



Bright Health Group

# Bright Health Group

Second Quarter 2022 – Earnings Presentation

August 10, 2022

# Disclaimer



Statements made in this presentation that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements, and should be evaluated as such. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business plan and strategies, and operational and financial outlook and guidance. These statements often include words such as “anticipate,” “expect,” “plan,” “believe,” “intend,” “project,” “forecast,” “estimates,” “projections,” “outlook,” and other similar expressions. These forward-looking statements include any statements regarding our plans and expectations with respect to Bright Health Group, Inc. (the Company). Such forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Factors that might materially affect such forward-looking statements include: our ability to continue as a going concern if we do not obtain additional financing; a lack of acceptance or slow adoption of our business model; our ability to retain existing consumers and expand consumer enrollment; our ability to accurately assess, code, and report IFP and MA risk adjustment factor scores for consumers; our ability to contract with care providers and arrange for the provision of quality care; our ability to accurately estimate our medical expenses, effectively manage our costs and claims liabilities or appropriately price our products and charge premiums; the impact of the ongoing COVID-19 pandemic on our business and results of operations; the risks associated with our reliance on third-party providers to operate our business; the impact of modifications or changes to the U.S. health insurance markets; our ability to manage the growth of our business; our ability to operate, update or implement our technology platform and other information technology systems; our ability to retain key executives; our ability to successfully pursue acquisitions and integrate acquired businesses; the occurrence of severe weather events, catastrophic health events, natural or man-made disasters, and social and political conditions or civil unrest; the impact of security incidents or breaches, loss of data and other related events on our members, patients, employees, and financial results; our ability to comply with requirements to maintain effective internal controls; our ability to adapt to the new risks associated with our expansion into Direct Contracting; and additional risks and uncertainties described in the Company's Form 10-K, Form 10-Q and Form 8-K reports (including all amendments to those reports). Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this release to conform these statements to actual results or to changes in our expectations.



## **Our Mission**

Making Healthcare Right. Together.

## **Our Vision**

Through powerful relationships with **Care Partners**, we help all people live healthy and brighter lives.



# Q2 Strong Underlying Business Performance

Q2 Revenue and Adj. EBITDA impacted by 2021 Risk Adjustment true-up and PDR recognized in Q2 for new 2022 states

## Second Quarter by the Numbers

**\$1.58  
Billion**

Q2'22 Revenue

**88.8%**

Q2'22 Medical Cost Ratio

**\$(194.9)  
Million**

Q2'22 Adjusted EBITDA<sup>(2)</sup>

## Full Year Guidance<sup>(1)</sup>

**\$6.8 - \$7.1  
Billion**

2022E Revenue

**90 - 94%**

2022E Medical Cost Ratio

**\$(500) - (800)  
Million**

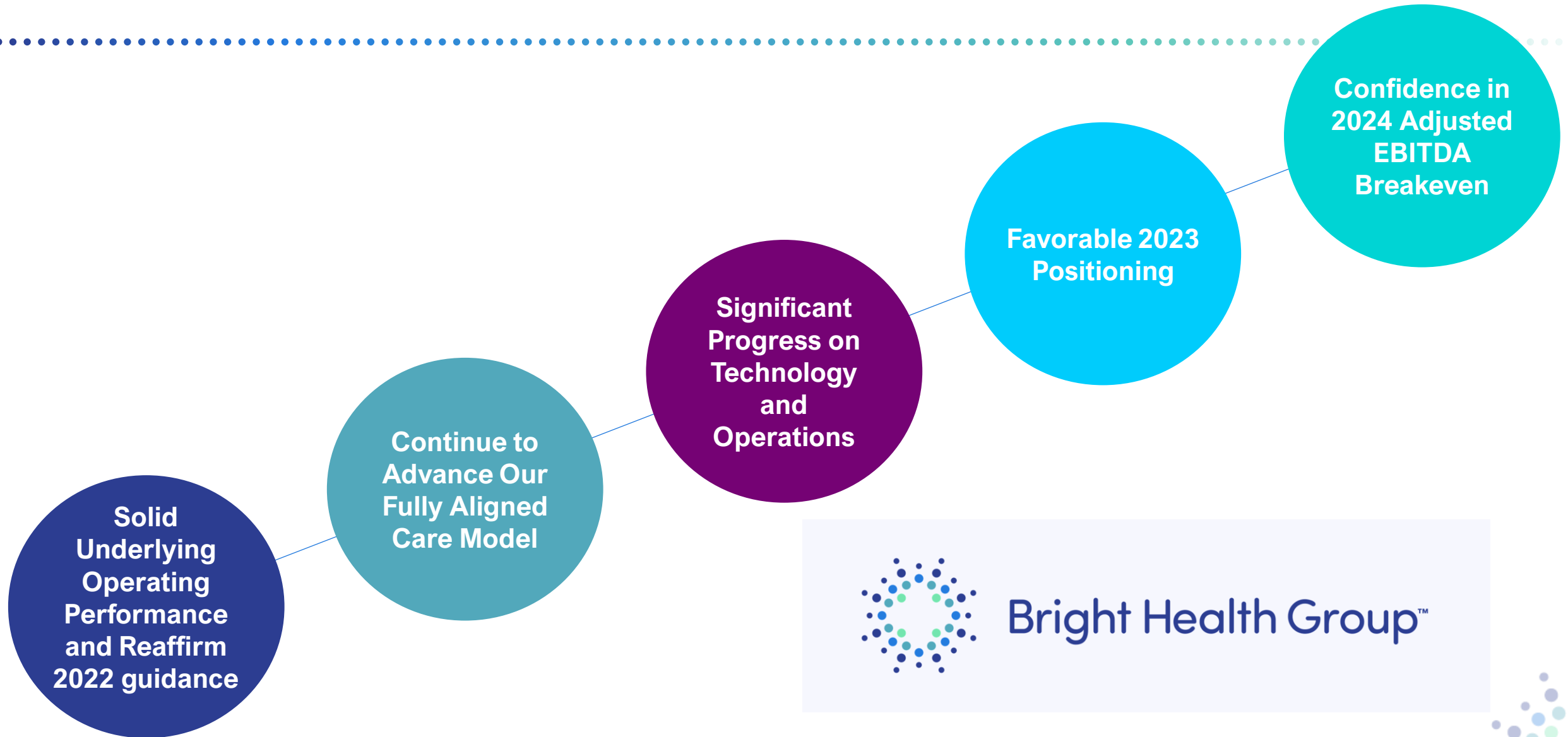
2022E Adjusted EBITDA<sup>(3)</sup>

(1) 2022 Guidance as of August 10, 2022

(2) A reconciliation of Adjusted EBITDA to Net Loss for applicable periods is contained in the appendix to this presentation

(3) Please see the appendix to this presentation for a discussion of why a reconciliation of projected Adjusted EBITDA to the most directly comparable GAAP measure is not provided.

# Key Updates



# Continued Progress to Date on Our Focused Actions and Process Improvements

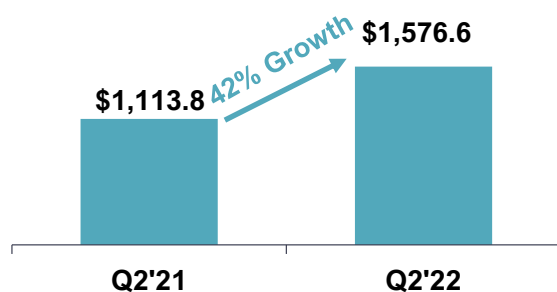
Objective	Actions Taken	Q2 2022 Status Update
<b>Medical Cost Management Improvements</b>	<ul style="list-style-type: none"><li>• Contract renegotiations</li><li>• Utilization management improvements</li><li>• Better tracking and management of care authorizations and denials</li></ul>	<ul style="list-style-type: none"><li>• On track for expected \$300M+ full year Medical Cost Management benefits</li><li>• COVID lower than last year and on track to expectations</li><li>• Expect further improvement in 2023</li></ul>
<b>Accurately Capturing Risk Scores of our Members</b>	<ul style="list-style-type: none"><li>• Earlier attribution and engagement of members</li><li>• Increased patient engagement and improved coding processes</li><li>• Enhanced technology integration with NeueHealth</li></ul>	<ul style="list-style-type: none"><li>• Seeing 20-25% Florida and North Carolina risk adjustment improvement</li><li>• Texas gross margin in-line with expectations, healthier population reflected in med costs and risk adj.</li></ul>
<b>Claims and Clinical Platforms Stabilization</b>	<ul style="list-style-type: none"><li>• Implemented new claims management platform for new IFP markets</li><li>• Significant investment and resources for legacy claims management platform</li><li>• Increased levels of automation in claims processing</li></ul>	<ul style="list-style-type: none"><li>• Electronic claims submission, prompt pay, and auto adjudication all increased meaningfully</li><li>• New administrative platforms performing in-line with positive expectations</li></ul>

# Overview of Q2 2022 Results

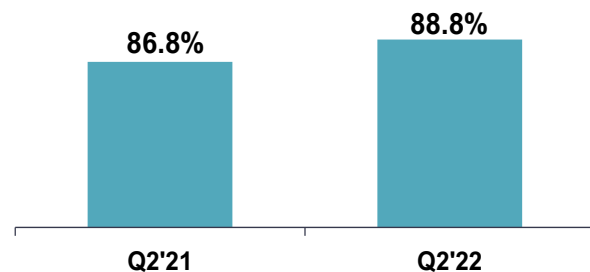
Bright Health Group continued to demonstrate robust growth and improved performance on an adjusted basis

## Enterprise Metrics (\$M)

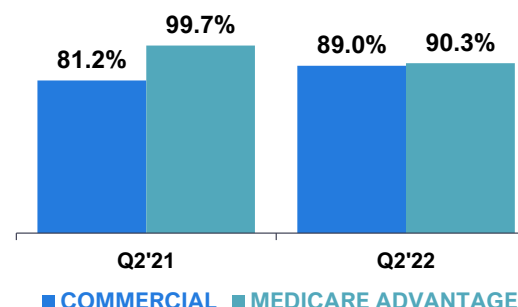
### Revenue



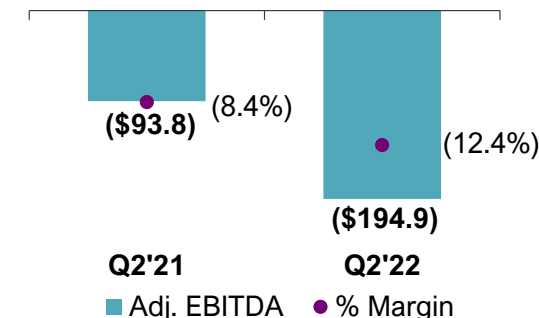
### Bright Health Group MCR



### BHC MCR by Business



### Adjusted EBITDA<sup>(2)</sup>



## Key Considerations

- Q2'22 Revenue, GM, and MCR reflect (\$93 million) true up for the 2021 risk adjustment payable, partially offset in GM and MCR by \$38 million in favorable Medical Expense reserve developments.
  - Net impact of these out of period items was an increase of 270bps to Consolidated Q2'22 MCR, 430bps to Commercial Q2'22 MCR
- Q2'22 MCR also impacted by \$20 million in COVID costs and the impact of Direct Contracting, adding 130bps and 90bps to the MCR, respectively
- Q2'22 Adjusted EBITDA includes the impact of an in-year \$37 million PDR recognized in Q2 primarily related to new 2022 Marketplace states
- Revenue, Gross Margin, and Net Loss include a negative impact from (\$11 million) Investment Income
  - Adjusted EBITDA excludes a \$16 million non-cash change in fair value of equity securities
- Q2'21 MCR would have been higher if adjusted for medical costs and risk adjustment payable forecasts that subsequently transpired

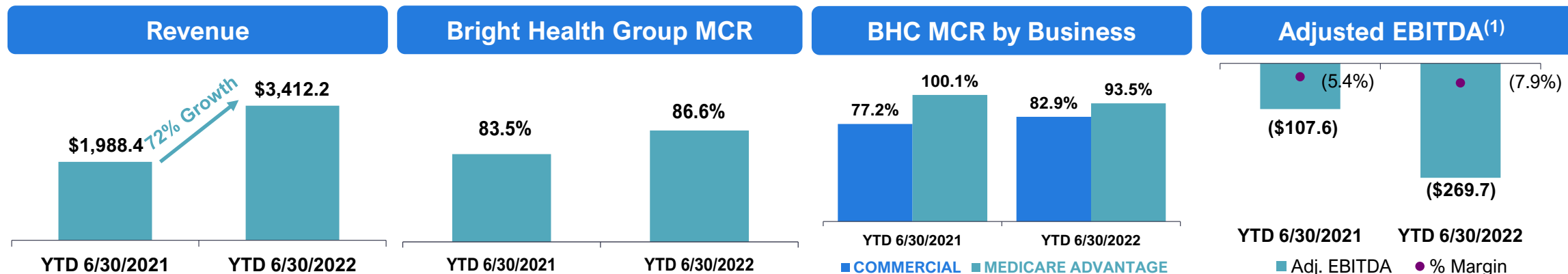
(1) Defined as total revenue less medical costs

(2) A reconciliation of Adjusted EBITDA to Net Loss for applicable periods is contained in the appendix to this presentation

# Overview of Year-to-Date 2022 Results

Bright Health Group continued to demonstrate robust growth, gross profit improvement

## Enterprise Metrics (\$M)



## Key Considerations

- YTD 2022 Revenue, GM, and MCR reflect (\$93 million) true up for the 2021 risk adjustment payable, partially offset in GM and MCR by \$53 million in favorable Medical Expense reserve developments.
  - Net impact of these out of period items is an increase of 70bps to Consolidated YTD 2022 MCR, 180bps to Commercial YTD 2022 MCR
- YTD 2022 MCR also impacted by \$78 million in COVID costs and the impact of Direct Contracting, adding 230bps and 110bps to the MCR, respectively
- YTD 2022 Adj. EBITDA includes the impact of an in-year \$37 million PDR recognized in Q2 primarily related to new 2022 Marketplace states
- Revenue, Gross Margin, and Net Loss include a negative impact from (\$51 million) Investment Income
  - Adjusted EBITDA excludes a \$57 million non-cash change in fair value of equity securities
- YTD 2021 MCR would have been meaningfully higher if adjusted for medical costs and risk adjustment payable forecasts that subsequently transpired

(1) A reconciliation of Adjusted EBITDA to Net Loss for applicable periods is contained in the appendix to this presentation



# NeueHealth Performing Well While Managing Rapid Growth

Movement of consumers into Fully Aligned Model and Direct Contracting driving growth and performance

(\$ in millions)

	YTD 6/30/21	YTD 6/30/22	YoY Growth
Value-Based Patients <sup>(1)</sup>	40,000	500,000	1,150%
Premium Revenue	\$37.0	\$159.4	331%
Direct Contracting Revenue	-	320.0	NM
Services Revenue	20.4	25.2	23%
Investment Income	62.8	(57.2)	NM
Unaffiliated Revenue	\$120.2	\$447.5	272%
Affiliated Revenue	42.6	595.6	1,297%
<b>Total NeueHealth Revenue</b>	<b>\$162.9</b>	<b>\$1,043.1</b>	<b>541%</b>

## Q2'22 Highlights

**1,000%** growth excluding investment income

**~400k** Bright HealthCare members managed in value-based arrangements

**47k** Medicare FFS patients managed through Direct Contracting

Q2 Revenue lower sequentially on '21 and '22 risk adj. true-ups and DCE Benchmark reduction

## 2022 Expectations

**~\$2.2 billion** FY'22 segment revenue

**~40%** expected revenue from external payors

(1) Value-Based Patients of 40,000 and 500,000 represent end of period figures as of 6/30/2021 and 6/30/2022, respectively

# Balance Sheet and Liquidity Highlights

## Summary Balance Sheet

(\$ in thousands)	December 31, 2021	June 30, 2022
<b>Assets</b>		
Cash and Cash Equivalents	\$1,061,179	\$1,427,517
Other Current Assets	599,021	1,732,894
<b>Total Current Assets</b>	<b>\$1,660,200</b>	<b>\$3,160,411</b>
Long-Term Investments	\$675,192	\$861,675
Goodwill and Intangibles, Net	1,179,000	1,151,699
Other Non-Current Assets	83,947	87,272
<b>Total Other Assets</b>	<b>\$1,938,139</b>	<b>\$2,100,646</b>
<b>Total Assets</b>	<b>\$3,598,339</b>	<b>\$5,261,057</b>
<b>Liabilities and Other</b>		
Total Liabilities	\$2,324,812	\$3,667,140
Redeemable Noncontrolling Interests	\$128,407	\$164,454
Redeemable Preferred Stock	—	747,481
Total Shareholders' (Deficit) Equity	1,145,120	681,982
<b>Total Liabilities and Other</b>	<b>\$3,598,339</b>	<b>\$5,261,057</b>

## Q2'22 Quarter-End Liquidity

- ~\$3.1 billion in total cash and investments, including \$138 million of non-regulated cash and short-term investments
- Regulated insurance entities sufficiently capitalized at or above statutory minimums
- ~\$300 million available under current \$350 million credit facility, with ~\$50 million having been committed through a letter of credit to support NeueHealth's participation in CMS's Direct Contracting Program. In early Q3, we drew \$154 million on the credit facility.
- Will continue to focus on capital efficient growth and are well under way in satisfying our future capital needs

# 2022 Outlook

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## Bright Health Group Enterprise

- Revenue of \$6.8 – \$7.1 billion
- Medical Cost Ratio of 90% – 94%
- Adjusted EBITDA of (\$500) – (\$800) million
- Intercompany revenue elimination of ~\$1.2 billion

## Bright HealthCare

- End of year membership ~1,000,000
- Medical Cost Ratio of 88.5% - 92.5%

## NeueHealth

- Value-based patients of 450,000 to 500,000
- Revenue of ~\$2.2 billion<sup>(1)</sup> with ~40% from external sources

(1) Segment revenue before intercompany eliminations



Bright Health Group

# Appendix

# Non-GAAP Reconciliation: Adjusted EBITDA

## Adjusted EBITDA

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
<i>(\$ in thousands)</i>				
<b>Net Loss</b>	<b>(\$43,723)</b>	<b>(\$251,330)</b>	<b>(\$68,268)</b>	<b>(\$431,959)</b>
Interest expense	4,142	337	4,688	1,530
Income tax expense (benefit)	(19,464)	2,904	(18,298)	6,144
Depreciation and amortization	7,195	13,229	11,776	26,270
Impairment of intangible assets	--	--	--	6,720
Transaction costs	3,130	299	5,150	410
Share-based compensation expense	13,878	20,220	19,054	53,141
Change in fair value of equity securities	(58,511)	16,183	(62,754)	57,151
Change in fair value of contingent consideration	(413)	--	1,059	--
Contract termination costs	--	500	--	1,241
Restructuring costs	--	2,798	--	9,662
<b>Adjusted EBITDA</b>	<b>(\$93,766)</b>	<b>(\$194,860)</b>	<b>(\$107,593)</b>	<b>(\$269,690)</b>



# Forward-Looking Non-GAAP Measures

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A reconciliation of projected Adjusted EBITDA (which is a forward-looking non-GAAP financial measure) that is presented on slide 4 of this presentation to the most directly comparable GAAP financial measure, is not provided because the Company is unable to provide such reconciliation without unreasonable effort. The inability to provide a reconciliation is due to the uncertainty and inherent difficulty predicting the occurrence, the financial impact and the periods in which the non-GAAP adjustments may be recognized. These GAAP measures may include the impact of such items as interest expense, income tax expense, depreciation and amortization, impairment of intangible assets, transaction costs, share-based compensation expense, changes in the fair value of equity securities, changes in the fair value of contingent consideration, contract termination costs, restructuring costs; and the tax effect of all such items. Historically, the Company has excluded these items from non-GAAP financial measures. The Company currently expects to continue to exclude these items in future disclosures of non-GAAP financial measures and may also exclude other items that may arise (collectively, “non-GAAP adjustments”). The decisions and events that typically lead to the recognition of non-GAAP adjustments, such as a decision to exit part of the business, are inherently unpredictable as to if or when they may occur. For the same reasons, the Company is unable to address the probable significance of the unavailable information, which could be material to future results.

