BERNSTEIN

The 2022 Bernstein Disruptors 25 - The Most Disruptive Private Healthcare Services Companies

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2022 DISRUPTIVE PRIVATE COMPANIES

We present our list of the 25 most disruptive private companies in U.S. Healthcare Services for 2022. We see the pace of disruption accelerating, tied to increasing demands for cost effectiveness, increased customer demands for improved cost, quality and satisfaction in healthcare to mirror experiences in other parts of their life, and more reasonable valuations for targets. This has translated into accelerated acquisitions of emerging disruptive companies by UNH and CVS, but also out of market players like Amazon.

What were the major disruption themes – This year we saw the major disruptive themes were value based care and reinventing care delivery, along with an acceleration in digital first health and artificial intelligence. We note that this list has evolved over the past five years from point solution or single capability companies to more comprehensive solutions. An example would be telehealth or single model VBC companies in 2018, evolving into companies with multiple types of capabilities (eg convenient clinics, home care and digital). In addition, the 2022 list see a continuation of expansion of VBC into specialty populations and conditions, further enabling the use of VBC across more of total medical spend. As we did last year, we have added a list of Rising Disruptors, companies that are earlier stage or are in industries which are at an earlier stage. This year's list has a strong weighting in VBC for specialty populations and conditions, digital and artificial intelligence.

Process - As has been our practice, individual company rankings are not based on current valuations, but rather on our view of disruptive impact in the long term, which recognizes the value within other organizations. For purposes of this analysis, we employed the following process: 1) while quantitative inputs are reviewed, this is an entirely qualitative assessment of these companies and their future prospects; 2) we are considering private companies exclusively; 3) criteria for inclusion is our awareness, so we may overlook someone; and 4) lastly, the greatest value in this forced ranking is the debate and arguments it causes, so please take issue with rankings and send me emails on any changes you would make or oversights.

Our top five disruptors are: #1 – VillageMD ; #2 – Aledade; #3 – CityBlock; #4 – ChenMed; #5 – Somatus. These represent three value based care delivery companies, one VBC specialty, along with a company focused on reinventing care delivery that could become a VBC company over time.

Disruption roadmap - With recent acquisitions by Amazon (OneMedical), CVS (Signify Health) and UNH (Landmark Health, LHC Group), we are seeing an acceleration in incumbents and large scale new entrants seeking to acquire disruptive companies. We see four major models of disruption **- Traditional Value Based Care (VBC),** risk bearing physician practices with home and digital capabilities, a model in line with UNH's approach; **Alternative VBC,** involving omni channel risk-bearing primary care practices in convenient clinics, with home, digital and integrated pharmacy - our view of CVS' likely approach; **Consumerism**, which bundles convenient access to primary care in clinics, digital/virtual and home, coupled with integrated pharmacy - possibly Amazon's approach; and **Digital Enablement,** focused on digital and automated care, connectivity, and remote monitoring, which may be how Big Tech looks to disrupt in the space.

6th Annual Bernstein Disruptors Conference (virtual) on Oct 11th - To provide greater insight into this disruption, we are hosting our 6th Annual Disruptors Conference on October 11th (REGISTER HERE or ask your salesperson for details). The event will be virtual this year. We will host fireside chats with several leading disruptive private companies including VillageMD, Aledade, Somatus, ConcertoCare, K Health, CareBridge and Galileo Health.

PROCESS

We followed a two-pronged approach to segment and prioritize companies based on how well-positioned they are as potential disruptors. First was to identify the themes in the order of importance that we deem are the applicable areas of disruption. These themes were then used to segment companies. Second, we created a qualitative assessment metric to rank order and compare individual companies. This quantitative metric aided with our qualitative assessment was used for the final selection process.

- **Themes:** We evaluate a number of strategic themes, some of which overlap. These include value-based care delivery; value based care enablement; new MCO models; reimagining care delivery which includes telehealth, virtual care delivery, home care, remote monitoring and convenient care delivery settings; artificial intelligence and personalized medicine; social determinants of health; consumerism and transparency; pharmacy model disruption; healthcare enablement; MCO efficiency and payments integrity.

- **Qualitative matrix:** Factors include strategic drivers, unique approach/differentiated advantage, market Impact, market traction, standalone component disruption,category leadership, and management/backing.

These weightings combined with our qualitative inference of prospective growth over the next five to ten years were used to evaluate and arrive at the final rankings.

Why do we focus on private companies? We see this analysis as providing a series of values to investors: 1) it provides insights into disruptions which may impacts public companies and existing business models; 2) it provides enhanced insights into the sometimes more opaque segments and initiatives of public companies (e.g. UNH's OptumCare and CVS HealthHubs); it provides perspectives on companies and sectors which investors may have interest in for new IPOs as well as for pre-IPO and private investments.

THE DISRUPTORS ROADMAP

How will major players seek to disrupt care delivery? With recent acquisitions by Amazon (OneMedical), CVS (Signify Health) and UNH (Landmark Health, LHC Group), we are seeing an acceleration in incumbents and large scale new entrants seeking to acquire disruptive companies. We see four major models of disruption -

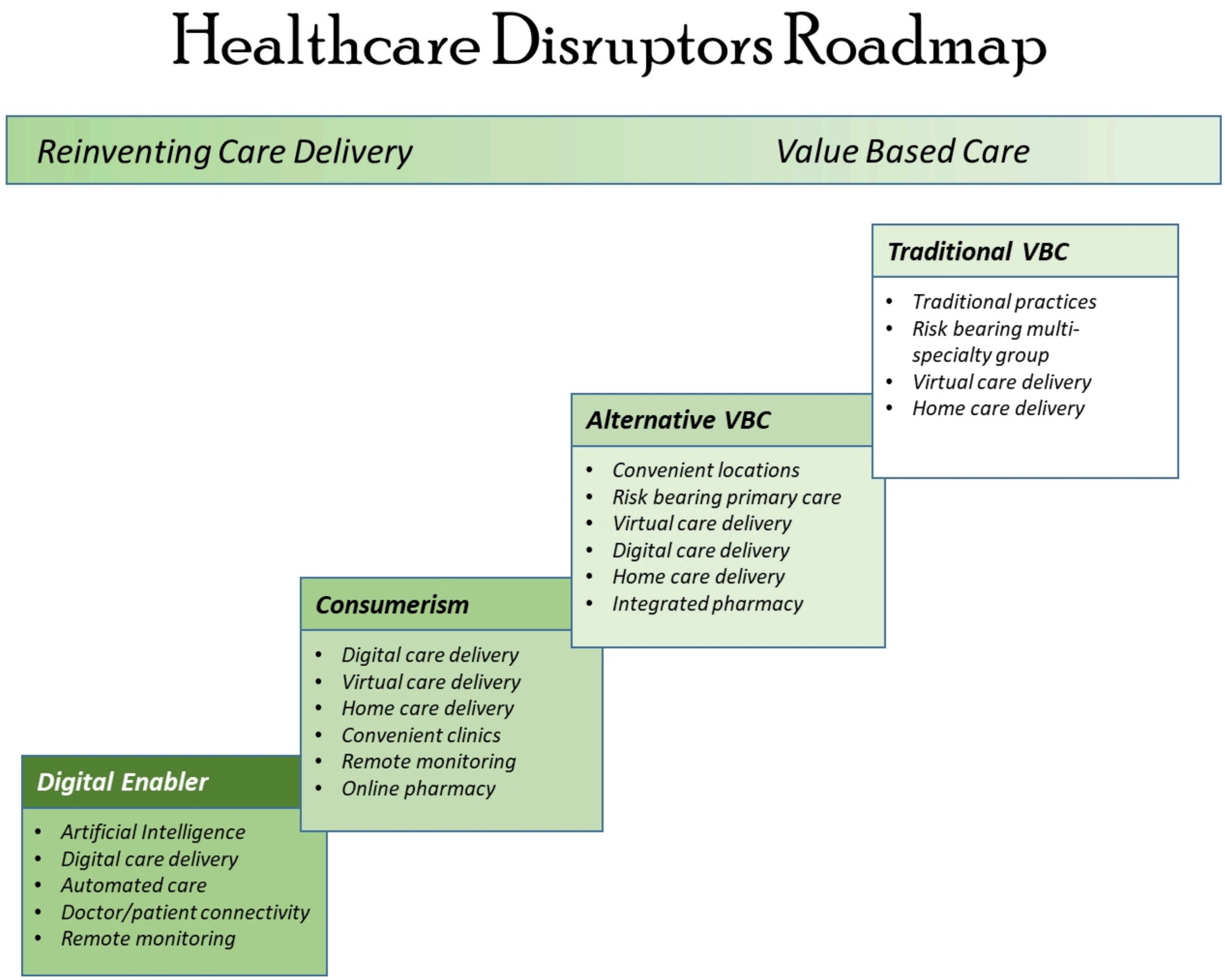
Traditional Value Based Care (VBC), risk bearing multi-specialty physician practices, with home and digital/virtual capabilities. Local market density in this model assists in care management in specialist and inpatient settings. This model is consistent with UNH's approach, along with HUM's approach. This would likely be the approach that ELV would employ. This is a risk-bearing model which either contracts with MCOs and other payers (e.g. government, self-insured employers), or disintermediates MCOs.

Alternative VBC, involving omni channel risk-bearing primary care practices in convenient clinics, with home, digital/virtual. Care automation and digital first approaches would fit well into this approach. Pharmacy would be integrated into this approach, both online and/or physical locations. This is a risk-bearing model which either contracts with MCOs and other payers (e.g. government, self-insured employers), or disintermediates MCOs. This is likely the CVS approach, and could be the approach for other physical retailers, although the risk bearing approach is particularly well suited for the integrated MCO, care delivery model of CVS.

Consumerism, which bundles convenient access to primary care in clinics, digital/virtual and home, coupled with integrated pharmacy. This is a consumer oriented model which attempts to build deep and satisfying relationships with the consumer. The monetization fo this model comes through taking share in fee-for-service care delivery, becoming a valuable asset in VBC, and other sales opportunities with consumers including pharmacy and possibly health plans (e.g. MA, Part D, Individual); This could be the approach for Amazon, with assets like Signify potentially being valuable for deepening the consumer relationship as they enter the consumer home each year to netter understand the consumer and evaluate their health situation.

Digital Enablement, focused on digital and automated care, connectivity, leveraging artificial intelligence and remote monitoring. This is an enablement model, rather than a risk-bearing model, seeking to enable consumers or providers to improve care delivery. Disruptive capabilities which could leaded to consumer disintermediation would be of high value in this model. This might be the approach for tech companies that could leverage AI expertise, data and information connections and management in the health system.

EXHIBIT 1 : **Healthcare Disruptors Roadmap**



Source: Bernstein analysis

KEY DISRUPTIVE THEMES

What were the major disruption themes– For 2022, the top sectors for 2022 disruption are: 1) Value based care (VBC) and VBC Specialty; 2) Digital first healthcare; 3) Reinventing care delivery including Home care delivery; 4) Whole person health and Social Determinants of Health; 5) Artificial Intelligence. The bulk of the companies are in VBC, reinventing care delivery and digital first health. This year we saw an emergence of specialty providers by condition or population, which are included in the VBC, digital first or reinvented care delivery sectors.

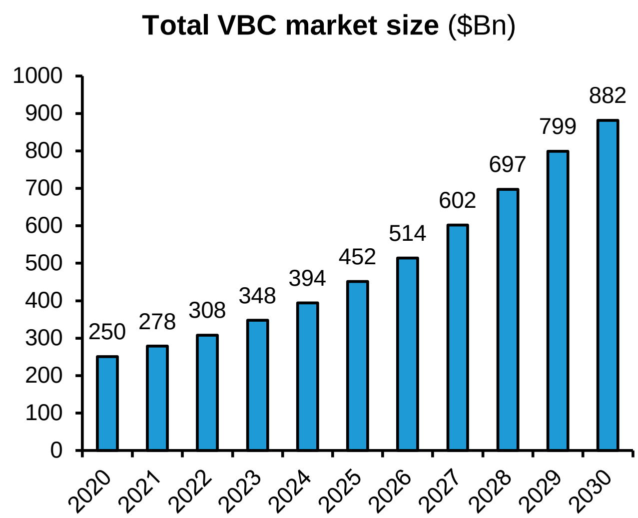
As we did last year, we have added a list of Rising Disruptors, companies that are earlier stage or are in industries which are at an earlier stage. This year's list has a strong weighting in VBC for specialty populations and conditions, digital and artificial intelligence.

Value based care

We see the largest disruption to the US healthcare system as the shift to value-based care. Value based care has the potential to reduce healthcare costs by $1 trillion, with value-based care enablement companies sharing in these savings in addition to the natural margin to manage risk bearing primary care companies. We expect this disruption to be enabled by the reinvention of primary care delivery, which will further enable the management of costs and outcomes.

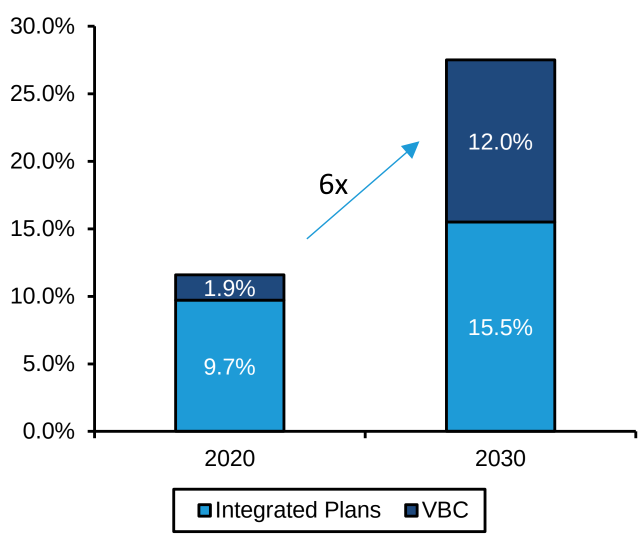
We estimate the current VBC sector of $250b will grow to nearly $900b in 2030, with nearly half of this coming from Medicare. The growth for risk bearing primary care is much higher given its lower base and the application of these assets to the full range of MCOs and Medicare FFS. The pure VBC companies currently represent $40b of medical spend, and we expect a 25% growth rate over the next decade. We see this growing from 2% of total medical spend in 2020 to 12% by 2030. Thus, we expect this shift to value based reimbursement to continue to grow for some time post-2030.

EXHIBIT 2 : **Total VBC Market Size**



Source: Bernstein analysis and estimates

EXHIBIT 3 : **Growth of Integrated Plans and VBC**



Source: Bernstein analysis and estiamtes

We see three primary drivers of growth: 1) MA enrollment and pace of penetration growth; 2) direct contracting for Medicare growth; and 3) pace of penetration growth in employer and Medicaid. We note that VBC growth at pure VBC companies has appeared to be high over the past few years, with private companies reporting annual revenue growth of over 50+% over the past two years.

We have see three submodels of VBC – Build; Own & Change; and MSO/Enablement. The Build model's approach is to Build new practices exclusively focused on VBC to constantly improve risk bearing results. Own and Change acquires existing practices and coverts them to VBC through the introduction of tools and incentive systems. MSO/Enablement models contract with existing practices to provide the services to convert the practice to taking risk, and sharing in the economics generated.

VBC (Specialty)

The **VBC Specialty** category is taking the general VBC model in primary care a step further into specialties conditions (i.e. kidney, cardiology, etc) and populations (frail elderly). We see value based care companies are evolving to need to better control downstream medical costs and expect that integration of capabilities focused on specialty areas and populations will be a next wave of evolution. We see these businesses as being important valuable components to create value based care v4, a model which has risk-bearing multi-specialty practices, with omni-channel outreach and capabilities to manage specialty conditions and populations that are less likely to consistently enter a PCP office.

Digital First Health

We identify digital first healthcare as the collection of healthcare services which are provided either digital first or exclusively through digital means. While we recognize the value to traditional healthcare services players such as MCOs and providers from applying digital means to improve the efficiency of their business model, that is not what we mean by digital first healthcare. We see digital first healthcare as models which increase efficiency, effectiveness, and engagement to lower costs, increase satisfaction and improve health outcomes. We see this category as including digital first practices, digital care enablement, care automation, remote monitoring and the integration of these capabilities to deliver an improved care experience.

Reinventing care delivery including home care

This category includes care delivery delivered within the home, and convenient setting for care delivery.

We see home delivery of care as a significant model to improve primary care. We see two major types of home based care delivery – convenience oriented home based care (whether for episodic issues or true convenience), and tailored models targeting frail elderly populations. Note, we do not include traditional home health in this category of reinvented care. We do see home health as playing important roles within traditional care management and delivery, but our focus in reinvented care delivery is around models which have a physician or comparable clinician providing care at the home.

Home based care companies typically are providing services for a specified population, and frequently taking risk through a global capitation payment. This is most common when the home care company is managing a population for an MA health plan, direct contracting with CMS as part of the direct contracting program, or taking risk through the PACE program (Programs of All-Inclusive Care for the Elderly). These home based care companies often utilize a value based care approach, which is consistent with the global capitation payment model. These home based programs for highly complex patients are likely to leverage remote monitoring and may include a dedicated center (for the PACE program in particular).

Another form of home based care is focused on urgent care or episodic care, providing greater access for the consumer. This care is less expensive than emergency rooms and focus on hospital diversion or keeping patients stabilized and out of the hospital. This model is typically complemented with virtual care delivery, providing alternative settings vs traditional medical office settings. This model is quite similar to the digital first model, although this model may be home first or non-medical office setting first.

In addition, we see convenient care delivery clinics. The convenience of the clinic can be the location in low income settings, the comprehensive nature of services (e.g. social determinants or whole person services), and likely the integration of virtual and home with the clinic.

Whole person / Social Determinants of Health companies

We see two trends increasing the importance of whole person / social determinants of health companies. The first is the recognition of the importance of behavioral care as part of overall health. This category of care has been more quickly incorporated virtual care and digital, which makes it more ripe for disruption. The other are policy efforts to improve health equity and policy needs by government for assistance in managing social services for these populations. We believe social determinants of health are very significant for Medicaid MCOs future value proposition as they become more important drivers of costs and address inequality. Areas like food, housing and transportation have direct impact on health care costs and outcomes, as well as contributing to inequality. We expect that social determinants will become important to ESG investors, which should create a cost of capital advantage for this sector as well.

Artificial Intelligence

AI is used in healthcare as a general term to describe an amalgamation of technologies and techniques from a number of fields including computer science and statistics to gain advanced insights from troves of user data and recommend actions otherwise made by humans. The advantage of this approach over human analysis is in the computing power, speed, and learning power of computers. Typical use case in healthcare is application of machine learning ("ML") and other cognitive disciplines to make accurate diagnoses. Using patient data and other information, AI can help doctors and medical providers deliver more accurate diagnoses and treatment plans. Also, AI can help make healthcare more predictive by analyzing big data to develop improved preventive care recommendations for patients.

EXHIBIT 4 : **Bernstein's 2022 HC Services Disruptors 25**

Bernstein's 2022 HC Services Disruptors 25

VBC	*Reinventing Care Delivery*	*Digital First Care*
VillageMD Aledade ChenMed Vera Whole	CityBlock ConcertoCare Care Bridge Dispatch Heal Carbon Health Ro	K Health Maven Clinic Hinge Health Sword 98Point6 Galileo Virta Health

VBC Specialty	*Whole Person/Social Determinants*	*AI*
Somatus AllyAlign	Headspace Health Lyra Unite US	viz.ai Scipher Medicine

Source: Bernstein

BERNSTEIN'S DISRUPTOR 25

1. **VillageMD** *(VBC)* - VillageMD is a leading value based care delivery company which utilizes a combination of the Build, Own and Change, and MSO business models. VillageMD historically had partnership or owned existing practices, leveraging its technology and services to improve practice operations and enable the taking and managing of clinical risk. The company operates a couple of key business models, with Village Medical operating traditional free-standing practices and Village Medical at Walgreens clinics, along with virtual and home (the omni-channel VBC model). In addition, the VillageMD brand houses their enablement and partnering model which provides technology, tools, services including full MSO services. VillageMD currently has 250+ locations and is present in 22 markets serving with 1.6 million patients. Walgreens invested an additional $5.2 billion into VillageMD last year, taking the ownership to 63%. With its partnership with Walgreens, VillageMD is aiming to open 600 centers within Walgreens locations in 30 US markets by 2025 and 1,000 by 2027.

2. **Aledade** *(VBC)* - Aledade is working to reshape primary care, partnering with independent primary care practices to run accountable care organizations with value-based care arrangements. We see Aledade as a VBC Enablement model. They have 1.75 million lives under management with 150 value-based care arrangements, including 98 Medicare contracts. They partner with 1000+ primary care practices, including 140+ federally-qualified health centers, across 37+ states covering 12,300+ health care providers. Aledade has $17 billion in total healthcare spending. They serve more than 200k MA patients.

   Aledade is reportedly EBITDA positive for second straight year in 2021 with revenue of more than $300 million. The company has recently raised $123 mn in a series E round. Aledade recently announced a partnership with Elevance targeting enablement of independent physicians in Elevance's netowrks.

3. **CityBlock** *(Reinventing Care Delivery)* - Cityblock is a healthcare provider focused on underserved, low-income populations. It combines primary care, behavioral health, and chronic disease management services to address social determinants, including transportation, housing, and access to healthy food. Cityblock was spun out of Alphabet subsidiary Sidewalk Labs. They currently provide care to 70k members in and has opened clinics in New York, Connecticut, Massachusetts, Washington DC, Ohio, and North Carolina.

CityBlock aims to serve 10 million people in next 10 years. The company raised $400 million last year in funding led by SoftBank. The company has raised $900mn so far and includes Alphabet among its investors.

4. **ChenMed** *(VBC)* - ChenMed is a value based care delivery company operating in the Build business model, with a focus on low income seniors in MA plans. ChenMed operates under the Chen Senior Medical Center, JenCare Senior Medical Center and Dedicated Senior Medical Center brands and has been called the concierge service for the poor. Each doctor at ChenMed sees fewer patients (400 - 450 patients each vs. national average of 2,300) and spends more time with each patient. This has led to lower hospital admissions.

   The company opened 18 new centers in 2021, hired 250+ new physicians and 1,000 team members. They currently operate in 15 states with total of 100+ centers and 350+ care providers.

5. **Somatus** *(VBC - Specialty)* – Somatus is a value based care kidney company. They partner with health plans, health systems, and nephrology, and primary care groups. They provide integrated care for patients with or at risk of developing kidney disease. Somatus' is vertically integrated clinical services and technology delay or prevent disease progression, improve quality and care coordination, and increase the use of home dialysis modalities and rates of kidney transplantation. They have provided care to 120k patients and are operational in 30+ markets. They plan to serve over 150k members in 34 states in 2022.

   Somatus raised $325 million in series E funding in the latest round. They have raised nearly $500 million to date.

6. **ConcertoCare** *(Reinventing Care Delivery)* – ConcertoCare provides tech enabled value based primary care to seniors in their own home setting. Focus patients for ConcertoCare are highly complex seniors with multiple conditions. Their ConcertoCare Partner program provides additional in-home health services in collaboration with patients existing PCP. Their in-home service provides house calls for patients without a PCP, and their ConcertoPACE provides all inclusive home-level care to the seniors. Their model has reduced hospital admits by 47%, readmits by 40% and ER visits by 16% while achieving an increase of 38% in annual wellness visits for the most vulnerable patient populations in the U.S., benefiting patients, payers and provider networks. ConcertoCare was created through the merger of Perfect Health, a risk-based senior care provider and ConcertoHealth.

   The company recently raised $105 million in series B funding round, with a total fundraising of $149.5 million to date.

7. **K Health** *(Digital first care)* – K Health is a digital first health care provider that uses AI and digital care delivery, which then can connect to virtual care delivery for primary care. The company's AI technology was trained on real anonymized medical records. The company serves roughly 6+ mn patients across all 50 states.

   It also operates a joint venture with Anthem and Blackstone called Hydrogen Health, which is focused on employer and individual health plan products.

   K Health raised $132 million in series E funding in 2021, taking the total funds raised to $271.3 million to date.

8. **viz.ai** *(Artificial Intelligence)* **-** viz.ai is a AI based disease detection and care coordination platform. Company's technology integrated into clinical workflow which enables automation in disease detection, increases diagnostics rates, and enhances care coordination workflow, leading to better outcomes. As per the company, "Viz.ai solves the fundamental problem of connecting radiologists, emergency physicians, and primary care practitioners to the optimal specialists for a particular disease in order to facilitate care coordination and ensure optimized and consistent care pathways, reducing variability. The Viz Platform is a transformative, intelligent care coordination solution that unifies synchronized care collaboration, high fidelity mobile image viewing, automated workflows and improved visibility at decision-making moments. "

   Viz.ai currently works with more than 1,000 hospital across US and EMEA. Company is estimated to have revenues of $12 million last year. They have recently raised $100 million in series D funding led by Tiger Global and Insight Partners. They have raised $251.6 million so far.

9. **Vera Whole Health** *(VBC)* – Vera Whole Health is a primary care provider offering value-based care capabilities to deliver whole health system from a single care center to facilitate better health outcomes using informatics, integrated care coordination and personal health coaches. Their model help people with social, psychological, and physical well-being. They work with employers to managed benefits.

   Last year JPMorgan's new health venture, Morgan Health, has invested $50m and will likely be using them with their employees. Vera merged with Castlight Health in $370 million all-cash deal earlier this year, integrating Castlight's technology into Vera's primary care clinics network. Vera's majority equity holder, have committed to invest up to $338 million to support the combination. Vera operates in 10 states currently.

10. **CareBridge** *(Reinventing Care Delivery)* - CareBridge is a technology company in the home based care space that allows states and health plans to deliver whole health solutions for LTSS members. The platform combines electronic visit verification (EVV), data aggregation and predictive analytics with comprehensive member and decision support services. The company has around 20k full risk patients and offers its services across 10 states - AR, Fl, IO, KS, NJ, NY, NC, TN, TX and WY.

    They have raised $140 million in the latest venture round with a total of $180 million funding to date.

11. **Maven Clinic** *(Digital first care)* – Maven Clinic is the largest virtual clinic for women's and family health. Their platform combines more than 30 provider types with individual care navigation to support all parents and all paths to parenthood, from fertility through pregnancy, parenting, and pediatrics. Company has worked with more than 10 mn women and families to date.

    Maven has raised $110 million in their latest series D funding round with a total of $200+ million funds raised so far.

12. **Hinge Health** *(Digital first care)* - Hinge Health is a digital musculoskeletal (MSK) clinic. *"Hinge Health reduces MSK pain, surgeries, and opioid use by pairing advanced wearable sensors and computer vision technology with a comprehensive clinical care team of physical therapists, physicians, and health coaches".* Their HingeConnect platform connects with 1 million+ in-person providers enabling real time interventions for elective MSK surgeries. Company uses computer vision and motion sensors for exercise therapy and motion assessment. They have also developed a wearable technology called Enso for noninvasive and nonaddictive pain relief.

    Hinge Health is used by four out of five employers and 90% of the health plans offering digital MSK solution and serves over 575 enterprise customers. Hinge Health has raised $600 million in series E funding round. They have raised $1 bln in funding so far.

13. **Dispatch** *(Reinventing Care Delivery)* – DispatchHealth provides virtual and in-home healthcare. If a patient needs medical care, the company sends nurse practitioners or physician assistants to the patient's home. The model aims to lower healthcare costs and improve outcomes by taking into account social determinants of health through in-home care.

    Since their launch in 2013, company has delivered high-acuity care to more than 220k patient in the home and saved over $227 million in medical costs. Dispatch has raised $200 million in series D funding last year. They have raised $417 million in funding so far.

14. **Headspace Health** *(Whole person/Social Determinants)* – Headspace offers an app based mindfulness and mental trainings, with 70 million downloads across all platforms. The company is the product of the merger between with Ginger and Health and together they are likely to have 100 mn consumers together. Ginger offers virtual on-demand, team-based care model focused primarily on behavioral health, therapy and psychiatry. Ginger works with more than 700 employer clients for providing on-demand mental health care. Headspace works with 2,700 enterprise and health plan customers through their Headspace for Work service. Together, the two companies have raised about $450 mn so far.

15. **Sword** *(Digital first care)* - Sword Health is a digital MSK solution provider offering digital physical therapy, on-demand text based support from physical health specialist, and clinical education provider for the members. They work with individuals, employers, and health plans. Sword health creates a custom program for each member based on their needs. Their digital therapist guides the member through the exercises using FDA listed motion sensors and Sword tablet.

    Sword Health raised $189 million in series D funding last year, taking their total fund raised to $324 million to date.

16. **Heal** *(Reinventing Care Delivery)* – Heal is a leader in medical house calls for primary care and also offers telehealth, telepsychology, and digital monitoring services. We see this model as reinventing care delivery by providing in-home urgent and primary care, complemented by virtual care and remote monitoring. They are currently in 8 cities. The company has performed more than 200,000 house calls and have generated $78 million healthcare cost savings for its customers.

    Heal has raised $100m from Humana in July 2020, which will allow expansion into new markets such as Chicago, Charlotte, and Houston. Heal has raised ~$200 million to date.

17. **98point6** *(Digital first care)* – 98point6 is a virtual primary care provider which provides on-demand, text-based diagnosis, treatment, and consultation with primary care physicians, and sends prescriptions to the pharmacy. They also provide behavioral health solutions. 98point6 serves more than 3 million people across 240 commercial partnerships, making primary care more accessible and affordable, as well as increase primary care utilization for the employer market.

    98point6 has recently raised $20 million in funding to license its technology to MultiCare Health System. This is 98point6's first deal as a third-party software provider. So far it has secured $250+ million in funding.

18. **Lyra** *(Whole person/Social Determinants)* – Lyra provides comprehensive mental health care benefits to employers in US aiming to expand globally. They have partnered with more than 180 companies and currently serve more than 4.5 mn members. Company's model provides evidence-based care supporting wide array of mental health, wellness and preventive care including severe complications. Lyra's models called Blended Care Therapy, offers video counseling sessions, one-to-one messaging, and digital activities as prescribed by the provider for the patient.

    Company has raised $235 million in the series G funding beginning this year, taking the total funding to ~$910 mn so far.

19. **Carbon Health** *(Reinventing Care Delivery)* – Carbon Health is a tech-enabled primary care provider with in-person clinics, virtual care and remote patient monitoring capabilities. Carbon Health has 140 clinics across the US in 17 states. They offer their virtual care services in 23 states and in Washington D.C. They also offer in-house lab tests and x-rays.

    Carbon Health raised $350 million for nationwide expansion last year. Till date, they have raised $522+ million in funding.

20. **Galileo** *(Digital first health)* - Galileo is a healthtech startup that re-imagines the doctor-patient relationship. The company combines technology with human-centered design to help people live better, healthier lives. Galileo's mission is to provide quality healthcare that is affordable and accessible to everyone, including those underserved by the current health system. Galileo aims at building a value-based provider for Medicaid and underserved populations which aligns payers and employers to reduce the cost of care. They have launched a digital first service for Medicaid population in conjunction with MVP Healthcare.

    Galileo's founder Tom Lee also founded One Medical. Their latest Series B funding was in Feb 2020. The company has launched a virtual primary care and Specialty care services for Medicaid members in New York.

21. **Ro** *(Reinventing care delivery)* - Ro is a direct-to-patient healthcare technology company with a vertically integrated primary care platform which connects diagnosis, delivery of medication, and ongoing care. Through their nationwide provider network, in-home care API, and proprietary pharmacy distribution centers, Ro connects telehealth, diagnostics, and pharmacy services to provide high-quality, affordable healthcare without the need for insurance. In 2022, Ro plans to introduce one Ro-branded platform, online and mobile, for patients to access all of the company's care and pharmacy services. This single destination will support patients' needs across mental health, women's health, men's health, fertility, metabolic health, and skincare. The unified platform will combine all of Ro's vertically integrated capabilities including virtual and in-home care, at-home diagnostics, labs, and pharmacy fulfillment.

    RO has network of 10 owned and operated pharmacy fulfillment centers and has facilitated over 50k in-home care appointments. Ro Pharmacy revenue saw +150% revenue growth in 2021 and added over 700 new medications to its formulary, totaling to +1,000 generic medications. They raised $150 million in Feb, 2022, and ~$1 billion in total funding so far.

22. **AllyAlign** *(VBC Specialty)* – AllyAlign focuses on improving health of patients in senior housing communities using a full-risk model in partnership with skilled nursing and senior housing partners. They also run full-service primary clinics and offer telehealth facility. They are in 15 states and have served 554 communities, with 12k patients receiving care. Their model has resulted in 37% reduction in hospital admissions and has $350 million premium under management. AllyAlign raised $300 million last year from New Enterprise Associates.

23. **Unite Us** *(Whole Person / Social Determinants)* – Unite Us is engaged in building coordinated care networks which connects health and social services providers. Their system connects providers across communities and integrates social determinants of health to provider better care to the patients with an aim to improve outcomes. They have added 4,000th school to their coordinated network of health and social care providers.

    Unite Us has raised $150 million in series C funding last year, with total of $195 million raised so far.

24. **Scipher Medicine** *(Artificial Intelligence)* - Scipher Medicine is a precision medicine company which matches patients with most effective therapy. As per the company, *" Using Spectra, our proprietary network medicine platform, we commercialize tests revealing a person's unique molecular disease signature and match it to the most effective therapy, ensuring optimal treatment from day one."*

    They have raised $110 million in financing this year, with total of $227 million funds raised to date.

25. **Virta Health** *(Digital first health)* – Virta Health works with patients for type 2 diabetes reversal using innovations in technology, nutrition science, and providing continues remote care from physicians and behavioral experts. Virta works with more than 20 national and regional health plans, employers, and government organization and earns 100% of their revenue through fees based on clinical and financial outcomes. Humana and Providence Health Plan offers Virta's diabetes reversal treatment to their self-funded employers covering over 5 million lives. They have 250+ large employer and health plan customers.

    They have raised $133 million in series E round last year and raised ~$370 million in total funding so far.

RISING DISRUPTORS

We have added a collection of earlier stage companies which are intriguing and represent important disruption themes. The distinction from the Disruptor 25 list is generally earlier stage companies that may be in Series A or B rounds, or possibly C but with lower aggregate funds raised. Additionally, we look at earlier stage business models and typically lower revenues for this list. Also, this list is not ranked, but rather intended to illustrate interesting emerging disruptive companies and themes.

Arterys *(Artificial Intelligence)* - Arterys is a global medical imaging platform which delivers clinical AI products over the internet through their Arterys Marketplace. Company is working towards brining clinical grade AI applications to providers where clinicians can integrate AI into their workflows. As per the company - *"The Arterys platform extracts actionable insights from medical images to add clinical value, improve diagnostic decision making, efficiency and productivity."* Company has raised ~$70 million so far.

Buoy *(Digital first care)* - Buoy is a digital health company which has developed a digital health tool designed to offer a personalized symptom checker. The company's platform leverages artificial intelligence that is powered by advanced machine learning and proprietary granular data to resemble an exchange people would have with their favorite doctor, enabling users to conduct a real-time analysis of their symptoms and help them easily and quickly embark on the right path to getting better. They have recently launched a healthcare marketplace which offers more than three dozen care solutions for physical, mental, and specialized healthcare needs. Buoy has raised ~$65 million so far.

Calibrate *(Digital first care)* - Calibrate is a digital telemedicine metabolic healthcare improvement company which helps consumers with sustainable weight loss programs. Company has developed an app which tracks goals and progress of members, allows them to interact with their coaching and medical teams. Their one-year metabolic reset program combines FDA approved prescription medication and intensive behavior therapy through video coaching. Company has raised ~$150 million in funding so far.

ClosedLoop.ai *(Artificial Intelligence)* - ClosedLoop.ai is a healthcare data science platform which delivers AI based solution to healthcare. As per the company - *"ClosedLoop combines an intuitive end-to-end machine learning platform with a comprehensive library of healthcare-specific features and model templates. Customers use ClosedLoop's Explainable AI to drive clinical excellence, operational efficiency, value-based contracts, and enhanced revenue."* Company has raised ~$50 million in funding so far.

Homeward Health *(VBC)* - As a value-based care provider, Homeward employs multidisciplinary care teams, available in-home, virtually, and on the ground via mobile care units, with remote monitoring to better connect patients to high-quality, affordable, and comprehensive care. Today, the company supports Medicare-eligible beneficiaries, including by partnering with Medicare Advantage plans, and takes full risk for the cost of care of its members to improve outcomes and reduce costs. They announced value-based partnership with Priority Health to provide primary and specialty care to nearly 30k MA members in rural Michigan. Company has raised $70 million in funding so far.

Lyn Health *(Reinventing care delivery)***-** Lyn is human-centric healthcare created for people with multiple chronic conditions, delivering clinical, advocacy and care coordination services via a single point of contact, 24/7. Leveraging virtual capabilities and in-person resources, Lyn improves quality of care and lowers cost for the polychronic population. They collaborate with employers, health plans and providers to augment the current healthcare system. Company has raised ~$10 million in funding so far.

Novocardia *(VBC Specialty)* - Novocardia offers a value-based cardiovascular care delivery platform and partners with cardiologists to grow their practices and participate in fee-for-value (FFV) reimbursement models. The company aims to provide proactive and prevention-focused care by leveraging technology and delivering care at a lower cost. Company has raised ~$55 million in funding so far.

Solera Health *(Reinventing care delivery)* - Solera integrates highly fragmented programs and services into one high-access, lower cost network to prevent and manage chronic health conditions paid through medical claims. Solera's personalized prevention network drives consumer engagement and has a significant impact on improved patient outcomes. Solera's technology matches patients to the "best fit" community or digital chronic disease prevention program provider based on each individual's unique needs and preferences. Company's technology manages consumer engagement, identification and referrals, reimbursement and payment, while supporting sustained consumer engagement. Company has raised ~$70 million in funding so far.

Vori Health *(Reinventing care delivery)* - Vori Health is a virtual and in-person musculoskeletal healthcare company and provides full service physical medicine and rehabilitation care, physical therapy, prescriptions, imaging & lab ordering, health coaching, nutritional guidance, community support and premium instructional content. The company offers 24/7 messaging with the care team, personalized care plan and educational content for its members. Company has raised ~$55 million in funding so far.

Wildflower *(VBC Specialty)* - Wildflower is a value-based care enablement company primarily focused on women's health. They have developed digital platform and virtual patient advocates which work with women for delivering personalized experiences that simplify the healthcare journey for families. The Wildflower Health model focuses on enabling clinical, experiential, and cost advantages for maternity patients and their providers. The model also helps in transition from fee-for-service to value-based care by fully enabling providers and payers to participate in value-based models. Company has raised ~$40 million in funding so far.

Zephyr AI *(Artificial Intelligence)* - Zephyr AI is a healthcare technology company working in drug discovery and precision medicine domain. With the help of AI and ML, Zephyr AI has built advanced analytical tools to redefine drug development, streamline clinical trials, and battle disease. At Zephyr AI, teams of software engineers and biologists integrates datasets and leverages technology to derive insights and build enduring partnerships with the aim of to revolutionize treatment of cancer, diabetes and other diseases. Company has raised ~$20 million in funding so far.

STATUS OF 2021 DISRUPTOR LIST

After a wave of IPOs and acquisitions over the past two years, 2022 has been somewhat of a quiet year for our 2021 disruptors, with none going public. This is in stark contract to the 2019 list where over half of the names have either gone public, announced plans to go public, or been acquired. Notable companies on our earlier lists include Oak Street Health, VillageMD, OneMedical, Privia Health, Iora Health (acquired by OneMedical) and RubiconMD (acquired by Oak Street).

From our 2021 list, notable financing/M&A activities included: VillageMD received an additional $5.2B of capital from WBA in October 2021, bringing WBA stake in the company to 63%. Aledade raised $123M in a series E round led by OMERS Growth Equity in

June 2022. Vera merged with Castlight Health in $370 million all-cash deal earlier this year, integrating Castlight's technology into Vera's primary care clinics network. Cricket Health merged with Fresenius Health Partners and InterWell Health to form a new value-based care company focused on kidney disease.

EXHIBIT 5 : **Our Ranking of 2021 Distruptor Companies**

Rank	Company	Category
1	VillageMD	Value Based Care
2	ChenMed	Value Based Care
3	Cityblock	Reinventing Care Delivery
4	Vera Whole Health	Value Based Care
5	ConcertoCare	Reinventing Care Delivery
6	Maven	Digital First Health
7	Heal	Reinventing Care Delivery
8	Khealth	Digital First Health
9	Dispatch	Reinventing Care Delivery
10	98Point6	Digital First Health
11	Somatus	Value Based Care
12	Cricket Health	Value Based Care
13	Carbon Health	Reinventing Care Delivery
14	Ro	Digital First Health
15	Aledade	Value Based Care
16	Unite Us	Whole Person / Health Equity
17	Headspace/Ginger	Whole Person / Health Equity
18	Lyra	Whole Person / Health Equity
19	Truepill	Digital First Health
20	Ally Align	Value Based Care
21	RxSense/Singlecare	Pharmacy Disruption
22	Grand Rounds	Digital First Health
23	Thirty Madison	Digital First Health
24	Capsule	Pharmacy Disruption
25	Devoted Health	New model MCO

Source: Bernstein analysis

BERNSTEIN TICKER TABLE

Ticker	Rating		8 Sep 2022 Closing Price	Price Target	TTM Rel. Perf.		Adjusted EPS 2021A	2022E	2023E	Adjusted P/E (x) 2021A	2022E	2023E
CNC	O	USD	91.26	115.00	56.5%	USD	5.15	5.65	6.40	17.7	16.2	14.3
CI	M	USD	290.71	301.00	47.5%	USD	20.47	22.86	25.55	14.2	12.7	11.4
CVS	M	USD	102.26	112.00	29.9%	USD	8.40	8.49	9.03	12.2	12.0	11.3
ELV	O	USD	489.35	596.00	43.2%	USD	25.97	28.65	32.59	18.8	17.1	15.0
HCA	O	USD	216.21	283.00	(3.8)%	USD	17.50	17.88	20.92	12.4	12.1	10.3
HUM	M	USD	486.36	506.00	28.9%	USD	20.64	24.50	27.28	23.6	19.9	17.8
OSH	O	USD	28.18	50.00	(34.2)%	USD	(1.84)	(2.04)	(1.34)	(15.3)	(13.8)	(21.1)
UNH	M	USD	527.51	581.00	38.2%	USD	19.02	21.72	24.94	27.7	24.3	21.2
SPX			4,006.18				203.41	225.13	244.37	19.70	17.80	16.39

O - Outperform, M - Market-Perform, U - Underperform, N - Not Rated

Source: Bloomberg, Bernstein estimates and analysis.

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VALUATION METHODOLOGY

U.S. Healthcare Services

For the following 6 companies, i.e. ELV, CI, CNC, CVS, UNH and HUM our preferred valuation methodology is relative (to S&P) price-to-forward-earning (P/FE) due to the predictive NTM results in quantile analysis across time periods, as well as the relatively strong and stable earnings generating capability of the companies' mature business. We base the companies' valuation on our EPS estimates 12-months forward, multiply it by the respective absolute P/FE ratio for each company to arrive at our target prices.

For OSH, our preferred valuation methodology is relative (to S&P) price-to-forward-earning (P/FE) and Relative Price /Revenues in Year 10 that is discounted back to establish a price target for 12 months out. In this approach we forecast the next ten years of revenues for OSH with our published model for five years (annual revenue growth rates range from 50% to 39%) and projected growth rates for years 6-10 (declining to 25%).

For HCA, our preferred valuation methodology is relative (to S&P) EV-to-forward-EBITDA (EV/FEBITDA) due to the predictive NTM results in quantile analysis across time periods, its high degree of financial leverage, as well as the relatively strong and stable earnings generating capability of the companies' mature business. We base HCA's valuation on our EBITDA estimate 12-months forward, multiply it by the absolute EV/FEBITDA ratio to arrive at our target price.

In addition to P/FE and EV/FEBITDA metrics, we also consider other valuation metrics including sum-of-the-parts, PEG, FCF Yield, and discounted cash flow, when arriving at the target price across our coverage. In addition, we acknowledge that our coverage companies generate healthy amounts of cash and often maintain relatively conservative balance sheets, suggesting potential further upside through effective capital allocation over the investment horizon.

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U.S. Healthcare Services

Price targets for all our covered companies are subject to full range of domestic U.S. macro-economic risks, such as GDP growth, unemployment rate, the pace of population aging, inflation and interest rate dynamics to fiscal spending, especially on healthcare, on both federal and state levels. As some of our covered companies continue to increase international presence outside of the U.S., currency fluctuations will become a more substantial risk. A number of industry specific factors will have significant impacts on the companies' future earnings, including medical cost trends, premium rate trends for government businesses and public exchange, industry-wide health insure tax, government spending on healthcare, and government regulations on healthcare costs, such as pharmaceuticals. That said, in most cases, the key drivers to outperformance against industry peers and attractive shareholder return is each company's ability to generate organic growth, achieve market share gains, execute on margin expansion plans (and integration initiatives post mergers for covered companies), and allocate capital efficiently and effectively. Finally, the valuation of the broader market has recovered but is subject to higher growth expectations and market volatilities. The valuation of the broader market might contract if we don't see quality growth meeting market expectations and this would also impact the valuation of our covered companies.

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Underperform	SELL	125	16.05%	0	0.00%
Not Rated (Bernstein Brand) Coverage Suspended (Autonomous Brand)	NOT RATED	2	0.26%	0	0.00%

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