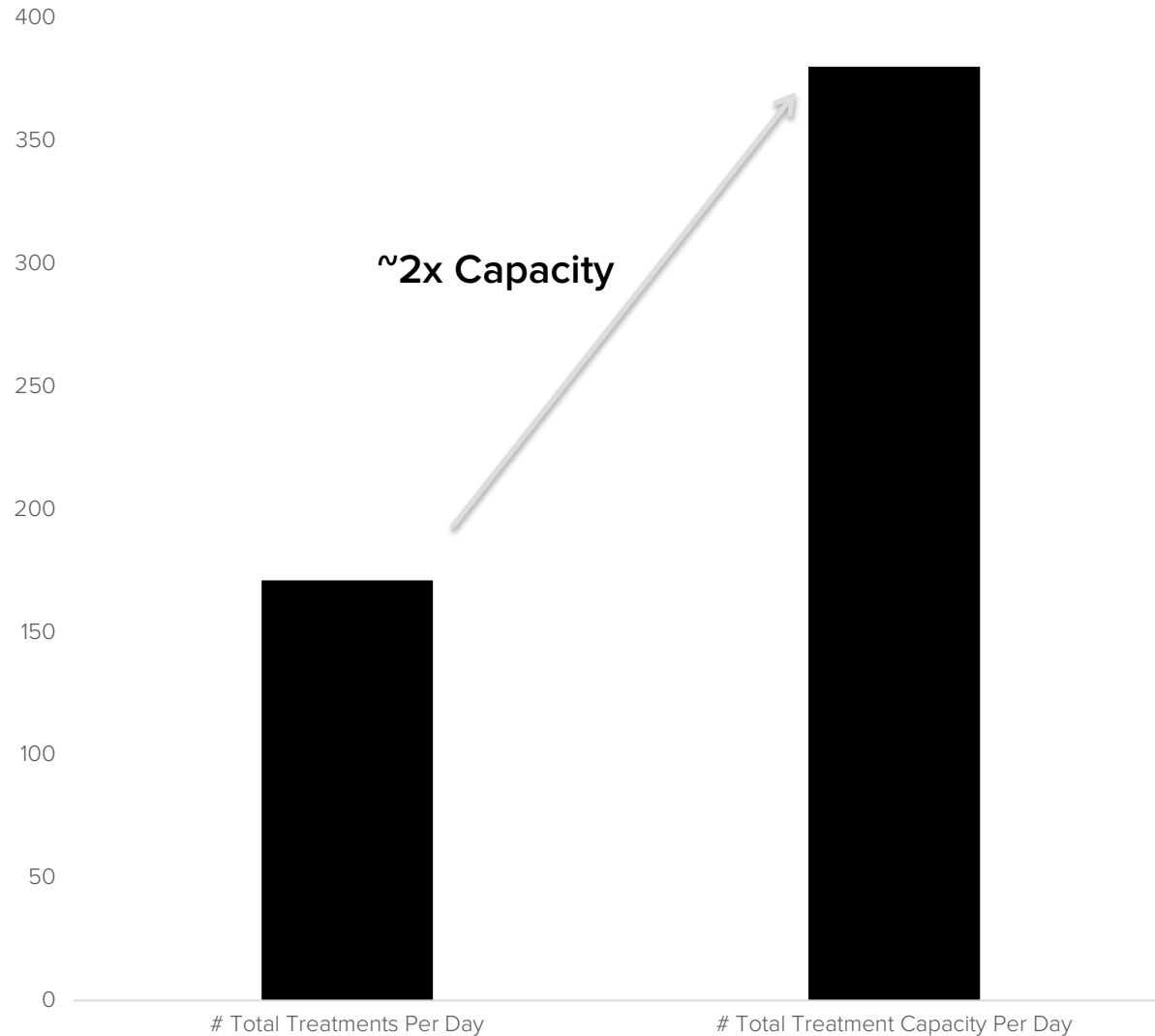
TOP 10 DIALYSIS OPERATORS CONTROL 85% OF MARKET

~90% OF FACILITIES FOR PROFIT



EXCESS DIALYSIS MARKET CAPACITY

Dialysis Capacity Utilization



Estimate Based on HD Prevalence

Stations	125,629
x Capacity Per Day*	3
= Total	376,887

Estimate Based on # Facilities

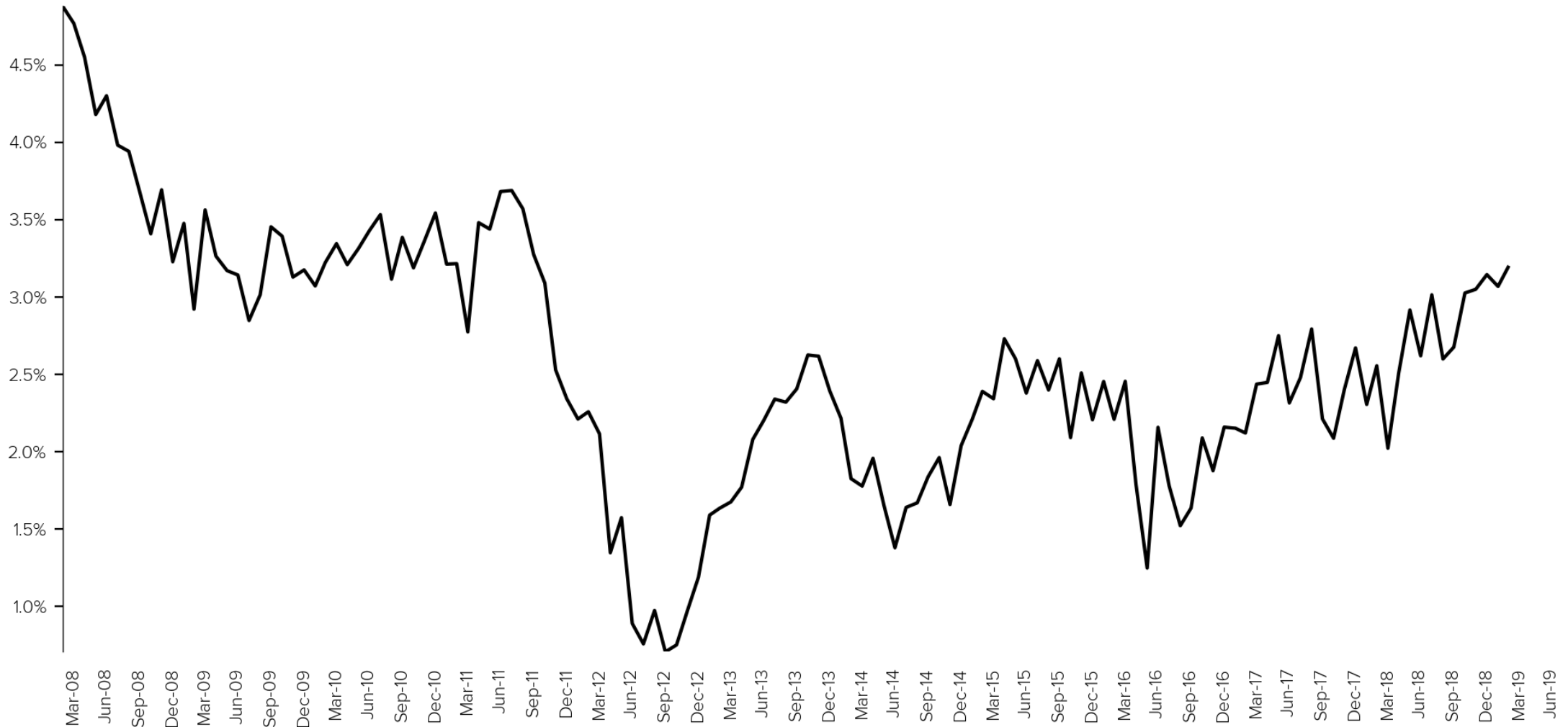
# Treatments per week	3
x # Weeks per year	52
# Treatments per year	156
x # Hemodialysis patients	400,000
# Total Annual Treatments	62,400,000
/ # Days in year	365
# Total Treatments Per Day	170,959

* Assumes facility open 12-hours per day

HEALTH CARE AVERAGE HOURLY EARNINGS

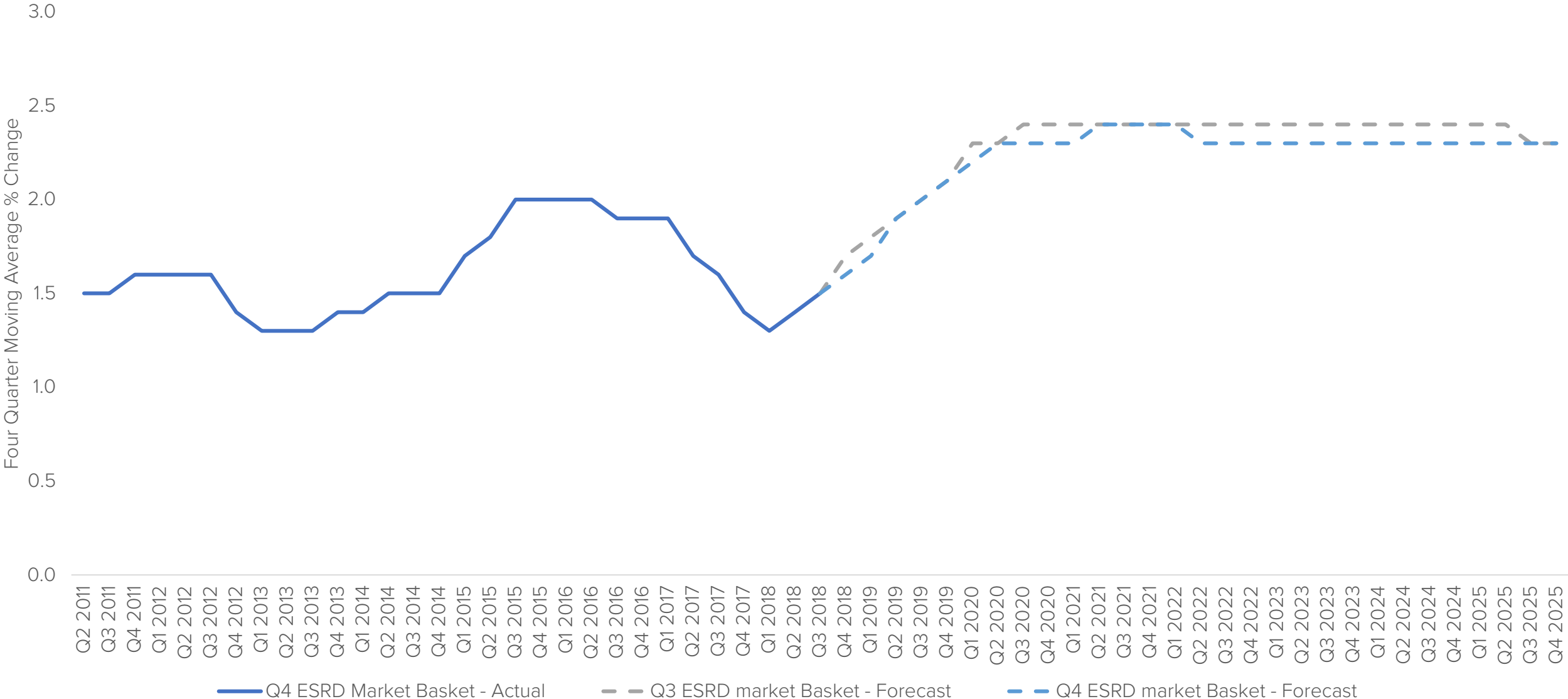
INCREASING PAY RATES FOR FOR THE LARGEST COST DRIVER

— Average Hourly Earnings Of Production And Nonsupervisory Employees, Health Care, Not Seasonally Adjusted y/y growth %



MEDICARE FFS RATES | ESRD MARKET BASKET

LATEST FORECAST IMPROVING SLIGHTLY



CALIFORNIA AB 290

REFILED WITH NEW LANGUAGE TO ADDRESS VETO CONCERN

(k) This section does not alter any of a health care service plan's obligations and requirements under this chapter, including, but not limited to, the following:

(1) The obligation of a health care service plan to fairly and affirmatively offer, market, sell, and issue a health benefit plan to any individual, consistent with Article 11.8 (commencing with Section 1399.845).

(2) The obligations of a health care service plan with respect to cancellation or nonrenewal as provided in this chapter, including, but not limited to, Section 1365.

- Filed at the end of January
- HB 290 is essentially identical to SB 1156
- However, does address Former Governor Brown's veto message with additional language protecting individuals from being denied coverage
- Moving through Committee

NEW FEDERAL POLICY FOCUS

1

PREVENTION AND DETECTION TO SLOW PROGRESSION

- Better treatment of chronic kidney disease – shift reimbursement to focus on prevention
- Research into what drives progression of disease – NIH Kidney Precision Medicine Project
- APOL1 Gene – NIH study

2

EXPANDED OPTIONS FOR TREATMENT

- Home dialysis using peritoneal or hemodialysis – better reimbursement
- Portable dialysis technologies including ways to use public water instead of medical grade
- Technological advancements in artificial kidneys

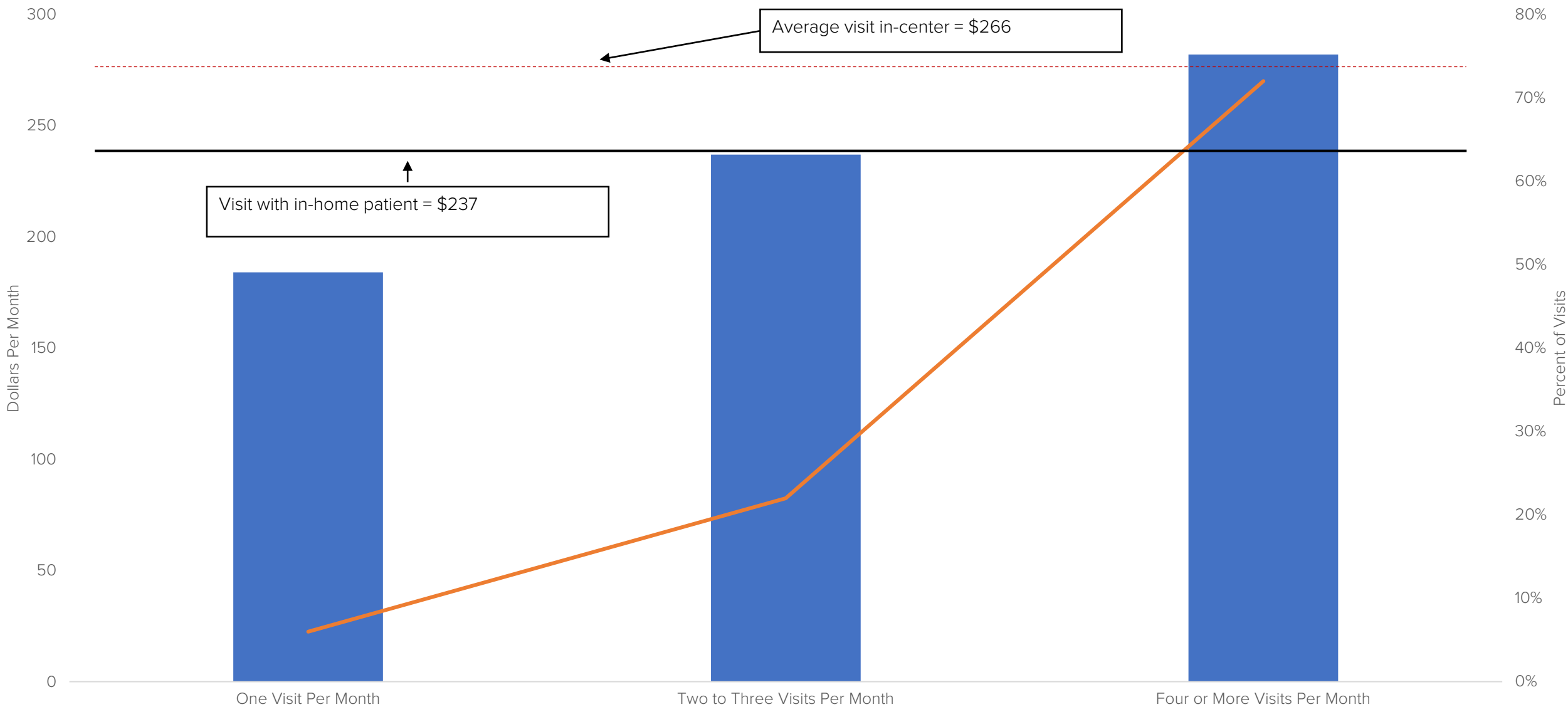
3

MORE INCENTIVES FOR TRANSPLANT

- Pay dialysis providers to encourage transplant
- Reduce organ discard rate for kidneys
- Support for living donors

HOME DIALYSIS – MEDICARE UNDERPAYS FOR VISITS

HEMATOLOGY VISITS ALSO MUCH MORE EFFICIENT IN-CENTER



↑
Visit with in-home patient = \$237

←
Average visit in-center = \$266

PLEASE SUBMIT QUESTIONS* TO

QA@HEDGEYE.COM

**ANSWERED AT THE END OF THE CALL*