

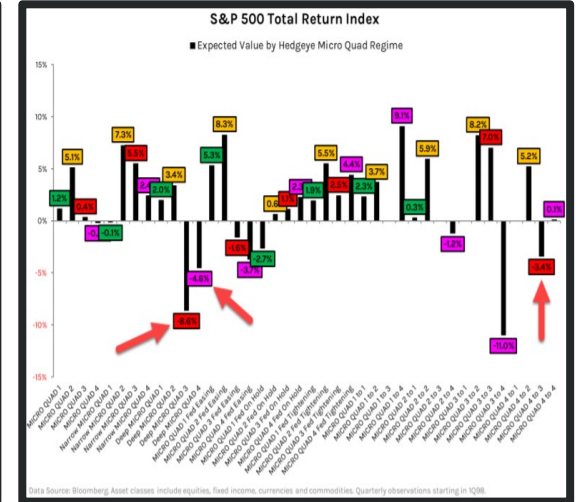
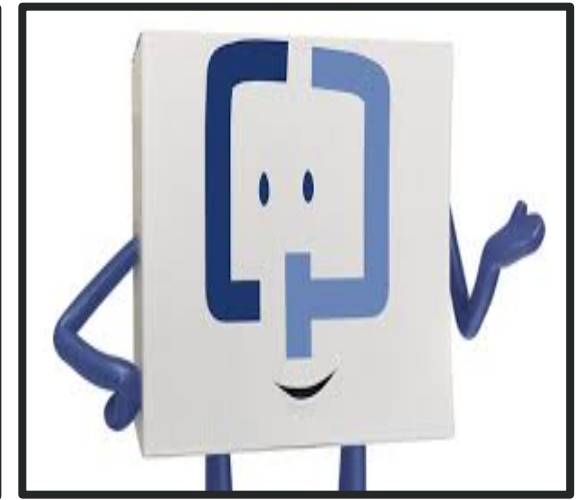
HEDGEYE



# Health Care Position Monitor Update

COVID Slowdown, Cologuard Mkt Share, GH Claims, #MicroQuads

June 29, 2020



## Hedgeye Health Care

Tom Tobin, Managing Director, Health Care  
 Ttobin@Hedgeye.com  
 @HedgeyeHC

Emily Evans, Managing Director, Health Policy  
 Eevans@Hedgeye.com  
 @HedgeyeEEvans

William McMahon, Analyst, Health Care  
 Wmcmahon@Hedgeye.com  
 @HedgeyeMed

## DISCLAIMER

Hedgeye Risk Management, LLC (“Hedgeye”) is a registered investment advisor, registered with the State of Connecticut. Hedgeye is not a broker dealer and does not provide investment advice to individuals. This research does not constitute an offer to sell, or a solicitation of an offer to buy any security or investment vehicle. This research is presented without regard for individual investment preferences or risk parameters; it is general information and does not constitute specific investment advice, nor does it constitute or contain any legal or tax opinions. This presentation is based on information from sources believed to be reliable. Hedgeye is not responsible for errors, inaccuracies or omissions of information. The opinions and conclusions contained in this report are those of the individual expressing those opinions or conclusion and are intended solely for the use of Hedgeye’s clients and subscribers, and the authorized recipients of the content. In reaching its own opinions and conclusions, Hedgeye and its employees have relied upon research conducted by Hedgeye’s employees, which is based upon sources considered credible and reliable within the industry. Neither Hedgeye, nor its employees nor any individual expressing opinions, conclusions or data are responsible for the validity or authenticity of the information upon which it has relied.

## TERMS OF USE

This report is protected by United States and foreign copyright laws and is intended solely for the use of its authorized recipient. Access must be provided directly by Hedgeye. There is a fee associated with access to this report and the information and materials presented during the event. **Redistribution or republication of this report and its contents are strictly prohibited.** By joining this call or possessing these materials, you agree to these Terms. For more detail please refer to the appropriate sections of the Hedgeye Services Agreement and the Terms of Service at [https://www.hedgeye.com/terms\\_of\\_service](https://www.hedgeye.com/terms_of_service).

# Health Care Position Monitor

For Week of June 29, 2020

Best Ideas - Longs					Best Ideas - Shorts						
LONG		Price	Mkt Cap (\$B)	Trend	Tail	SHORT		Price	Mkt Cap (\$B)	Trend	Tail
<b>Active Longs</b>					<b>Active Shorts</b>						
ONEM	1Life Healthcare, Inc.	\$ 31.84	\$4.0B	✓	✓	AMN	AMN Healthcare Services, Inc.	\$ 44.32	\$2.1B	×	×
TDOC	Teladoc Health, Inc.	\$ 192.57	\$14.3B	✓	✓	GH	Guardant Health, Inc.	\$ 79.85	\$7.6B	×	×
						EXAS	Exact Sciences Corporation	\$ 81.54	\$12.2B	×	×
						HQY	HealthEquity Inc	\$ 57.76	\$4.1B	×	×
<b>Long Bias</b>					<b>Short Bias</b>						
TXG	10x Genomics Inc Class A	\$ 85.04	\$4.9B			HRC	Hill-Rom Holdings, Inc.	\$ 107.93	\$7.2B		
						MASI	Masimo Corporation	\$ 217.48	\$11.8B		
						NVTA	Invitae Corp.	\$ 27.03	\$3.4B		
						HCA	HCA Healthcare Inc	\$ 92.76	\$31.3B		
						DVA	DaVita Inc.	\$ 76.57	\$9.3B		
						ILMN	Illumina, Inc.	\$ 358.92	\$52.8B		

## Disclaimer

Hedgeye's "bias" represents Hedgeye's outlook on companies currently under Hedgeye's review, or for which timing is not right for greater coverage. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company.

# Sales Estimate Micro Quad Set Up

## Quad 1 (long)

A	CRL	IRTC	PRAH
ABMD	CRY	ISRG	Q
ABT	CSII	LH	RGEN
ADUS	CUTR	LHCG	RMD
ALGN	EHC	LMAT	SEM
AMED	EW	LNTH	STAA
AMN	EXAS	MDT	SYK
ATRC	GH	MEDP	TCMD
ATRS	GKOS	MGLN	TECH
BDX	GMED	MMSI	TFX
BEAT	HAE	MTD	TMO
BIO	HCA	NEO	TRHC
BIOS	IART	OFIX	USPH
BKD	IDXX	OMCL	VCRA
BSX	IIN	PEN	WAT
CHE	ILMN	PKI	
CNMD	IQV	PODD	

## Quad 2 (long)

ADPT	NEOG
ANGO	NSTG
AVNS	NTRA
BAX	NVTA
CVET	OPK
CYH	OSUR
DGX	SRDX
DVA	TTOO
DXCM	WST
ELGX	
FLGT	
HOLX	
ITGR	

## Quad 3 (short)

ANTM	LMNX
CERS	LVGO
CNC	MASI
CODX	MOH
CSLT	ONEM
ENSG	PINC
GNMK	PRSC
HCSG	QDEL
HMSY	TDOC
HRC	VEEV
HSKA	VIVO
HUM	
ICUI	

## Quad 4 (short)

CAH
CI
CVS
EVH
MLAB
UNH

# ONEM | Provider Tracker

## Telehealth continues to drive adoption while building out specialty offerings

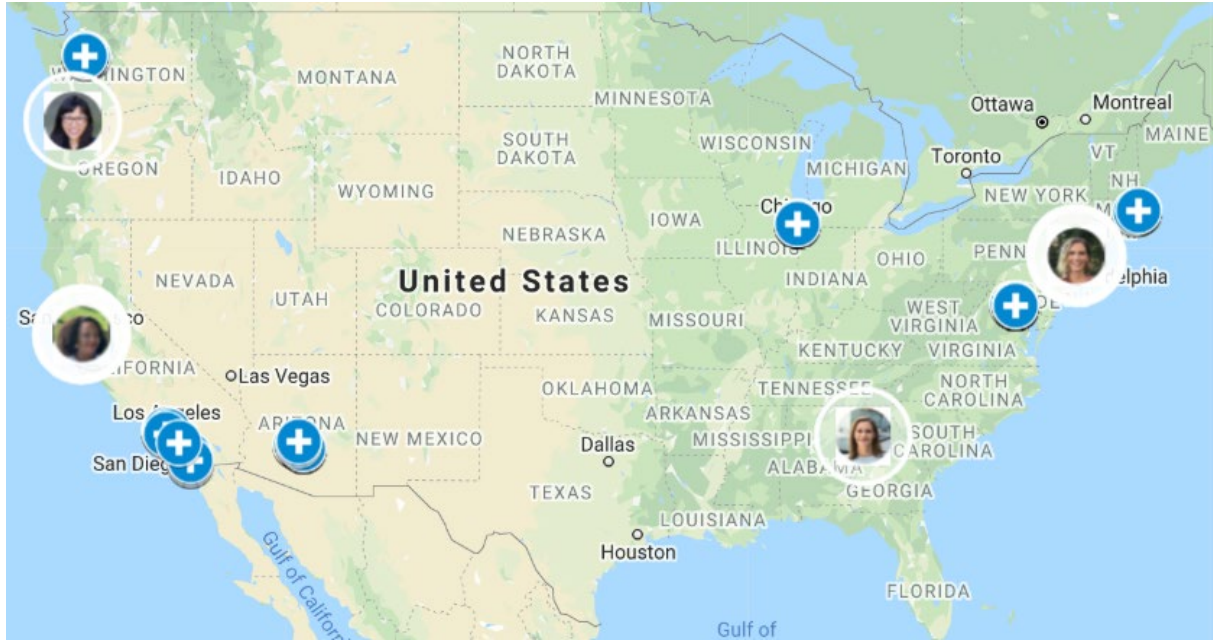
Existing versus New - June 15, 20...  
20 views

All changes saved in Drive

Add layer Share Preview

- New
  - Individual styles
  - Mary Brigid Halloran
  - Angela Redding
  - Molly Wright
  - Hela Barhoush
  - Bertha Kao
  - Krishna Patel
  - Calvin Gilbert
  - Diana Ramirez-Baron
  - Kate Lieberman
  - Andrew Bertagnolli
  - Brittany Thomas
  - Jessica Capretto
  - Amice Jackson

Existing



1life Healthcare Inc. (ONEM) Provider Tracker						
	May 19, 2020	June 1, 2020	June 8, 2020	June 15, 2020	June 22, 2020	June 29, 2020
Existing	577	577	583	583	596	603
New	0	6	0	16	11	0
Turnover	0	0	0	3	4	0
<b>Total</b>	<b>577</b>	<b>583</b>	<b>583</b>	<b>596</b>	<b>603</b>	<b>603</b>

- Utilizing their telehealth platform as a key catalyst for adoption throughout COVID-19, ONEM continues their market penetration effort with 30+ additional providers in June.
- Our tracker corroborates ONEM’s plan to drive RVU’s through the expansion of services offered to members. Throughout June, there has been a significant emphasis placed on growing the virtual office, psychology, and pediatrics.

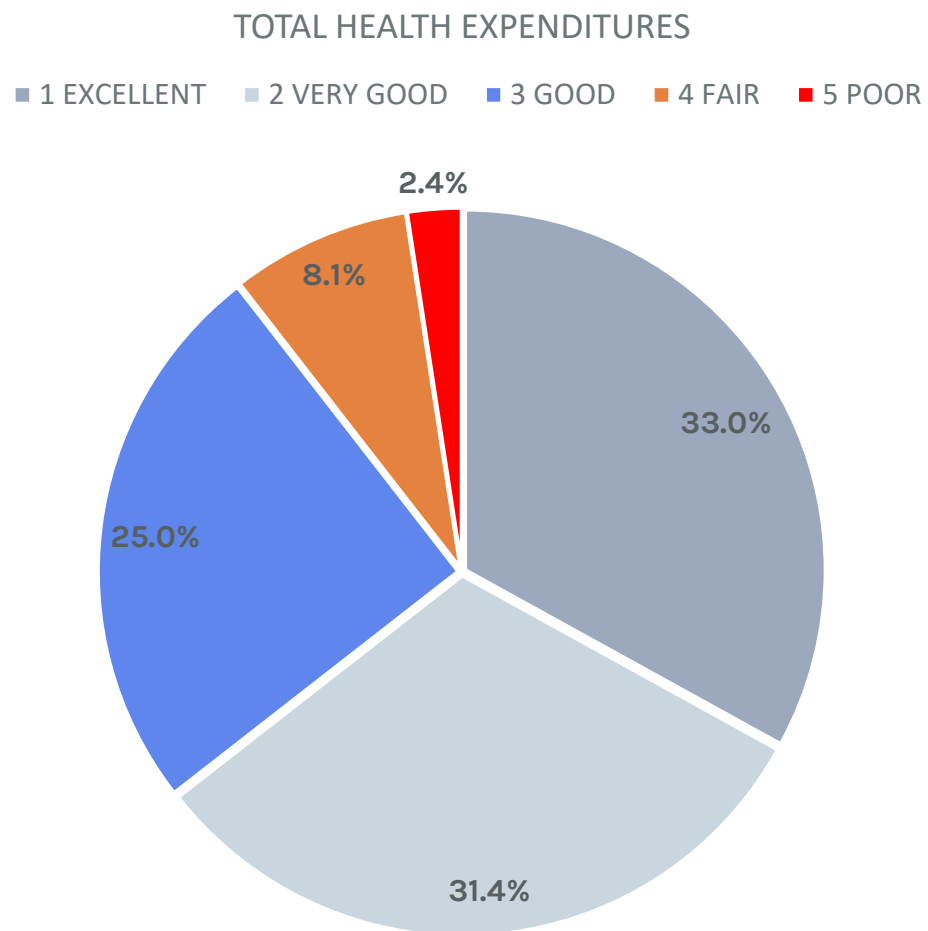
# Population by Payor and Health Status

Fair/Poor Health ~10% of the population

Population by Health Status and Payor		TOTAL	<65, ANY PRIVATE	<65, ANY PUBLIC	<65, UNINSURED	65+ MEDICARE ONLY	65+ MEDICARE AND PRIVATE	65+ MEDICARE AND OTHER PUBLIC	65+, UNINSURED
PERCEIVED HEALTH STATUS	TOTAL	100.0%	58.2%	18.3%	8.1%	5.1%	8.4%	1.7%	0.2%
	1 EXCELLENT	33.0%	21.5%	6.4%	2.5%	0.8%	1.6%	0.1%	0.0%
	2 VERY GOOD	31.4%	20.0%	4.5%	2.3%	1.4%	2.8%	0.3%	0.1%
	3 GOOD	25.0%	13.1%	4.7%	2.3%	1.7%	2.6%	0.5%	0.1%
	4 FAIR	8.1%	2.9%	2.0%	0.8%	0.8%	1.0%	0.5%	0.0%
	5 POOR	2.4%	0.6%	0.7%	0.2%	0.3%	0.3%	0.2%	0.0%

# Total Health Expenditure for “At Risk”

## Fair/Poor ~30% of Total Spending



## CDC criteria for the “At Risk” population

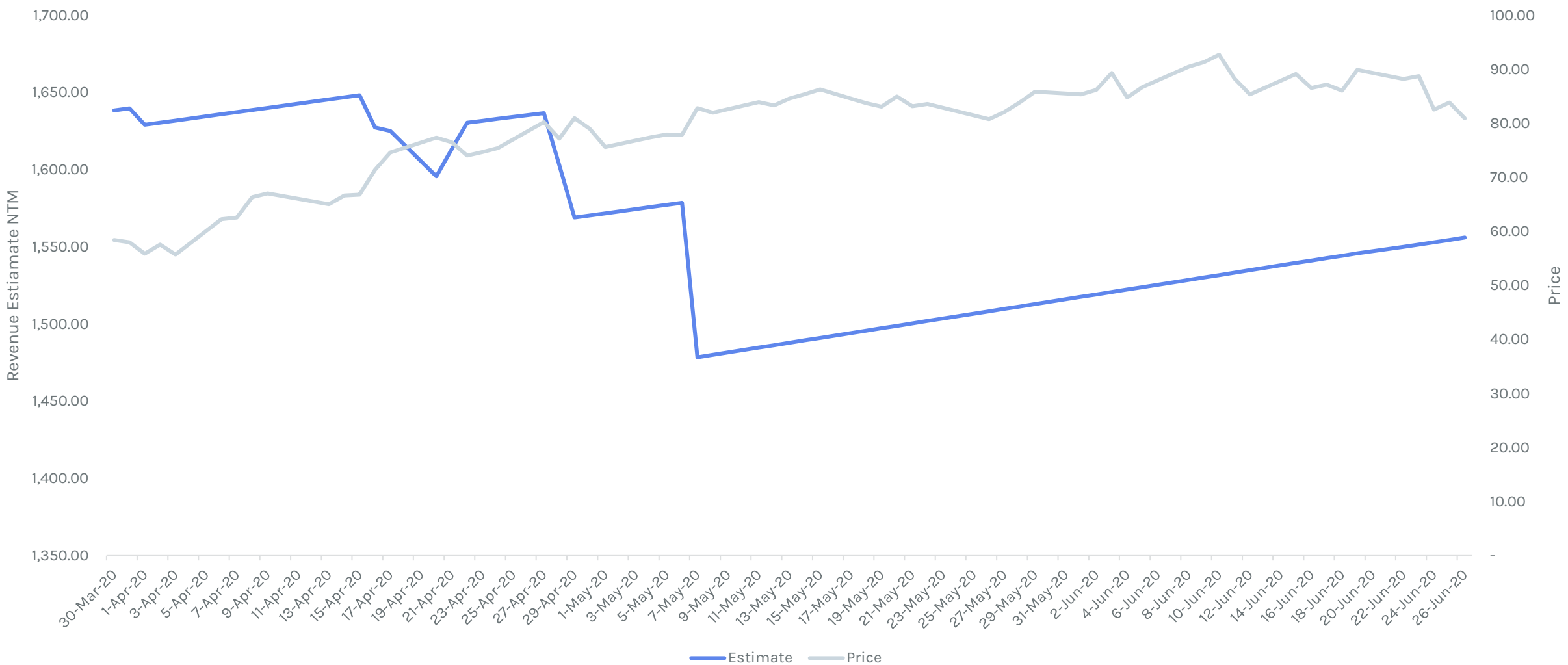
COVID-19 is a new disease and there is limited information regarding risk factors for severe disease. Based on currently available information and clinical expertise, **older adults and people of any age who have serious underlying medical conditions** might be at higher risk for severe illness from COVID-19.

Based on what we know now, those at high-risk for severe illness from COVID-19 are:

- [People 65 years and older](#)
- People who live in a nursing home or long-term care facility
- People of all ages with [underlying medical conditions, particularly if not well controlled](#), including:
  - People with chronic lung disease or moderate to severe asthma
  - People who have serious heart conditions
  - People who are immunocompromised: Many conditions can cause a person to be immunocompromised, including cancer treatment, smoking, bone marrow or organ transplantation, immune deficiencies, poorly controlled HIV or AIDS, and prolonged use of corticosteroids and other immune weakening medications
- People with severe obesity (body mass index [BMI] of 40 or higher)
- People with diabetes
- People with chronic kidney disease undergoing dialysis
- People with liver disease

# EXAS Estimate trend vs Price

Estimate rises as 2021 become a greater percentage of the total



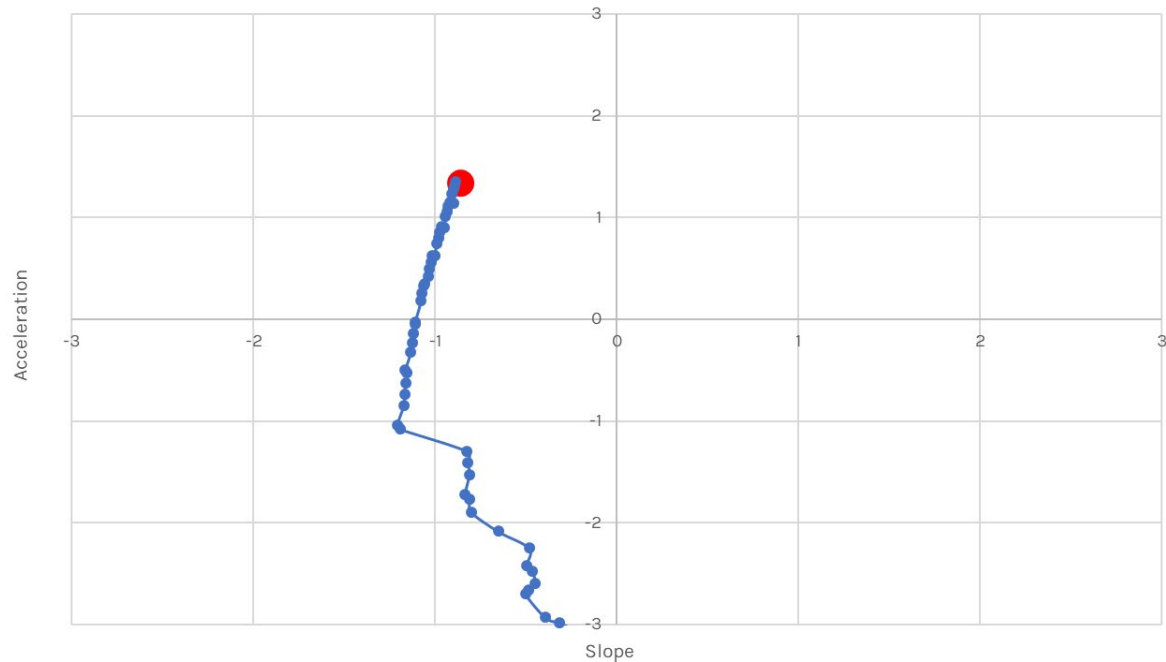


# Performance by Micro Quad

## EXAS expected daily performance in Micro Quad 1

Ticker: EXAS  
Date: 6/26/2020

Factor	Quad	Correlation	z-score trailing 3Y		z-score trailing 3Y		Micro Quad Performance_1D
			bin	bin2	Growth Factor	Acceleration	
Sales	1	0.81	-1.00	1.00	-0.86	1.34	(0.38)
Ebitda	2	0.63	0.00	1.00	0.11	2.53	0.23
EPS	1	0.37	0.00	1.00	-0.26	2.45	0.57

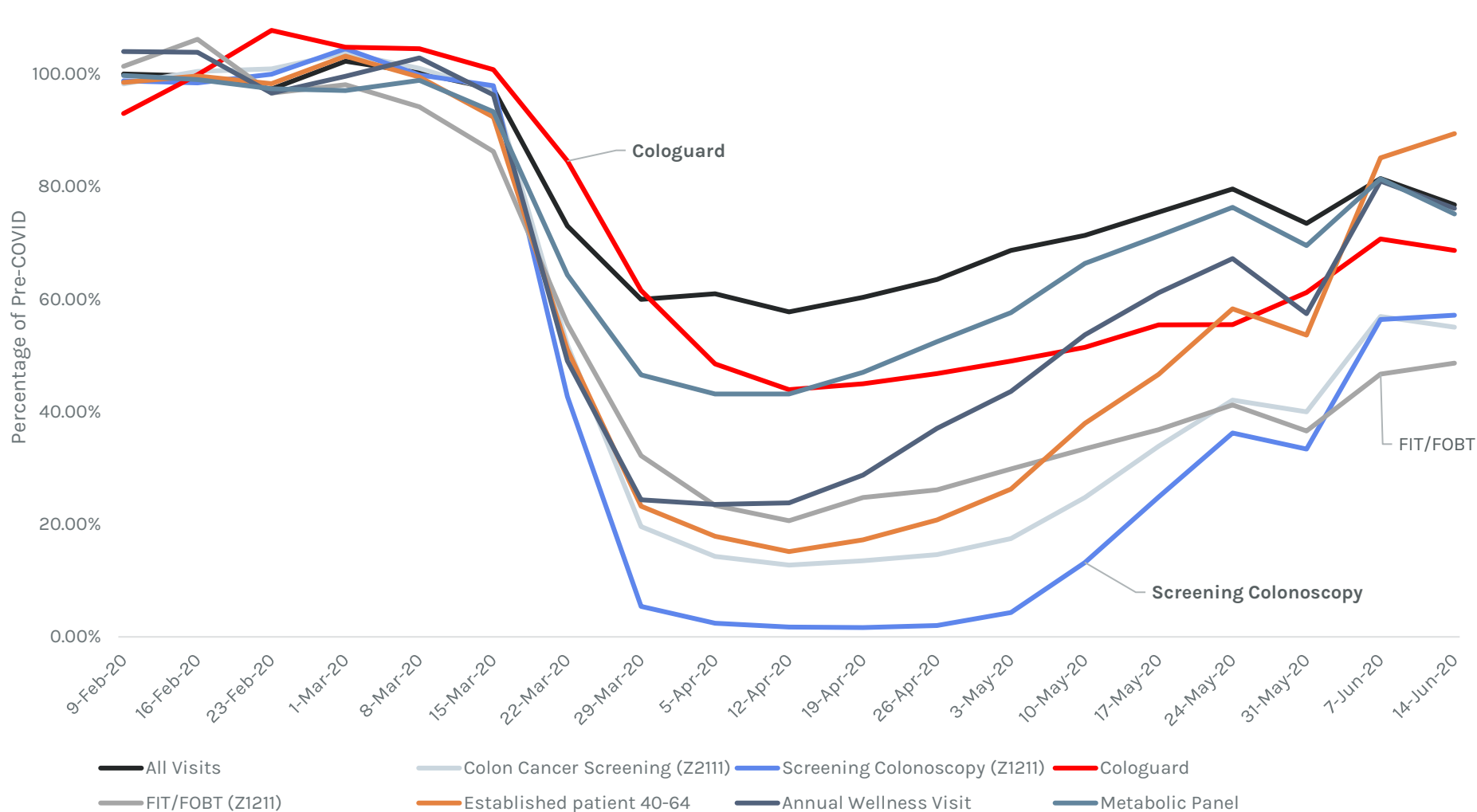


## Macro vs Micro Quad for Health Care

Performance_1D		Micro Quad			
		1	2	3	4
macro_quad	1	0.18	0.24	0.17	0.16
	2	0.09	0.18	0.11	0.07
	3	-0.02	0.03	0.04	-0.01
	4	-0.04	0.04	0.01	-0.01
	Avg	0.07	0.12	0.08	0.06

# Claims Trend | Colon Cancer Screening

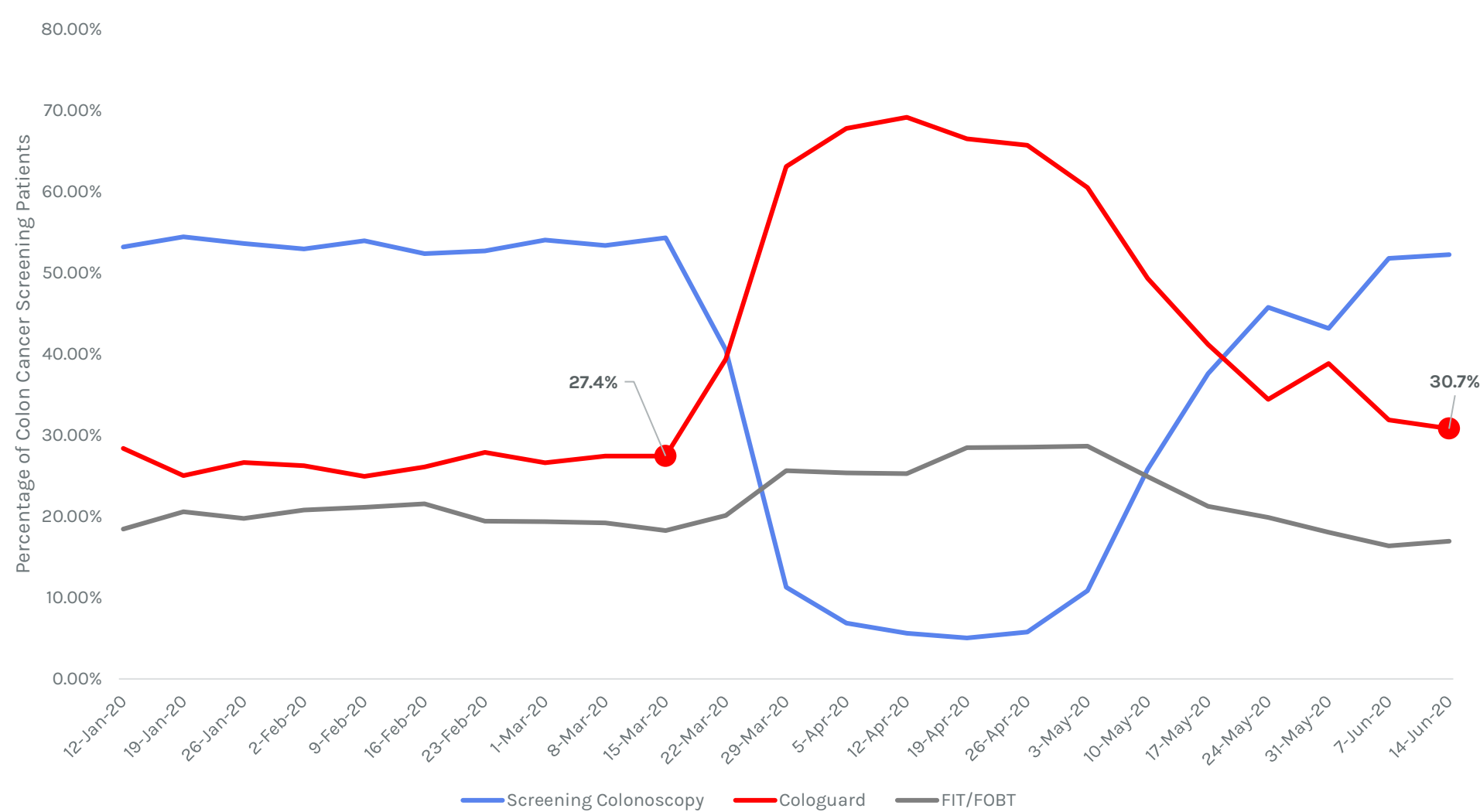
## Weekly claims as a Percentage of Pre-COVID average



- Established patients between 40-65 have recovered to 90% of pre-COVID. As an indicator of the impact of the economy on consumption.
- Screening colonoscopy fell 98% and has made it back to 50% of pre-COVID. This compares to Cologuard which dropped to ~40% and has recovered to ~70% at its current level.
- Wellness visits are ~80% recovered, which the company has previously called out as an important driver of orders.

# Claims Trend | Colon Cancer Screening

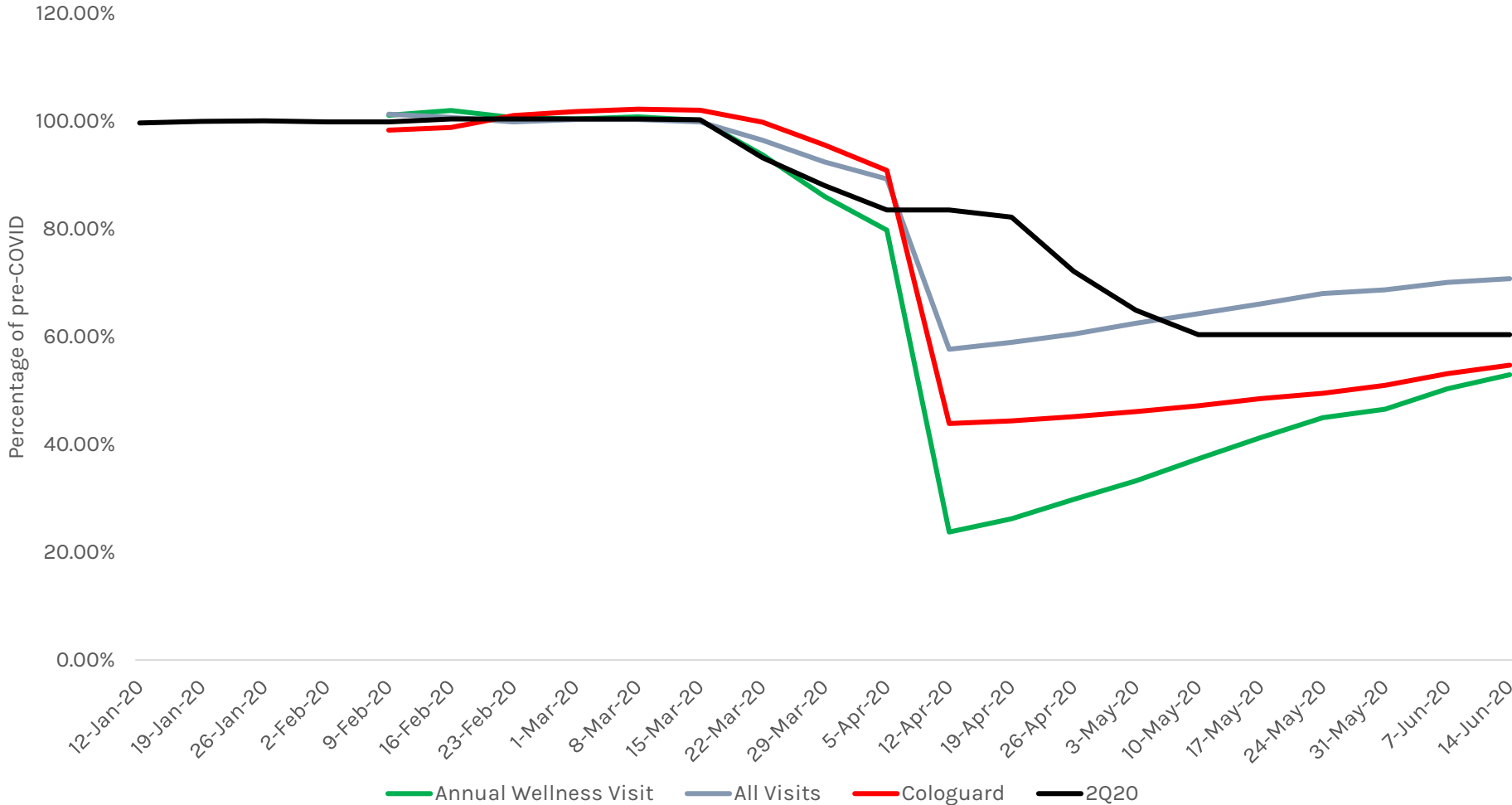
Percentage of colon cancer screening patients, Z1211 diagnosis code



- Patient share reflects the uptake of the incremental patient. Adjusting the test interval, Cologuard sits at 13% patient share.
- As screening colonoscopy fell and volume fell overall, noninvasive testing increased dramatically.
- As of mid March, patient share has reverted to pre-COVID levels, suggesting share gains have been modest.
- Screening Colonoscopy share has dropped 160 bp and FIT/FOBT has fallen 177 bps, compared an increase of 330 bps for Cologuard.

# Claims Trend | Colon Cancer Screening

Rolling quarter average vs Consensus 2Q20 revenue



- Consensus 2Q20 revenue reflects the commentary describing a sharp drop in April followed by a strong rebound in May.
- Consensus is ~60% of pre-COVID levels for Total Revenue, including Genomic Health.

# Hedgeye v Reported

## Guardant Health Inc (GH)



# Forecast Table

## Guardant Health Inc (GH)

Week	Q1-2017	Q2-2017	Q3-2017	Q4-2017	FY2017	Q1-2018	Q2-2018	Q3-2018	Q4-2018	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	Q1-2020	Q2-2020
1	37	83	51	87	259	91	87	107	73	358	146	155	177	268	747	39	222
2	69	73	63	92	298	113	135	97	118	463	97	188	157	121	564	117	112
3	44	104	97	68	314	72	111	76	90	349	125	110	164	161	559	164	204
4	72	86	83	61	301	132	128	104	118	482	87	144	214	147	591	181	171
5	90	65	57	73	285	84	109	114	132	439	106	190	124	176	596	170	167
6	46	71	122	97	337	100	114	90	83	388	117	118	147	180	562	251	165
7	64	71	92	89	317	120	104	76	101	401	144	136	133	227	640	187	140
8	81	87	85	50	303	90	97	83	90	361	110	121	202	159	591	230	-
9	81	85	74	87	327	90	59	128	93	371	136	163	129	165	593	158	-
10	118	88	55	110	371	59	66	94	93	311	114	137	191	133	575	181	-
11	84	69	72	86	312	134	90	83	90	397	155	117	133	168	573	178	-
12	82	103	113	76	375	104	118	93	191	506	132	197	148	205	682	218	-
13	98	96	89	40	322	87	175	108	142	511	138	190	164	257	748	187	-
<b>Total</b>	<b>968</b>	<b>1,081</b>	<b>1,055</b>	<b>1,018</b>	<b>4,120</b>	<b>1,277</b>	<b>1,392</b>	<b>1,255</b>	<b>1,413</b>	<b>5,338</b>	<b>1,606</b>	<b>1,964</b>	<b>2,083</b>	<b>2,368</b>	<b>8,021</b>	<b>2,262</b>	<b>1,181</b>

### Correlation

Claims Data & Reported Claims 98.1%

### Forecast Q2-2020

**Management Guidance**  
Clinical Test Volume **Withdrawn**

**Hedgeye**  
Method 1: Seasonal Wkly Distr. 15,606  
Method 2: Avg Per Day x Total 15,796  
Method 3: QTD Vol / Ratio Days 14,794  
Method 4: Last Wkly Data Pt 13,628  
Method 5: Avg Wkly Vol Carry 14,794

**Average 14,924**

Seasonal Weekly Distribution Pattern Based on Prior Years      Average Per Day QTD x Total Days      QTD Volume / Ratio of Completed Days      Last Weekly Data Point Carried Forward      Average Weekly Volume Carried Forward

Week	Q2-2020
8	161
9	155
10	142
11	151
12	235
13	290
<b>Total</b>	<b>2,313</b>

Week	Q2-2020
8	193
9	193
10	193
11	194
12	194
13	194
<b>Total</b>	<b>2,341</b>

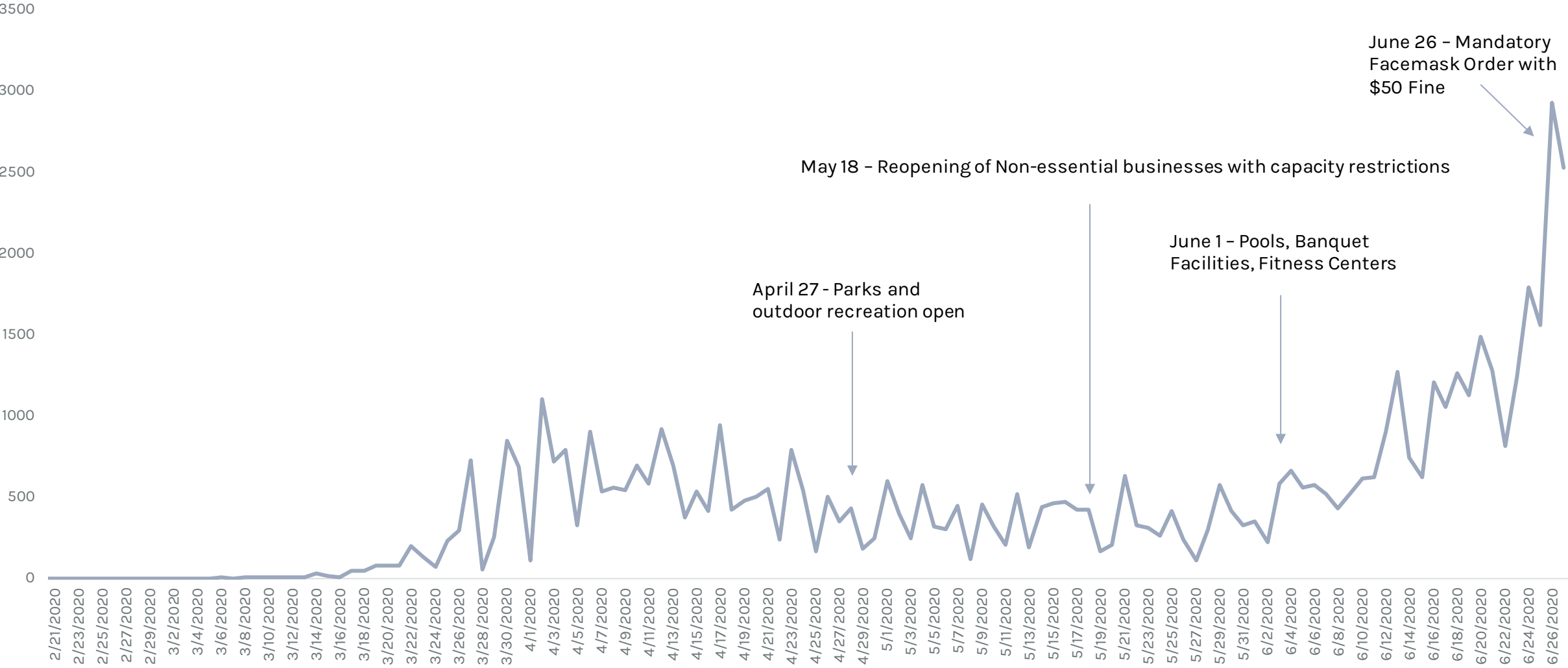
Week	Q2-2020
8	169
9	169
10	169
11	169
12	169
13	169
<b>Total</b>	<b>2,193</b>

Week	Q2-2020
8	140
9	140
10	140
11	140
12	140
13	140
<b>Total</b>	<b>2,020</b>

Week	Q2-2020
8	169
9	169
10	169
11	169
12	169
13	169
<b>Total</b>	<b>2,193</b>

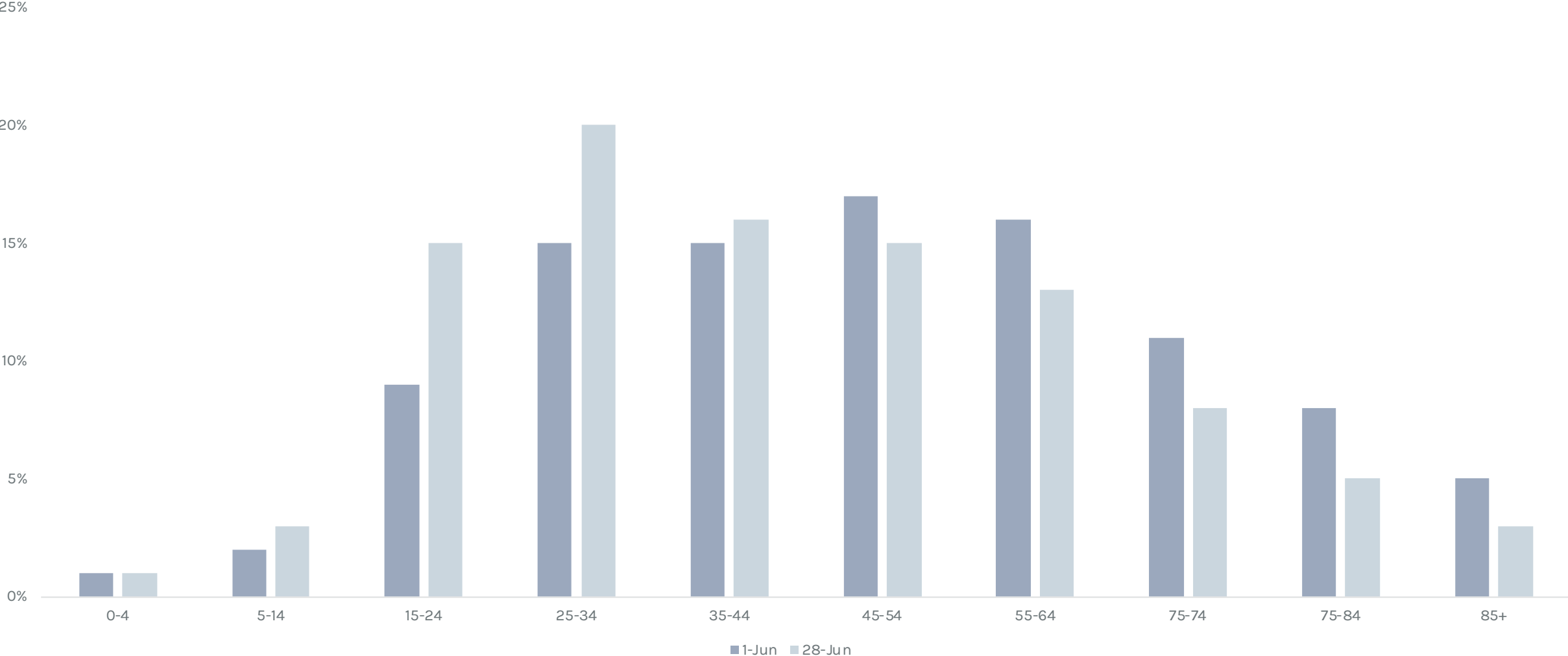
# Miami-Dade County | Case Volume Driver

Bars never opened but case load continues to climb



# Florida Has a Millennial Problem

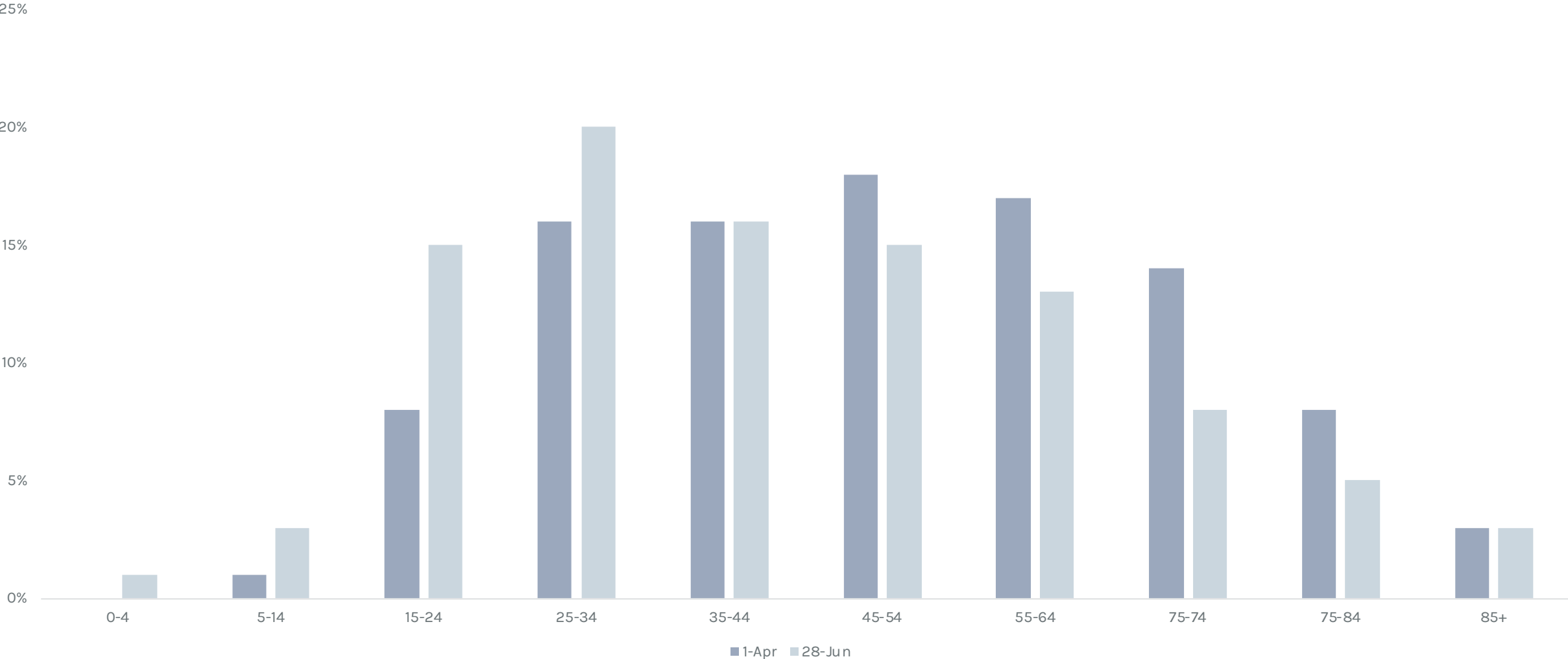
June 1 v June 28





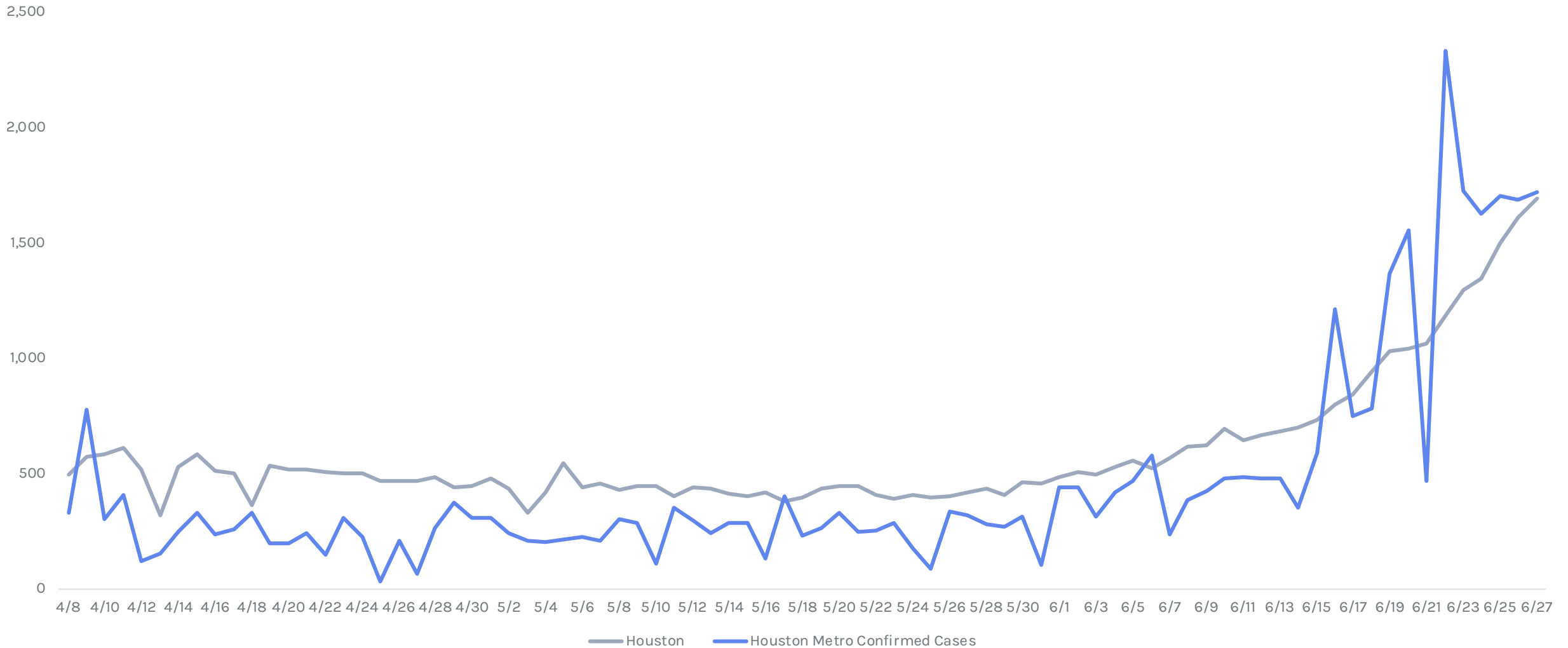
# Florida has a Millennial Problem

April 1 v June 28

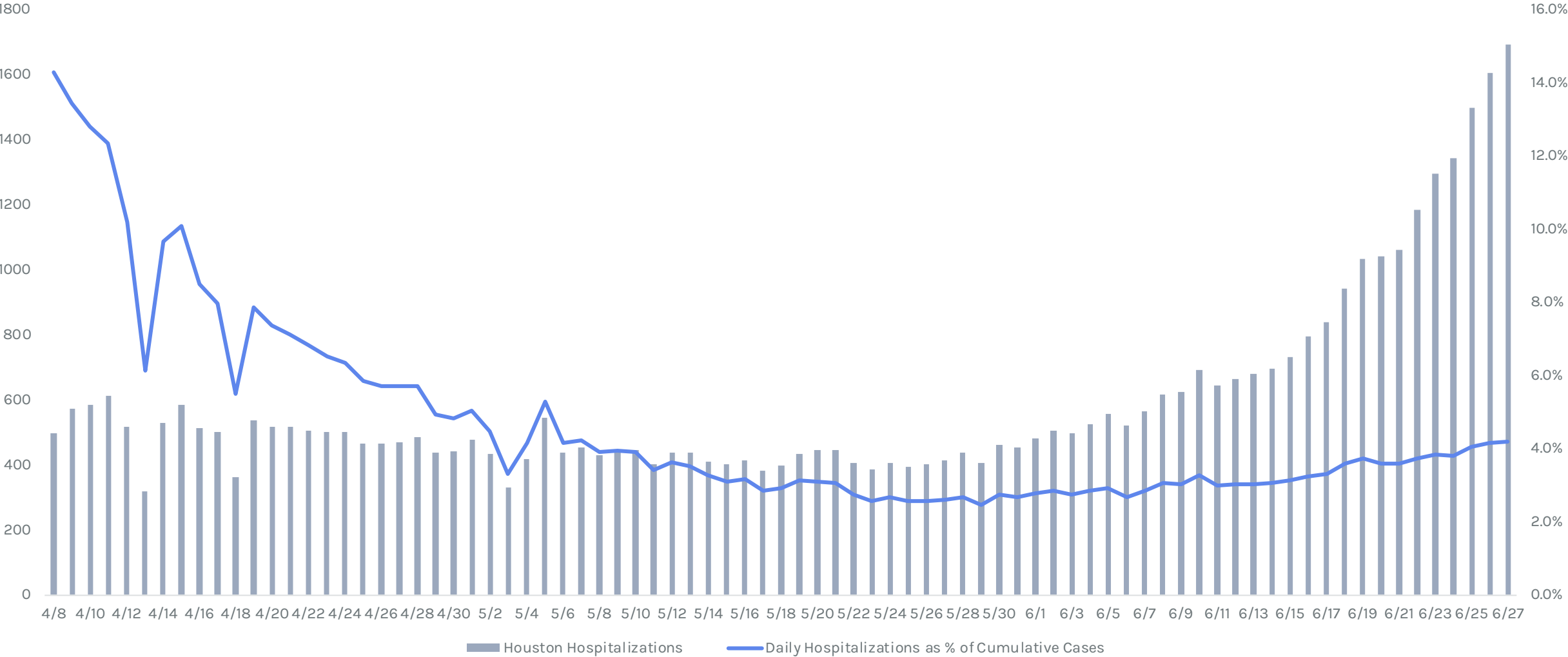


# Texas Has Other Problems

Hospitalization Increasing Rapidly Suggesting Different Demographic

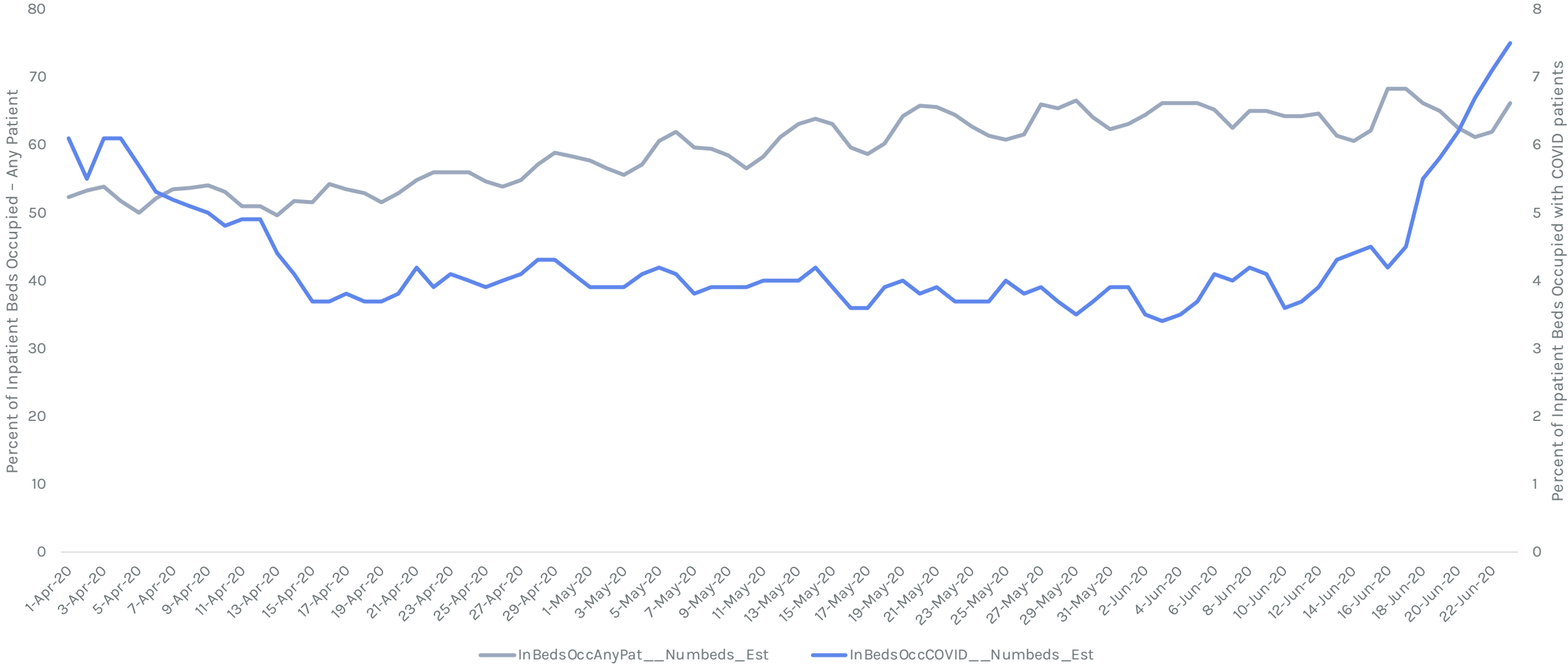


# Hospitalization Trend Ticking Up



# Texas Inpatient Hospitals Occupancy

Maintaining Normal Activity...for Now



# The Governor Speaks, HCA Responds

Elective Surgeries are off but really on

## Governor Abbott.....

NOW, THEREFORE, I, Greg Abbott, Governor of Texas, by virtue of the power and authority vested in me by the Constitution and laws of the State of Texas, do hereby order the following effective at 11:59 p.m. on Friday, June 26, 2020:

Every hospital that is licensed under Chapter 241 of the Texas Health and Safety Code, and is also located in Bexar, Dallas, Harris, or Travis counties, shall postpone all surgeries and procedures that are not medically necessary to diagnose or correct a serious medical condition of, or to preserve the life of, a patient who without timely performance of the surgery or procedure would be at risk for serious adverse medical consequences or death, as determined by the patient's physician; provided, however, that this prohibition shall not apply to any surgery or procedure that, if performed in accordance with the commonly accepted standard of clinical practice, would not deplete any hospital capacity needed to cope with the COVID-19 disaster.

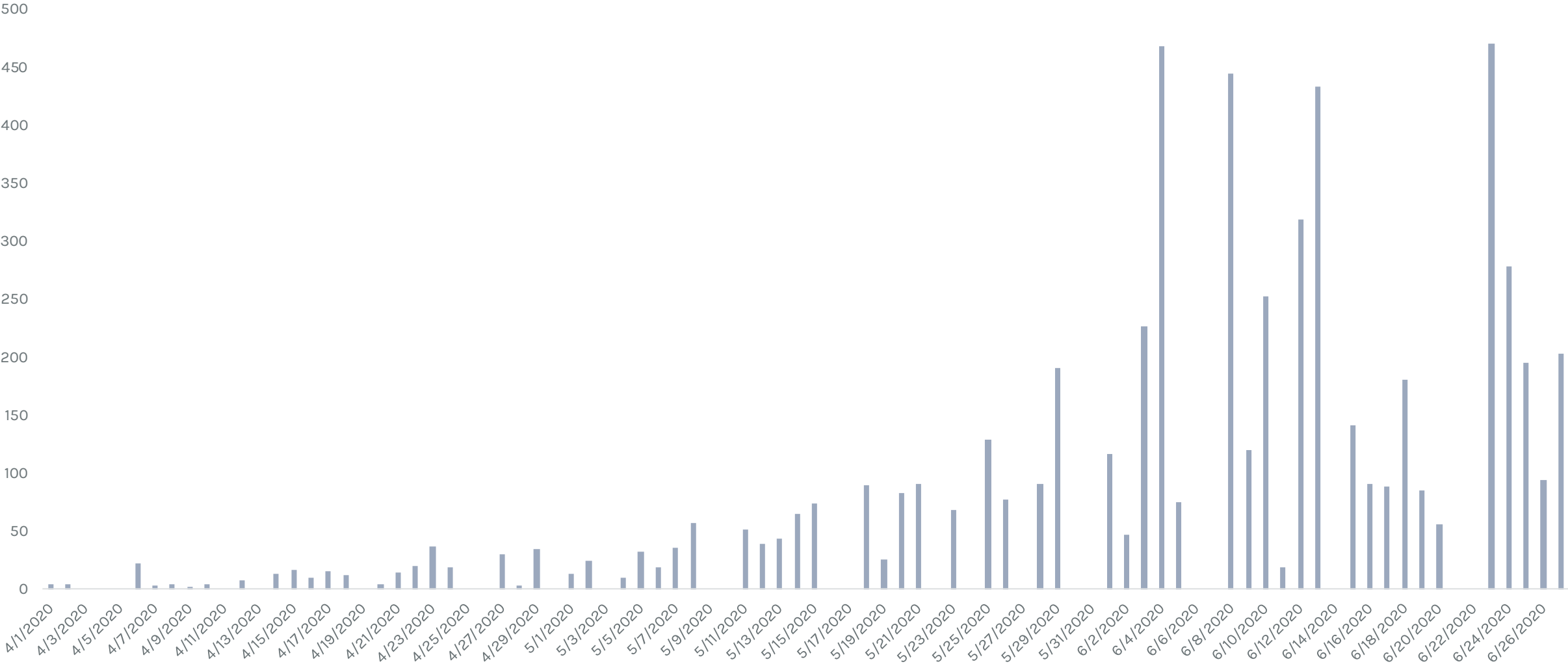
The governor may by proclamation add to or subtract from the list of counties covered by this prohibition.

## HCA...

After reviewing the order and the implications to our patients, it is important to know that at this time our hospitals have the bed capacity, supplies and equipment we need to continue serving patients, meeting the requirements under Governor Abbott's executive order. Beyond our hospitals, we also have alternate settings for surgeries, including surgery centers and specialty hospitals, which also factors into our decision to schedule a surgery.

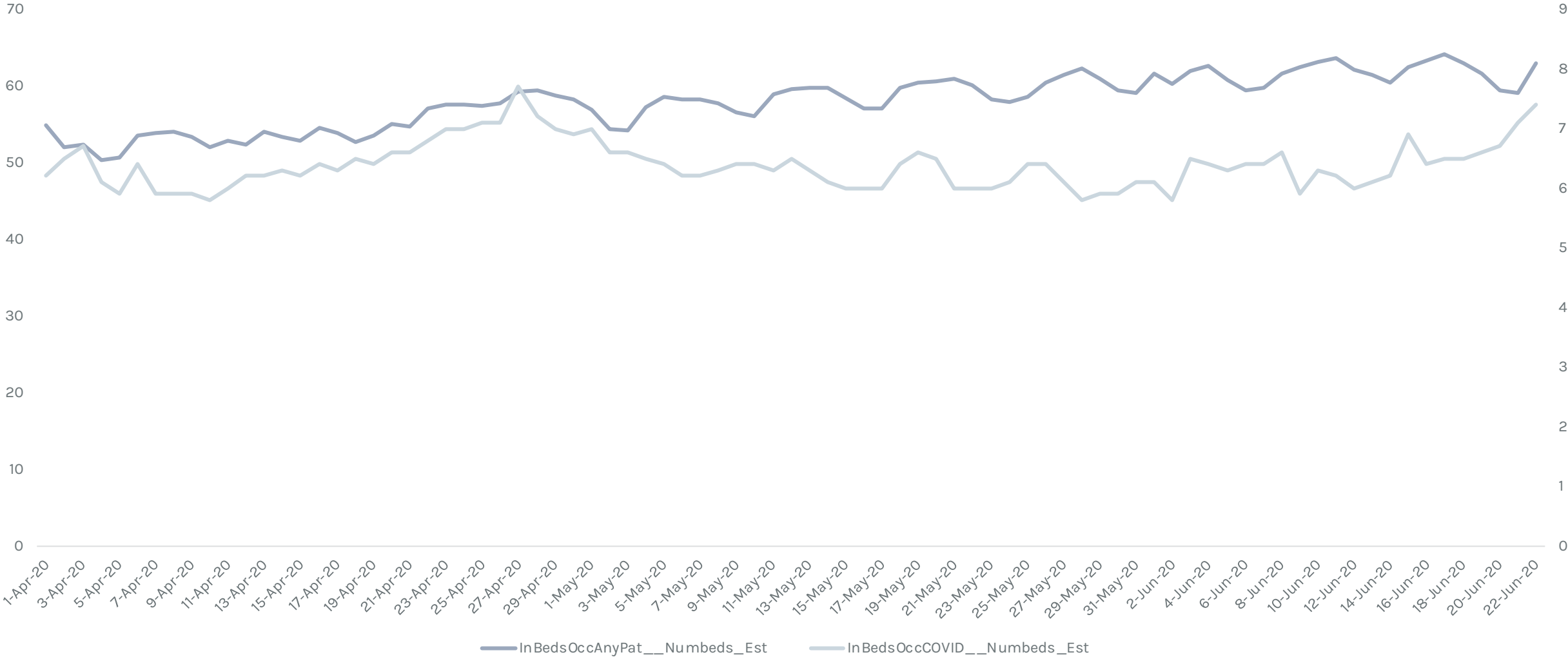
# California Has Agriculture Problem

Imperial County cited by Dr. Birx as an area of focus



# California Inpatient Hospitals Capacity

Also maintaining normal activity and moderate increase suggests lower clinical demands



For more information, contact us at:

**HealthCareTeam@Hedgeye.com**