

## Devoted unit economics in 2023 (targeted, draft)

	Year 5 Devoted Member*	Year 5 Devoted Market*	Industry Bench- mark**	Rationale/Risk & Opportunity
Medical Expenses	78.9%	82.8%	84.1%	Partnership with high-quality primary care physicians; impact of tech-enabled Devoted Health Guide teams, house-call medical group, and other clinical services; increased revenue from STARS
Admin Expenses	6.4%	9.8%	11.0%	New tech stack, leaner utilization management (e.g., fewer, better-targeted prior authorizations), higher rates of automation, lean admin design  Lower long-term sales costs due to higher NPS and lower churn
Operating Income***	14.6%	7.5%	5.0%	Significantly higher margins vs. current high-performing Medicare Advantage plans

\* Year 5 Member/Market represents Year 5 for 2019-enrolled member cohort, 2019-launched markets

\*\* Source: 2017 annual financials for Humana Medical Plan, Inc., Medicare line of business

\*\*\* For Devoted: operating income is earned from a combination of Devoted's health plan and medical group units

 Draft financial projections through 2023

Projected enrollment	2018	2019	2020	2021	2022	2023
Members		5,000	15,750	33,650	64,358	103,722
Member-months		45,000	154,500	343,800	667,890	1,105,311
Growth			243%	123%	94%	65%
Average risk score		1.28	1.16	1.16	1.15	1.15

Projected P&L (\$ 000s)	2018	2019	2020	2021	2022	2023
Revenue		52,870	166,806	370,351	721,860	1,193,144
Growth			216%	122%	95%	65%
Medical Expense		49,146	145,313	320,236	611,248	1,002,184
% of revenue		93%	87%	86%	85%	84%
Admin Expense, excluding Sales & Marketing	24,020	32,601	36,505	43,078	54,144	71,845
% of revenue		61.7%	21.9%	11.6%	7.5%	6.0%
Sales & Marketing Expense	7,315	8,830	21,009	30,364	45,831	57,918
% of revenue		16.7%	12.6%	8.2%	6.3%	4.9%
Operating Income	(31,335)	(37,708)	(36,022)	(23,327)	10,637	61,197
% of revenue		-71.3%	-21.6%	-6.3%	1.5%	5.1%
R&D Expense	3,000	5,763	10,008	16,666	28,874	41,760
% of revenue		10.9%	6.0%	4.5%	4.0%	3.5%
Taxes	0	0	952	3,003	6,666	19,796
% of revenue		0.0%	0.6%	0.8%	0.9%	1.7%
Net Income	(34,335)	(43,471)	(46,982)	(42,996)	(24,904)	(360)
% of revenue		-82.2%	-28.2%	-11.6%	-3.4%	0.0%

Cash and reserve requirements (\$ 000s)	2018	2019	2020	2021	2022	2023
Cumulative cash used, before reserves	(34,335)	(77,806)	(124,787)	(167,783)	(192,687)	(193,046)
Reserves	10,000	14,000	34,802	52,769	98,236	147,398
% of revenue		26.5%	20.9%	14.2%	13.6%	12.4%
Cumulative cash used, including reserves	(44,335)	(91,806)	(159,589)	(220,552)	(290,923)	(340,444)

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# Our model will produce superior margins

## REVENUE

$$\left( \begin{array}{c} \text{County} \\ \text{benchmark} \end{array} \right) \times \left( \begin{array}{c} \text{Plan risk score} \\ \text{Revenue factors on which to focus} \end{array} \right) + \text{STARS bonus}$$

## COSTS

- New technology stack reduces administrative costs
- Primary care physician partnerships and tech-enabled Devoted Health Guides, house-call medical group, and other clinical services\* deliver lower medical costs
- Lower long-term sales costs due to higher NPS and lower churn

## QUALITY

Providers selected based upon ability to achieve quality targets and supported by Devoted Health Guides, house-call medical group, and other clinical services; technology and operations to better track/support metrics

- 4+ STARS gets 5% increase in revenue from CMS
- 5 STARS allows year-round member enrollment

**\* By delivering clinical services, Devoted both lowers the total cost of care for Devoted's Medicare Advantage plan and also earns revenue and margin for Devoted's Medical Group**



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