THOMAS TOBIN | MANAGING DIRECTOR | @HedgeyeHC
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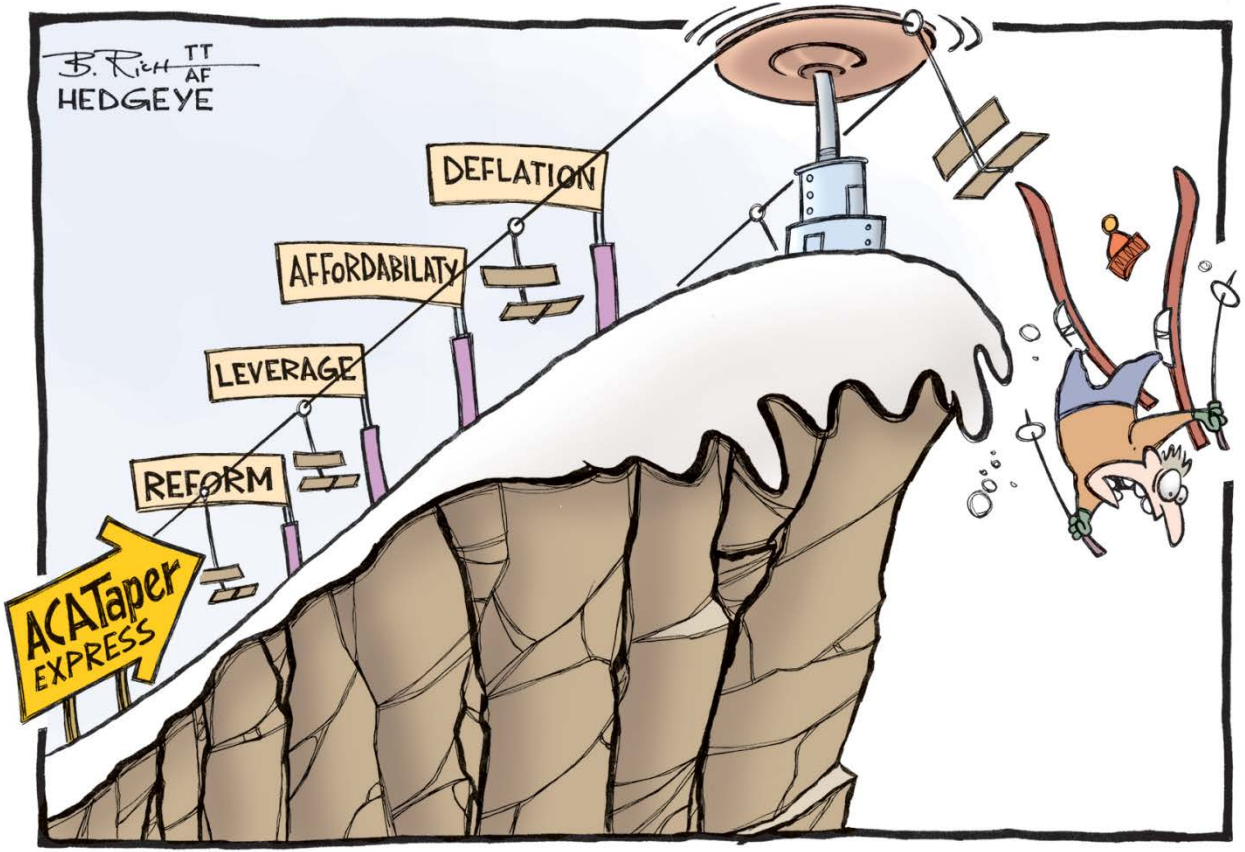

DISCLAIMER

DISCLAIMER

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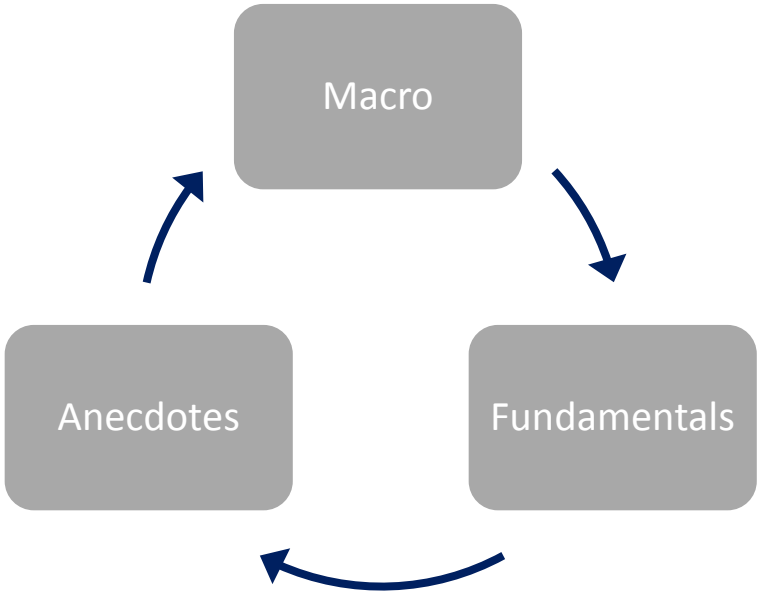
OUR INVESTMENT PROCESS

INTEGRATING FUNDAMENTALS AND MACRO RESEARCH

1. **Idea Generation**
   - Relative and absolute performance
   - Valuation, estimate, and sentiment trends and relevance
   - Battleground stocks
   - Market research
2. **Fundamentals**
   - Detailed financial models
   - Identify Key Drivers
   - Filings, transcripts, unstructured data, proprietary algorithms
   - Professional interviews, surveys
   - Multiple and sentiment forecast regressions
3. **Macro Integration with Macro Monitor Database**
   - Database of 4000+ (and growing) curated time series data
   - Automatically calculates and sorts correlations and significance
   - Analyze leading and lagging relationships across multiple durations
   - Identify, update, track, and chart high frequency Key Drivers



HEALTHCARE THEMES

1 #LATECYCLE

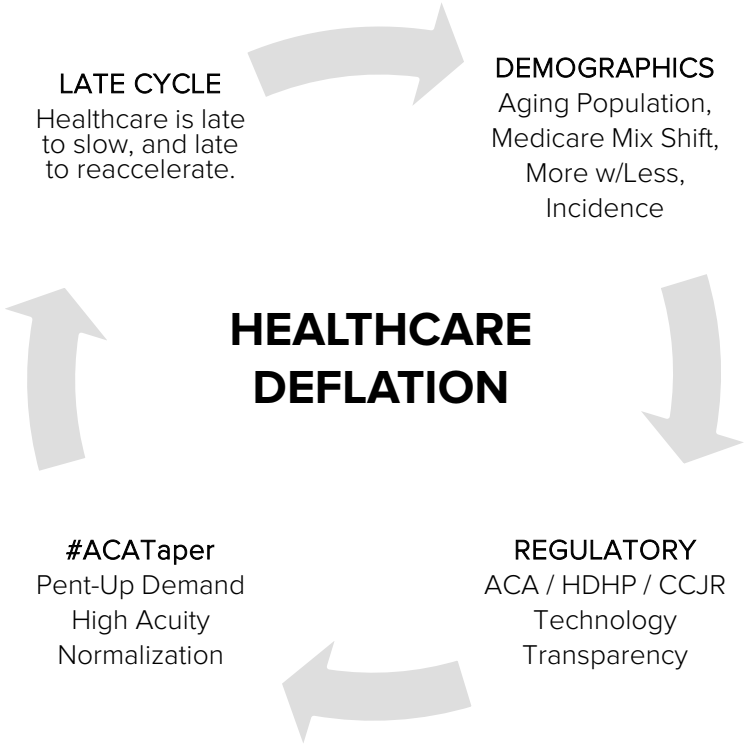
- The ACA likely steepened what is typically a late cycle recovery in medical consumption. Medical consumption trends are slow to develop and can often be confused as defensive. Its different this time…a steeper drop.

2 DEMOGRAPHIC DEFLATION

- Commercially insured working population continues to slow. The Commercially Insured US Medical Consumer has the highest revenue and margins.
- Medicare beneficiaries are growing but CMS policy will need to reduce real per beneficiary spending.

3 REGULATION / #ACATAPER

- New enrollees from exchanges and Medicaid expansion was a one-time stimulus to the medical economy.
- ACA reforms will continue to put pressure on healthcare inflation.



HEALTHCARE POSITION MONITOR

Sentiment Score[1]	Investment Ideas - Longs		Trade	Trend	Tail
	LONG				
6	ATHN	athenahealth, Inc.	---	✓	✓
41	ILMN	Illumina, Inc.	---	✓	✓

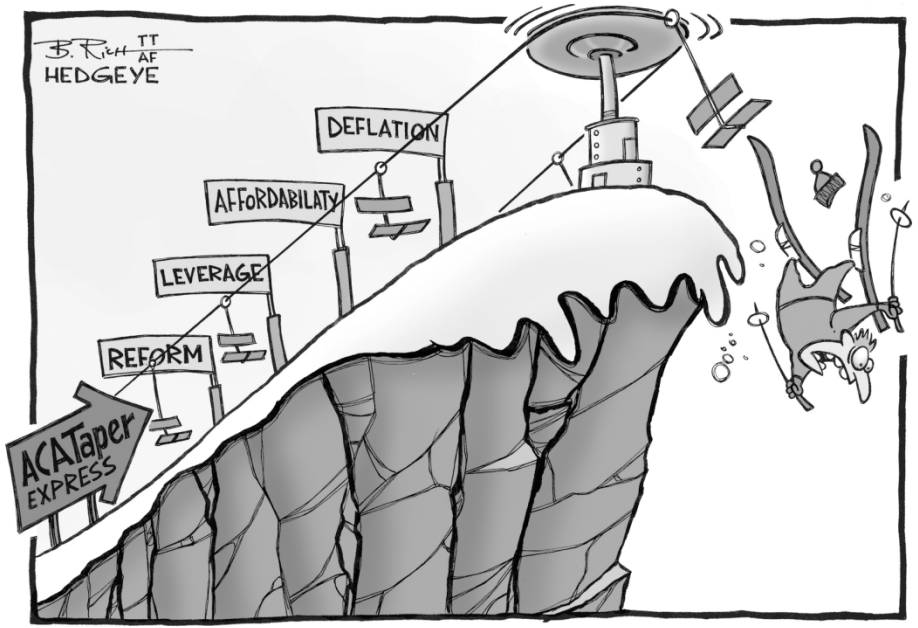
Sentiment Score[1]	Investment Ideas - Shorts		Trade	Trend	Tail
	SHORT				
81	HOLX	Hologic, Inc.	×	×	×
59	AHS	AMN Healthcare Services, Inc.	---	×	×
53	ZBH	Zimmer Biomet Holdings, Inc.	---	×	×
33	MD	MEDNAX, Inc.	×	×	×
17	MDRX	Allscripts Healthcare Solutions, Inc.	×	×	×

Sentiment Score[1]	Long Bench		Trade	Trend	Tail
	LONG				
6	EXAS	Exact Sciences Corporation	---	---	---
56	EVH	Evolent Health Inc Class A	---	---	---
72	CSLT	Castlight Health, Inc. Class B	---	---	---
89	CERN	Cerner Corporation	---	---	---

Sentiment Score[1]	Short Bench		Trade	Trend	Tail
	SHORT				
97	WOOF	VCA Inc.	---	---	---
79	LH	Laboratory Corporation of America Holdings	---	---	---
71	ICLR	ICON Plc	---	---	---
62	DVA	DaVita HealthCare Partners Inc.	---	---	---
53	CRL	Charles River Laboratories International, Inc.	---	---	---
44	MDSO	Medidata Solutions, Inc.	---	---	---
41	HCA	HCA Holdings, Inc.	---	---	---
36	LPNT	LifePoint Health, Inc.	---	---	---
24	PRXL	PAREXEL International Corporation	---	---	---
22	QSII	Quality Systems, Inc.	---	---	---
18	Q	Quintiles Transnational Holdings, Inc.	---	---	---
5	DGX	Quest Diagnostics Incorporated	---	---	---
1	CYH	Community Health Systems, Inc.	---	---	---
1	CPSI	Computer Programs and Systems, Inc.	---	---	---

[1]Percentile rank within sub-sector (1 = High Short Interest, Negative Sell Side / 100 = Low Short Interest, Positive Sell Side)

Bench = Timing is not right, or research in progress.



#ACATAPER

#ACATAPER WELL ADVERTISED...

Why a Perfect Storm Is Brewing in Healthcare (UNH, HCA)

By Tom Tobin | December 21, 2015 — 9:03 AM EST

Blue Cross Plans Hit Hard By Obamacare Losses

Bruce Japsen
CONTRIBUTOR

I write about health care and policies from the president's hometown

FULL BIO >

Opinions expressed by Forbes Contributors are their own.

TWEET THIS

- nearly three dozen Blue Cross and Blue Shield companies, showed 23 had a decline in earnings and 16 had a net loss
- There were 23 Blue Cross companies that reported a "collective $1.9 billion decline in earnings"

The nation's Blue Cross and Blue Shield plans have fared worse than publicly traded health insurance companies on the new health insurance exchanges, with many of these plans losing hundreds of millions of dollars last year on individual policies sold under the Affordable Care Act.

A new report from Fitch Ratings, which looked at earnings of nearly three dozen Blue Cross and Blue Shield companies, showed 23 had a decline in earnings and 16 had a net loss , largely related to losses from policies sold to newly insured Americans who bought subsidized individual policies on public exchanges. There were 23 Blue Cross companies that reported a "collective $1.9 billion decline in earnings" for the first nine months of 2015, and 16 of those companies had net losses.

UnitedHealthcare to exit most Obamacare exchanges

by Paul R. La Monica @lamonicabuzz

April 19, 2016: 3:37 PM ET

Why a major Blues carrier is still losing billions on ACA plans

By Bob Herman | March 3, 2016

Health Care Service Corp. improved its net loss in 2015, but the Blue Cross and Blue Shield conglomerate continues to hemorrhage money in the Affordable Care Act's nascent marketplaces.

Tomorrow: Healthcare

UnitedHealth expects to lose nearly $1 billion on Obamacare

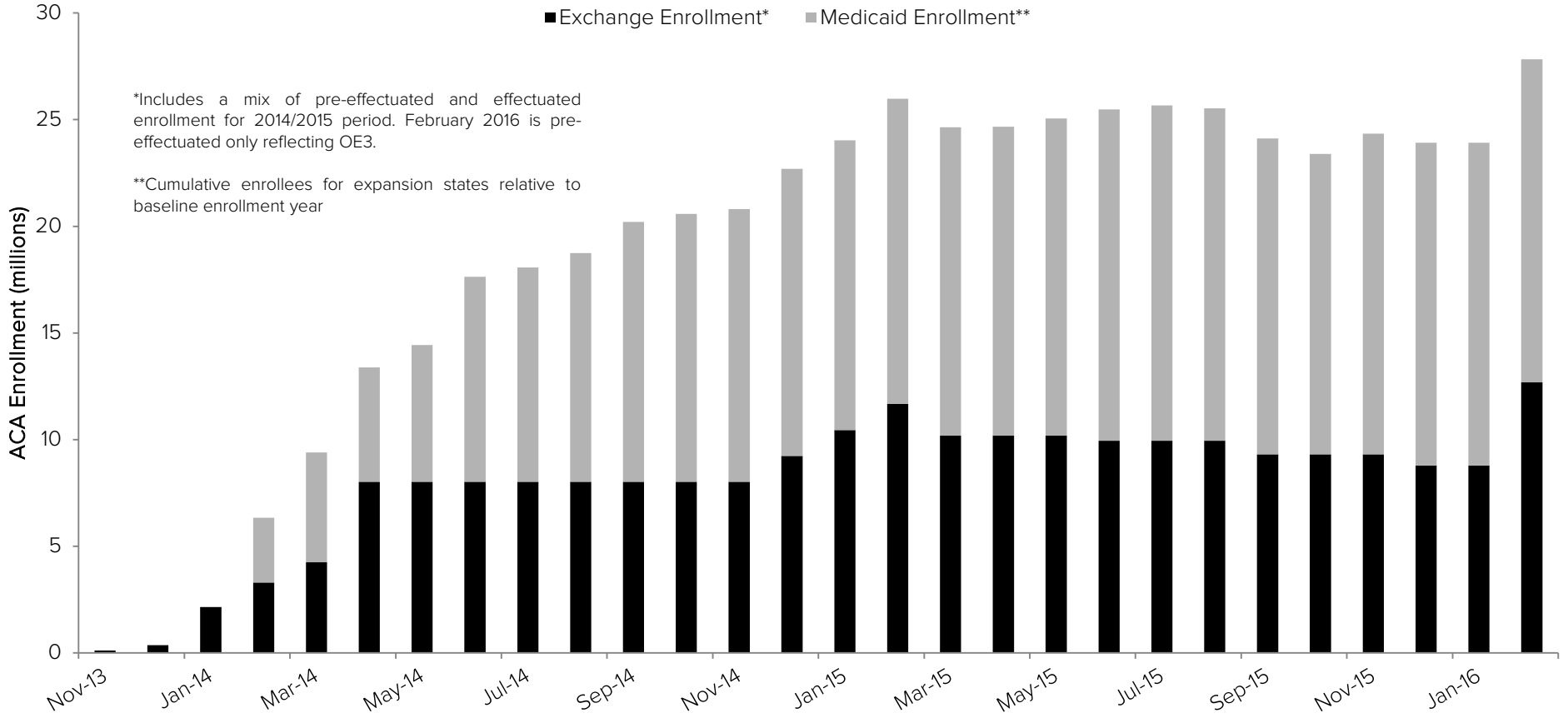
by Tami Luhby @Luhby

January 19, 2016: 3:58 PM ET

Aetna To Stop Selling Obamacare Plans In Two States And D.C. For 2016

DATA SOURCE: FORBES, INVESTOPEDIA, MODERN HEALTHCARE

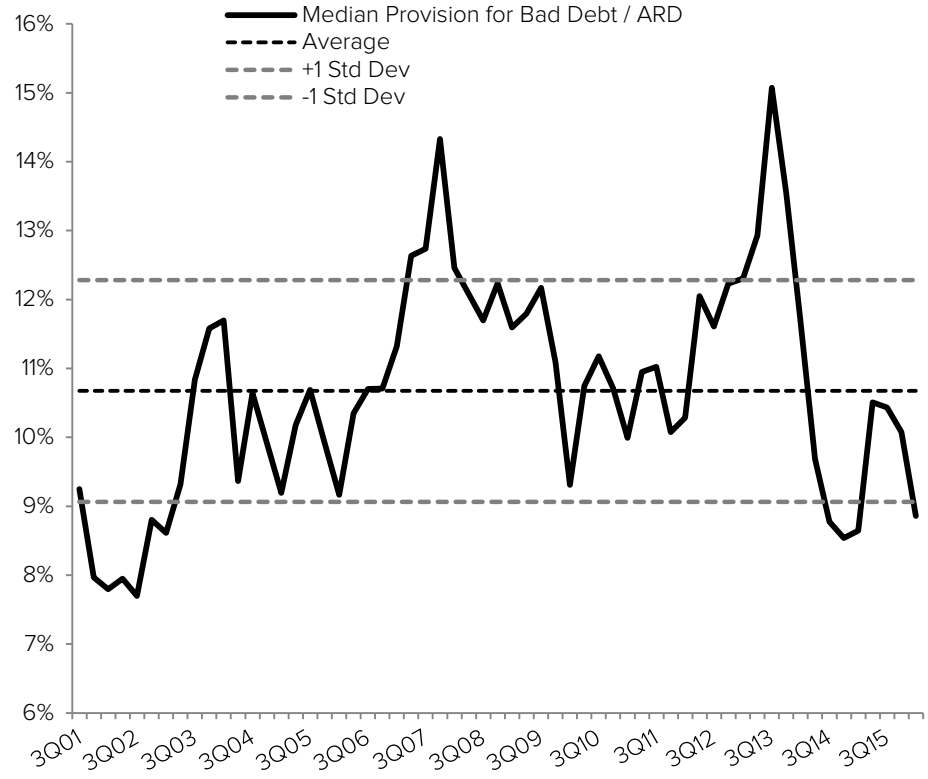
25+ MILLION NEWLY INSURED

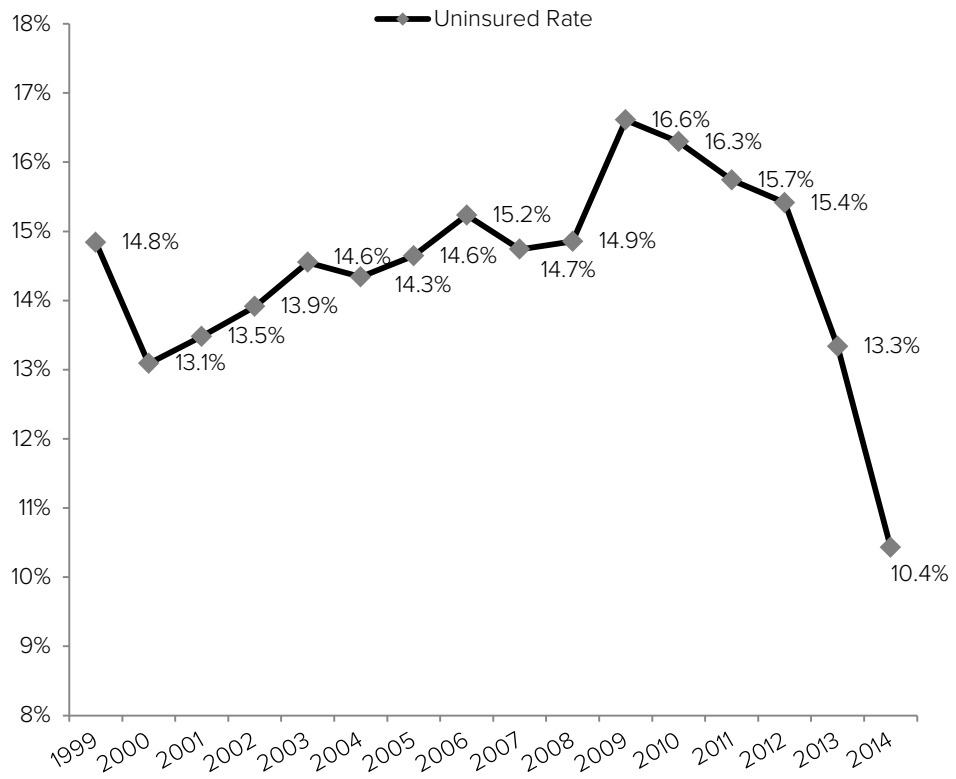


DATA SOURCE: CMS, KAISER AND BLS

UNINSURED RATE ALL-TIME LOW

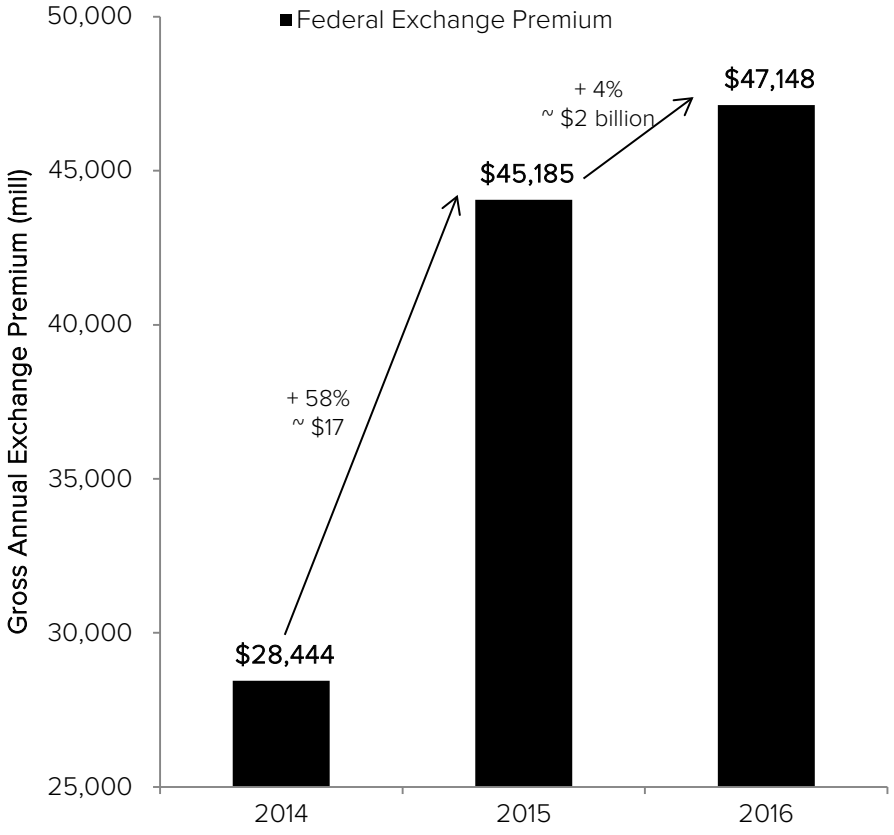
SHARP DECLINE IN HOSPITAL BAD DEBT EXPENSE

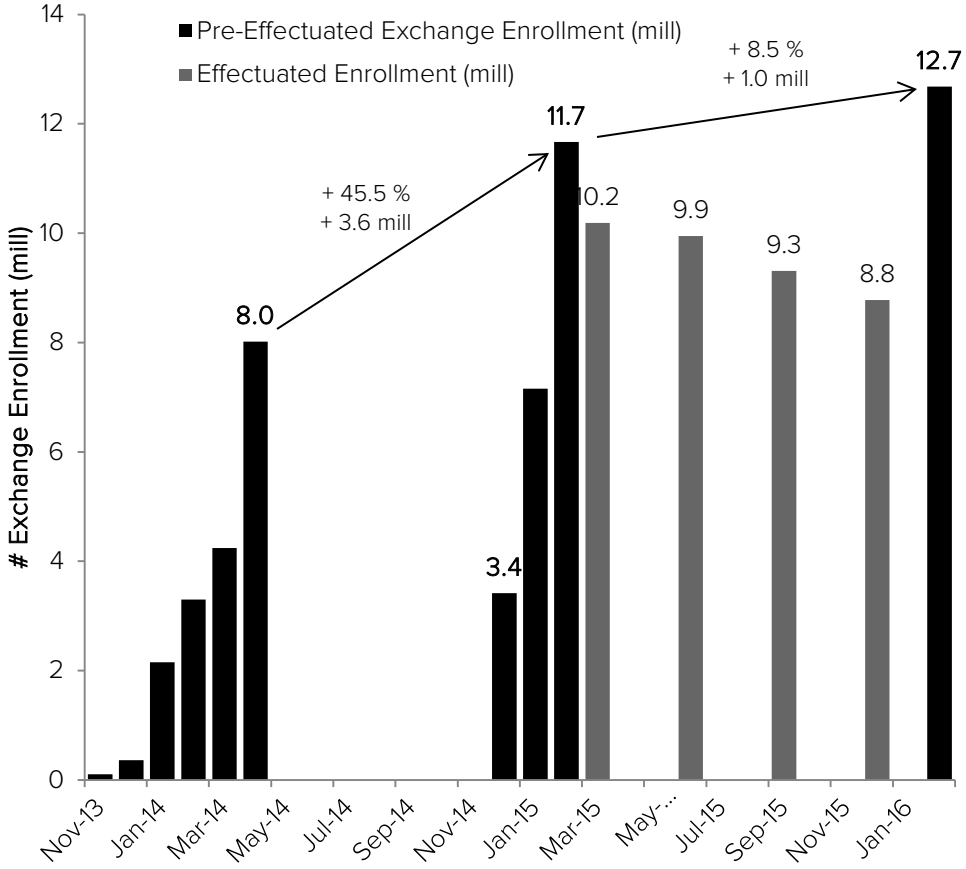




DATA SOURCE: COMPANY FILINGS , CMS AND U.S. CENSUS

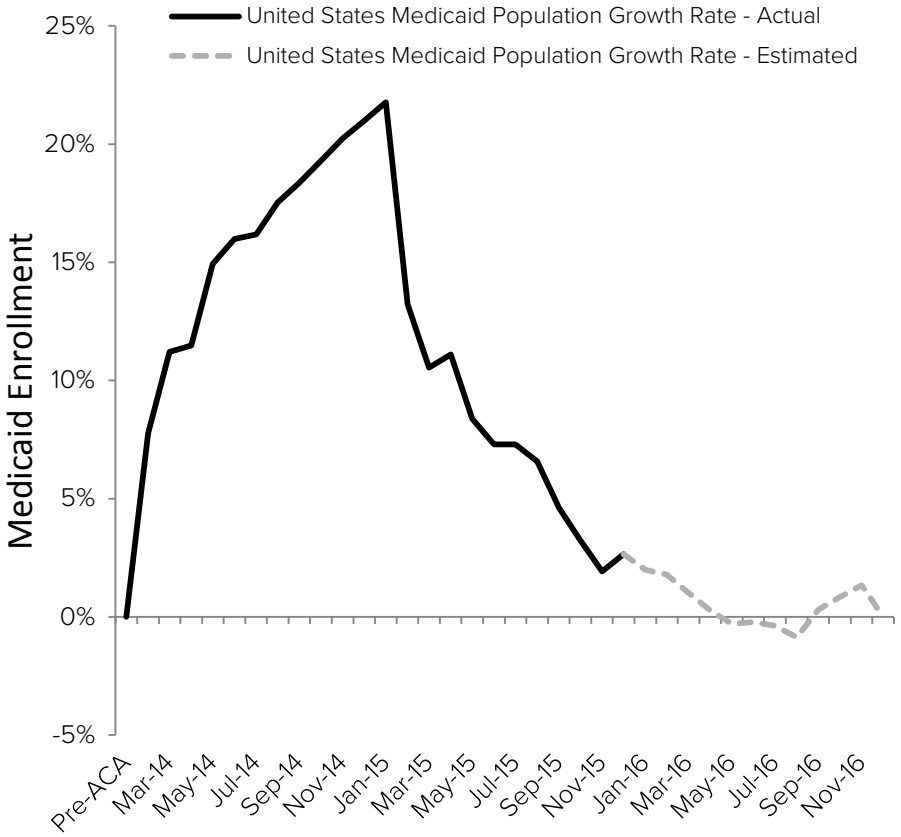
EXCHANGE ENROLLMENT SLOWING

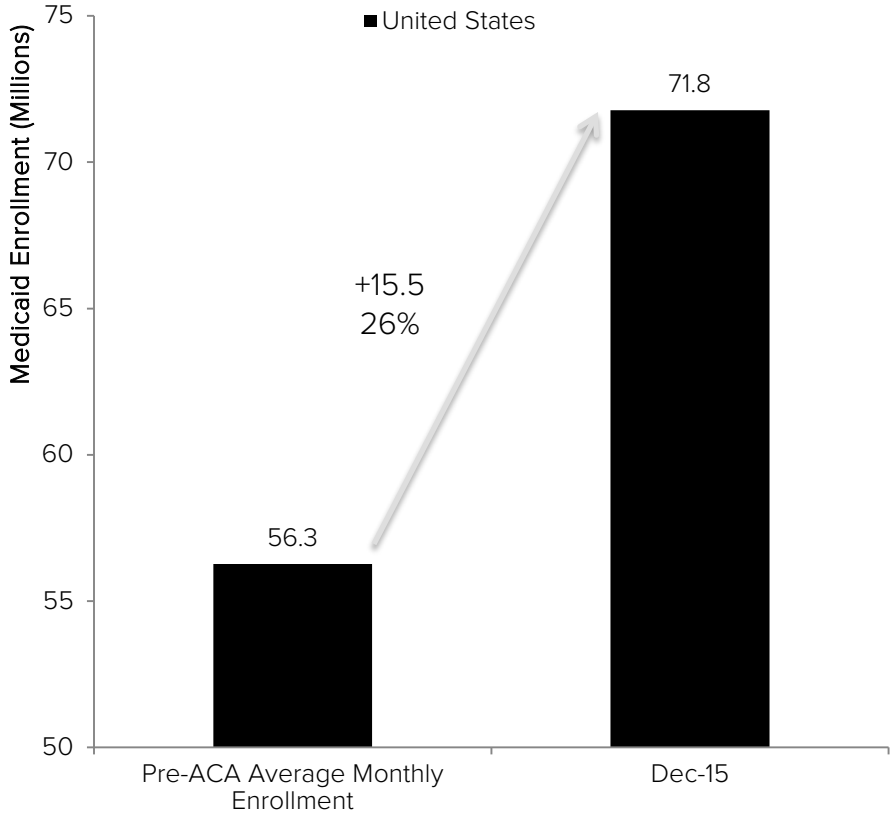




DATA SOURCE: CMS, ASPE, HHS AND KAISER

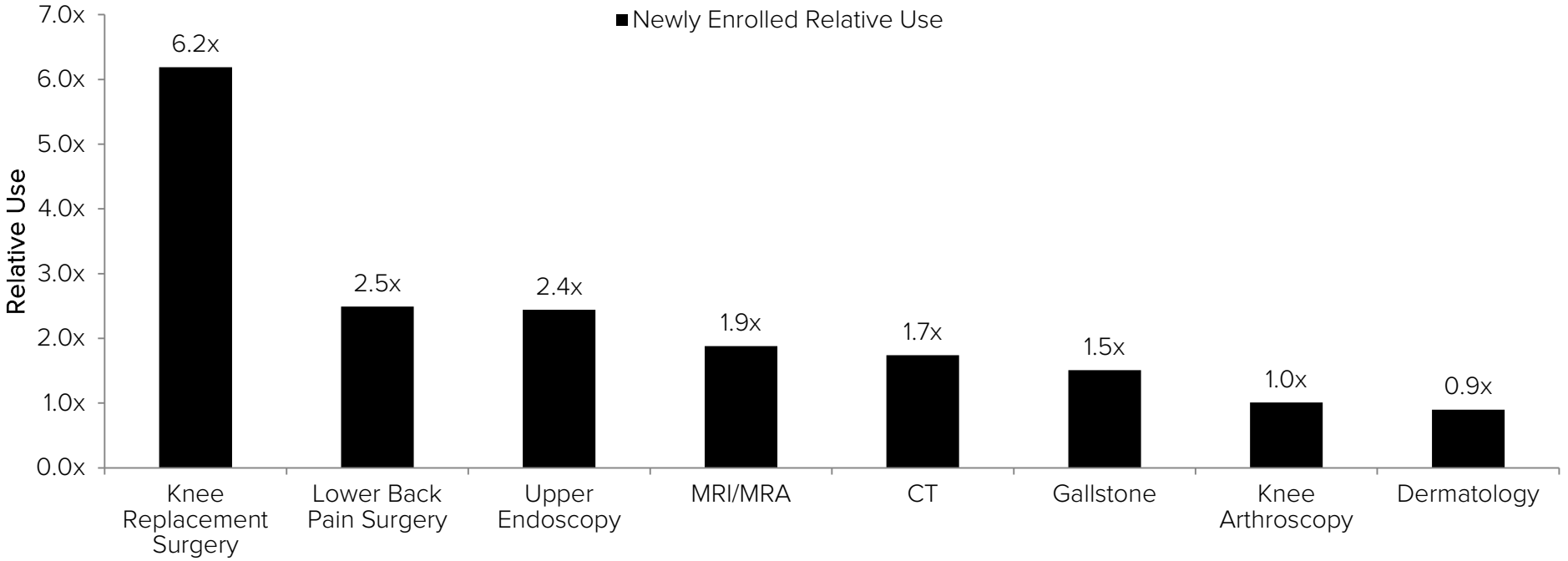
MEDICAID ENROLLMENT SLOWING





DATA SOURCE: US TREASURY, CMS

PENT-UP DEMAND NEWLY INSURED

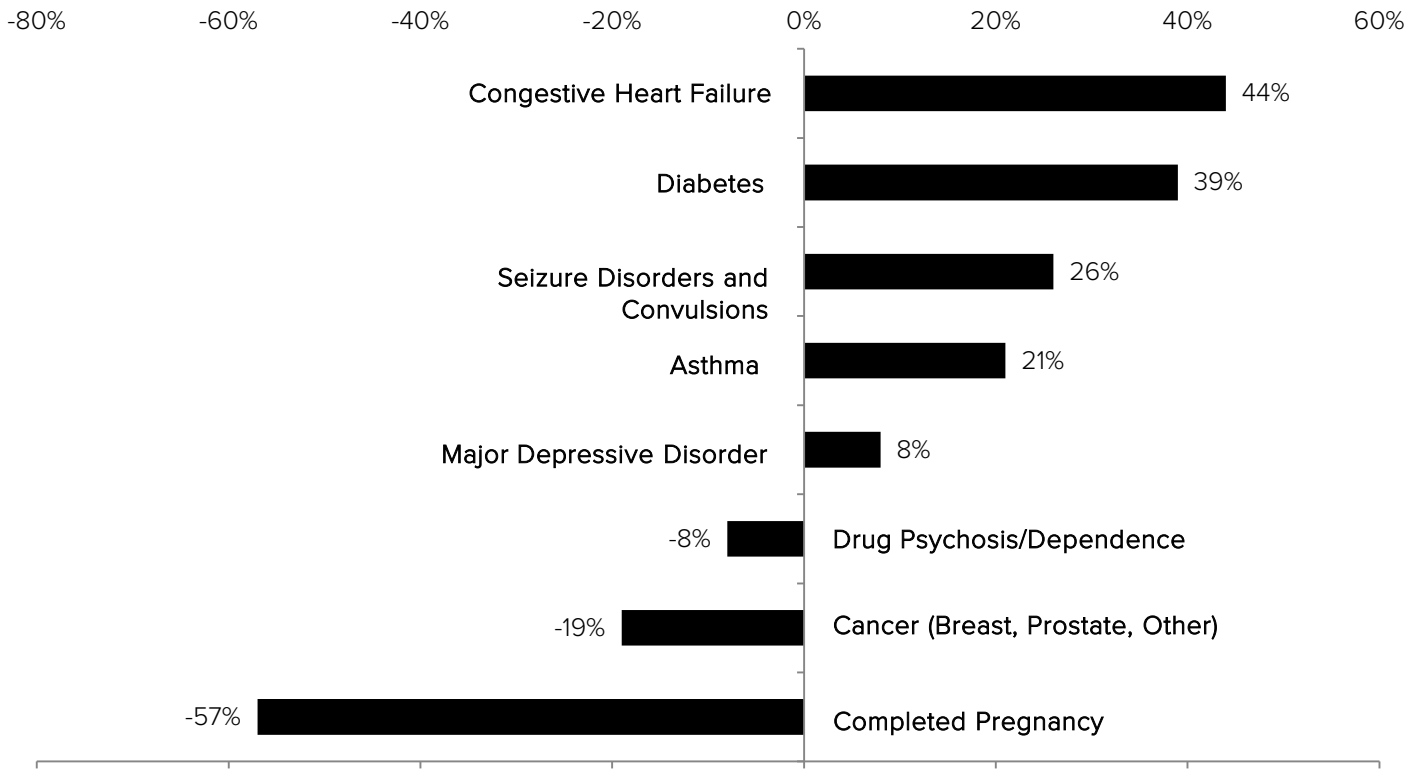


SOCIETY OF ACTUARIES ANALYSIS OF KS CLAIMS DATA

DATA SOURCE: HTTPS://WWW.SOA.ORG/RESEARCH/RESEARCH-PROJECTS/HEALTH/2015-PENT-UP-DEMAND-HEALTH.ASPX

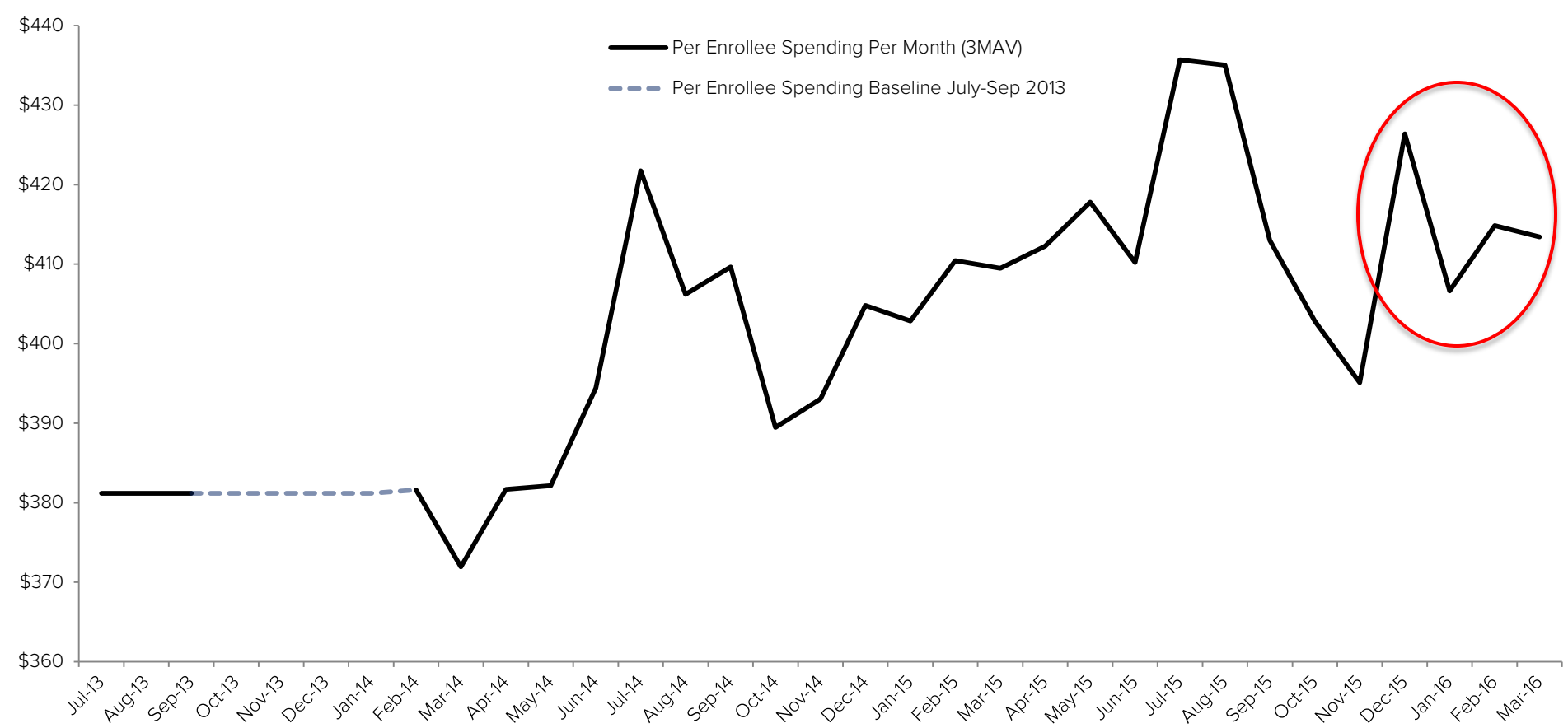
HIGHER PREVALENCE OF DISEASE

Prevalence Rates of Specific Top Conditions, Exchange Compared to



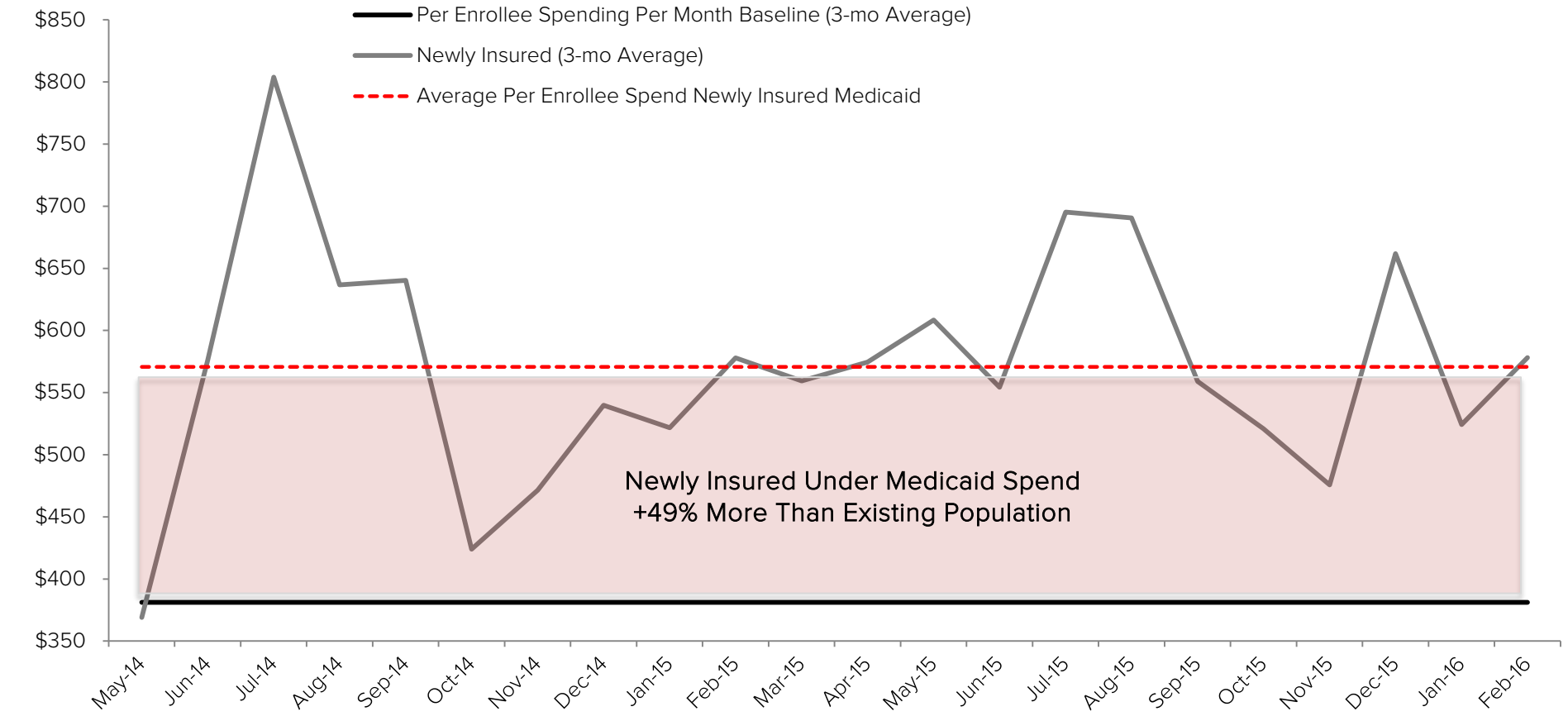
DATA SOURCE: TRUVEN ANALYTICS

MEDICAID PER ENROLLEE SPEND



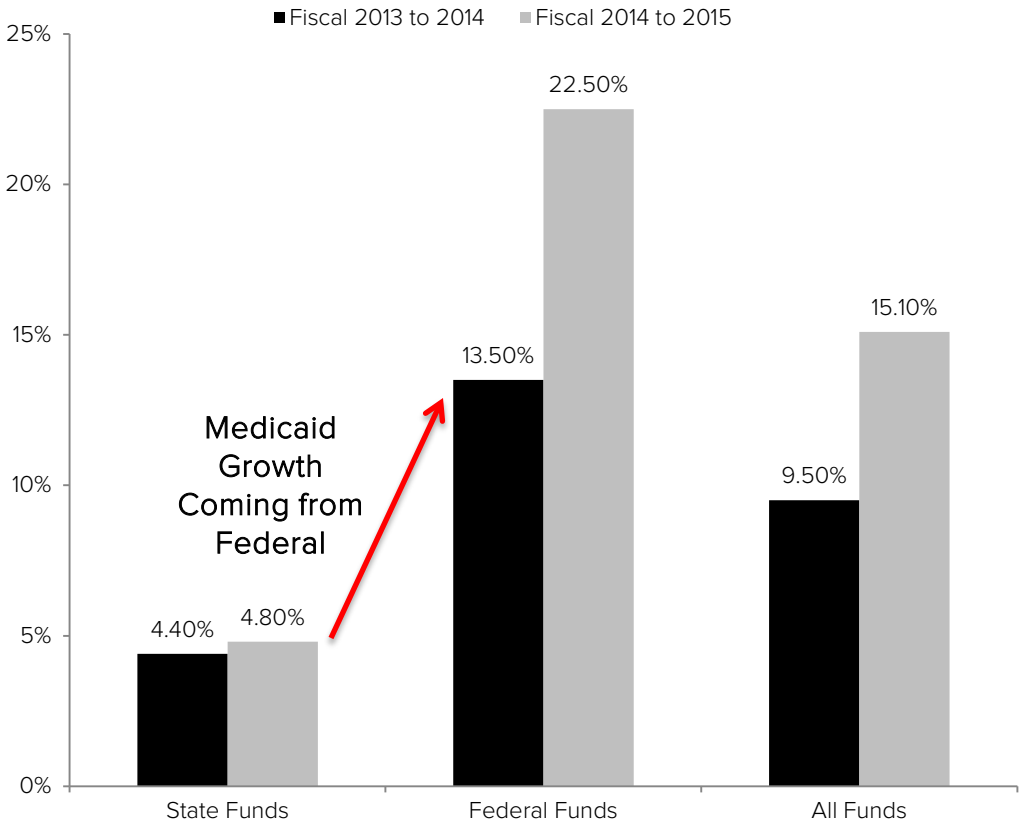
US TREASURY, CMS, HEDGEYE ESTIMATES

NEWLY INSURED MEDICAID SPEND

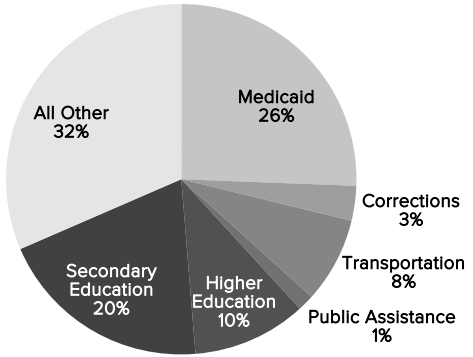


DATA SOURCE: CMS AND US TREASURY

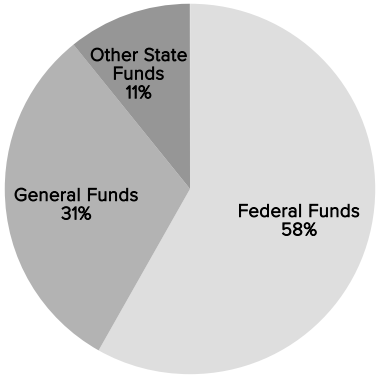
STATE SPENDING ON MEDICAID



State Expenditures by Function



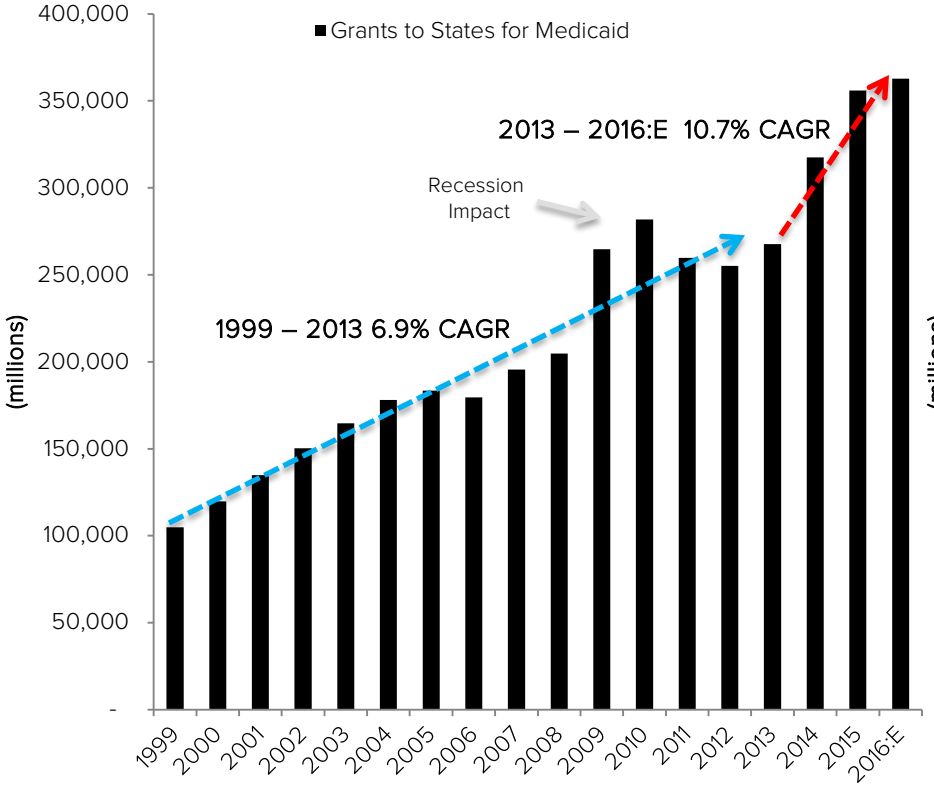
State Expenditures for Medicaid by Fund Source

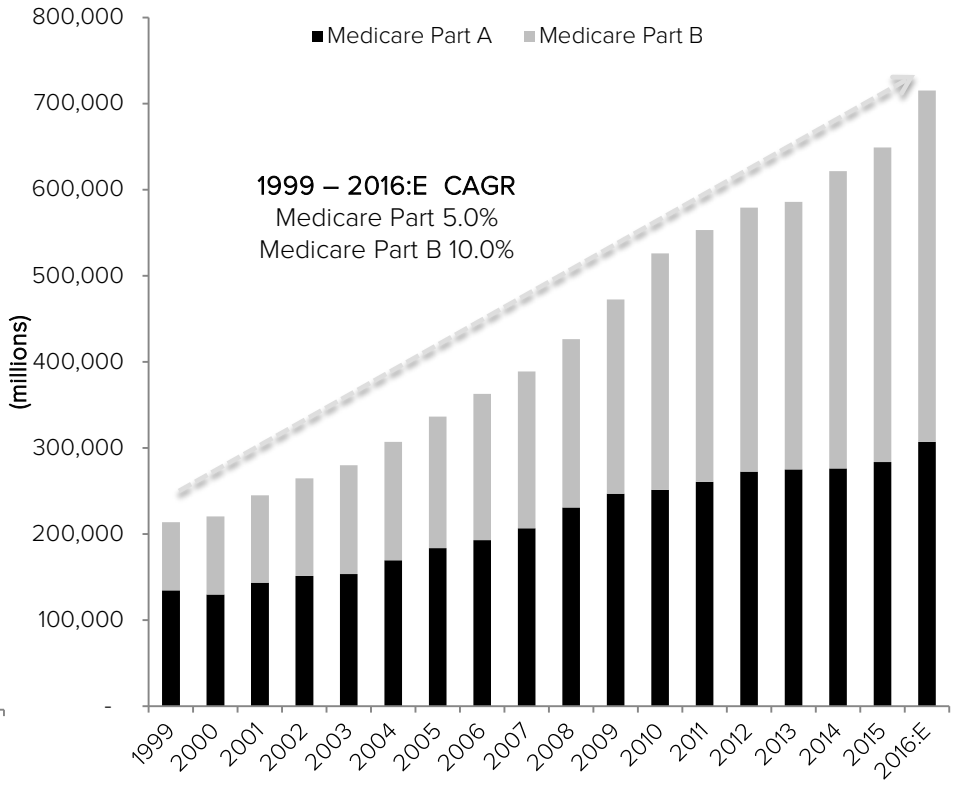


DATA SOURCE: NASBO

FEDERAL GOVERNMENT OUTLAYS

2013-2015 FASTEST GROWTH IN MEDICAID EX-RECESSION

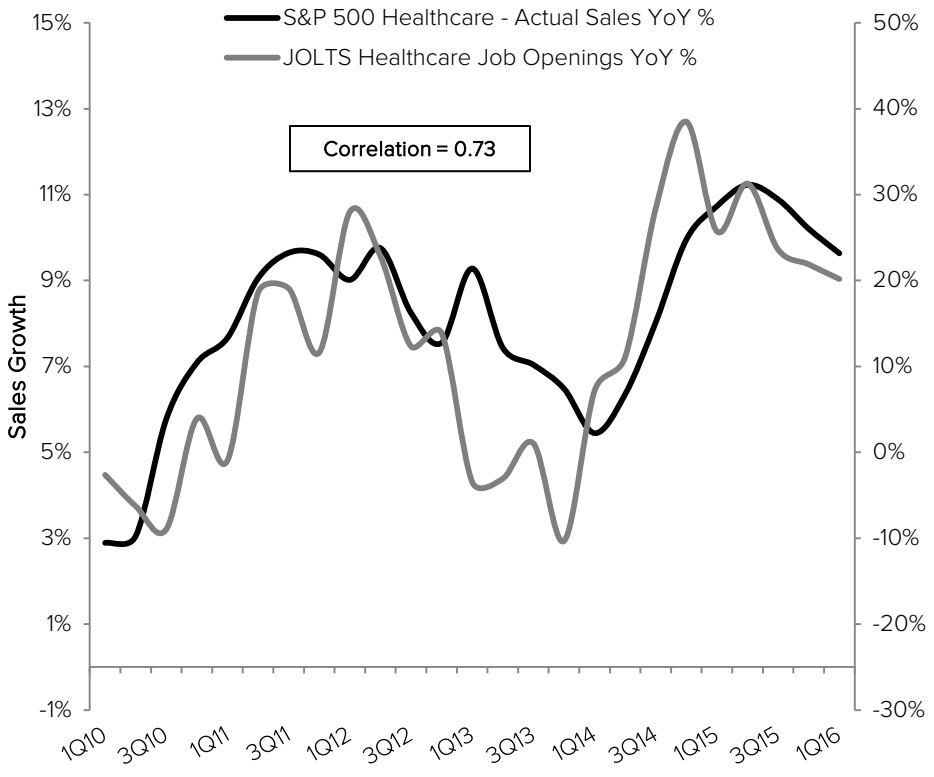


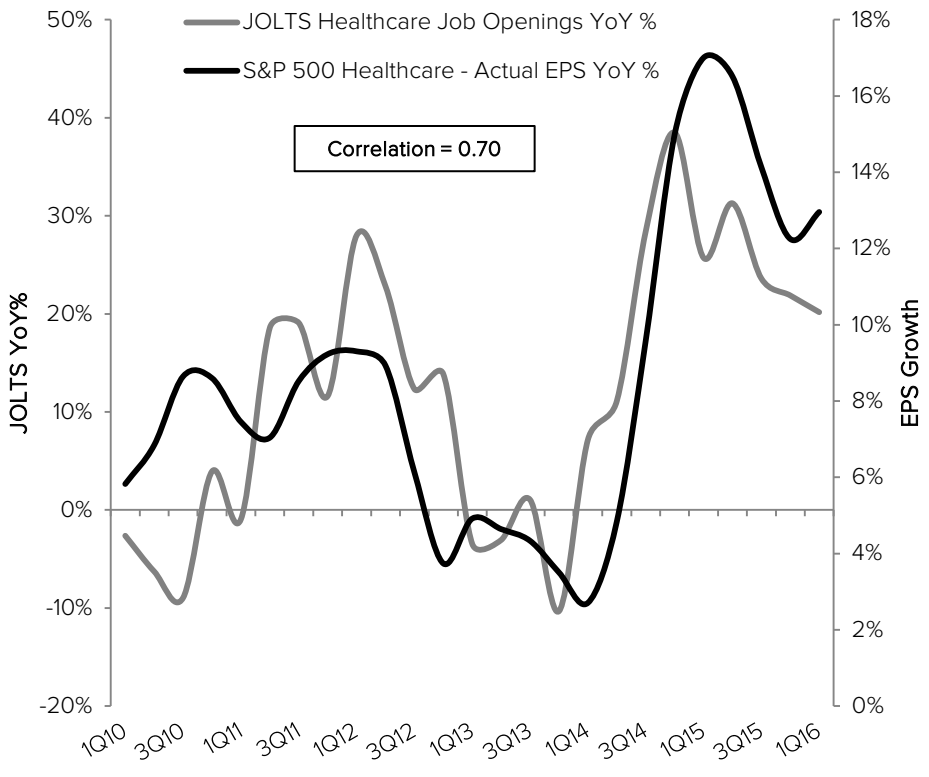


DATA SOURCE: U.S. TREASURY

HEALTHCARE GROWTH SLOWING

XLV SALES AND EPS GROWTH TIED TO JOLTS GROWTH

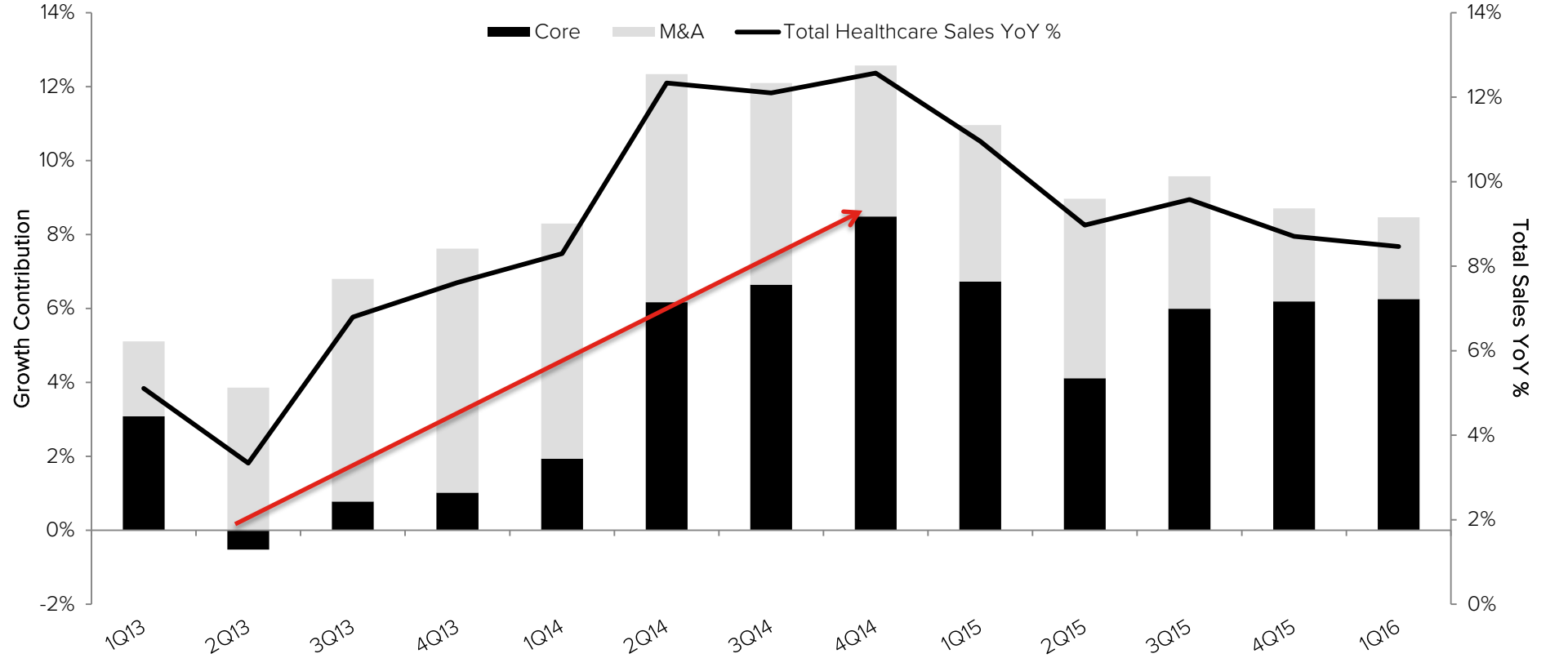




DATA SOURCE: BLS AND FACTSET

ORGANIC GROWTH EX-M&A

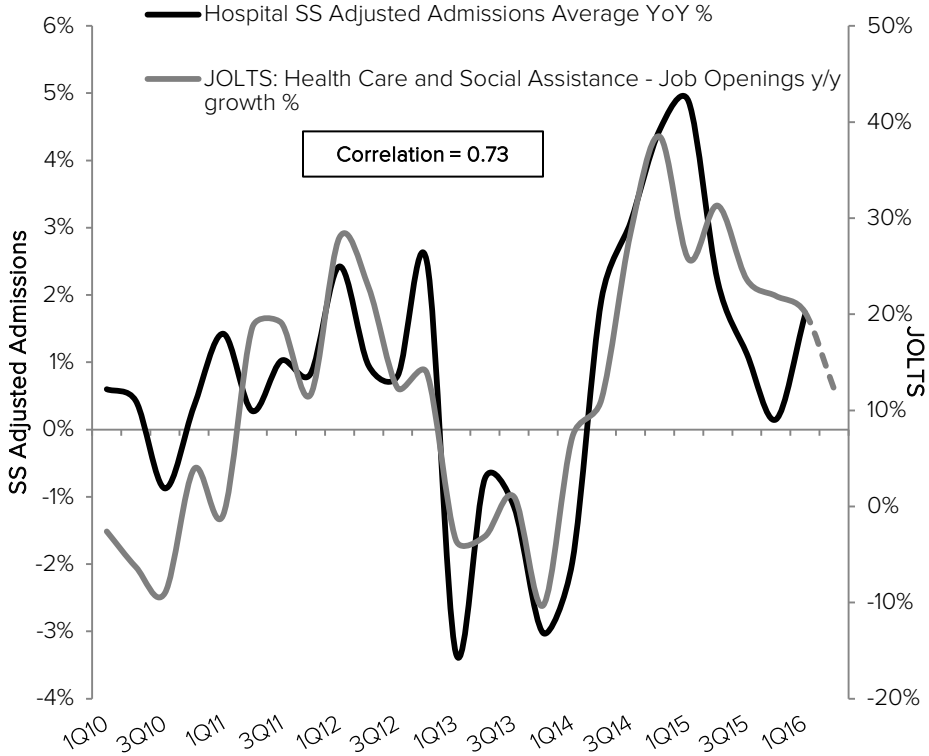
S&P 500 HEALTHCARE EXCLUDING DEAL STOCKS

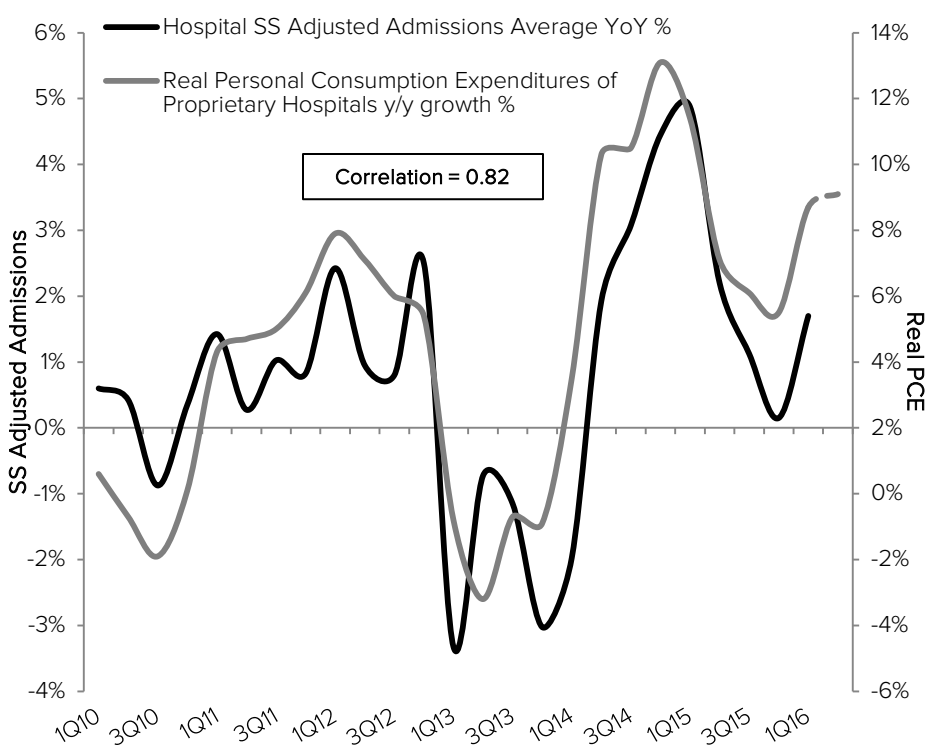


DATA SOURCE: FACTSET

UTILIZATION AND EMPLOYMENT

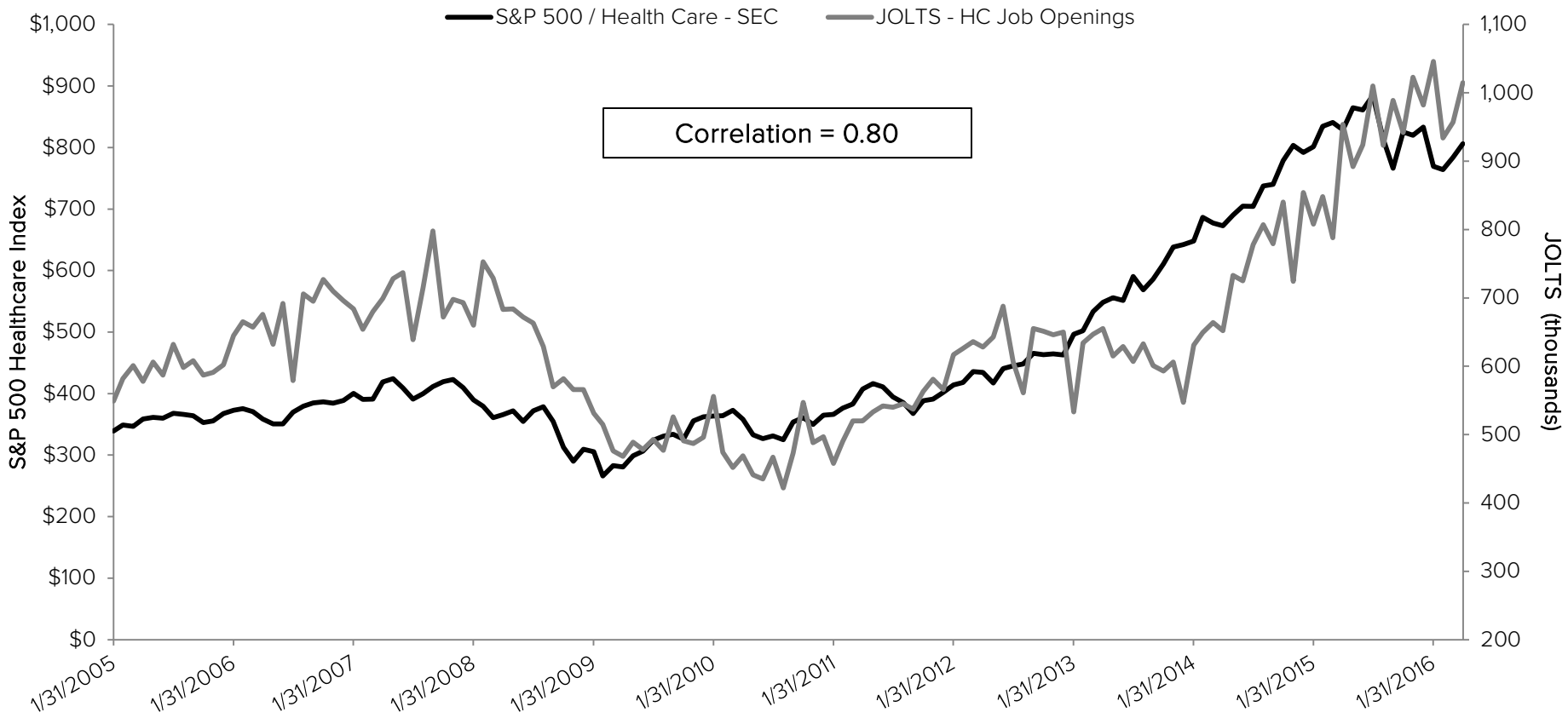
INCREASE IN HIRING TO MEET NEW DEMAND





DATA SOURCE: BLS AND COMPANY FILINGS

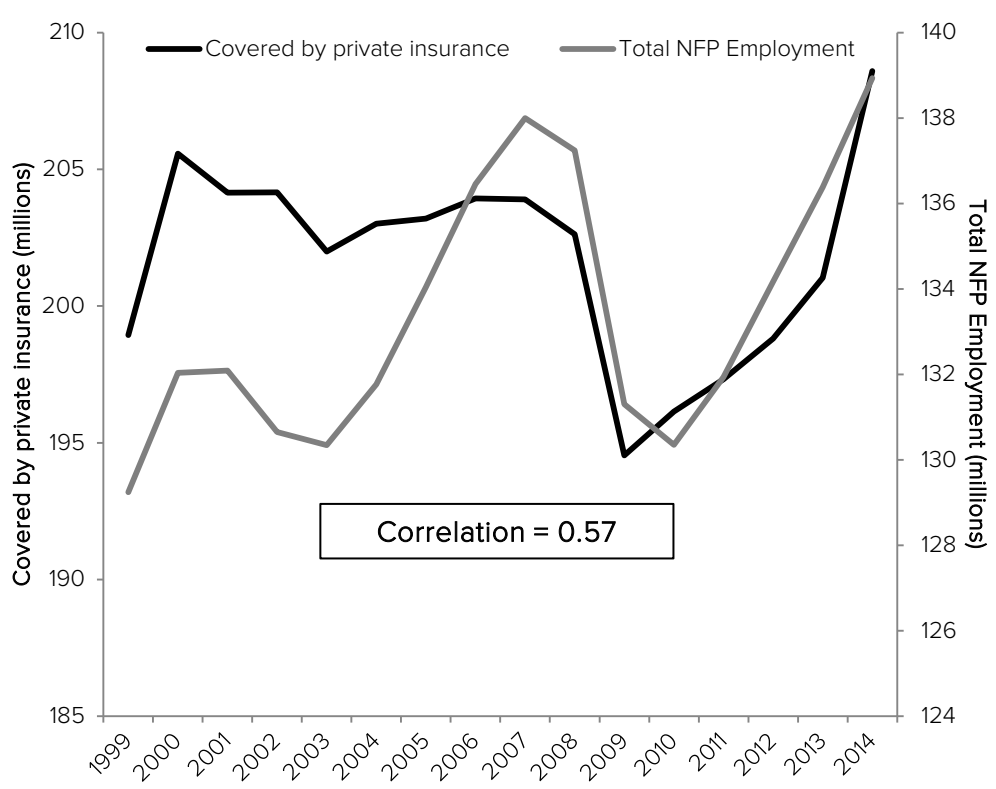
DEMAND DRIVES DEMAND...

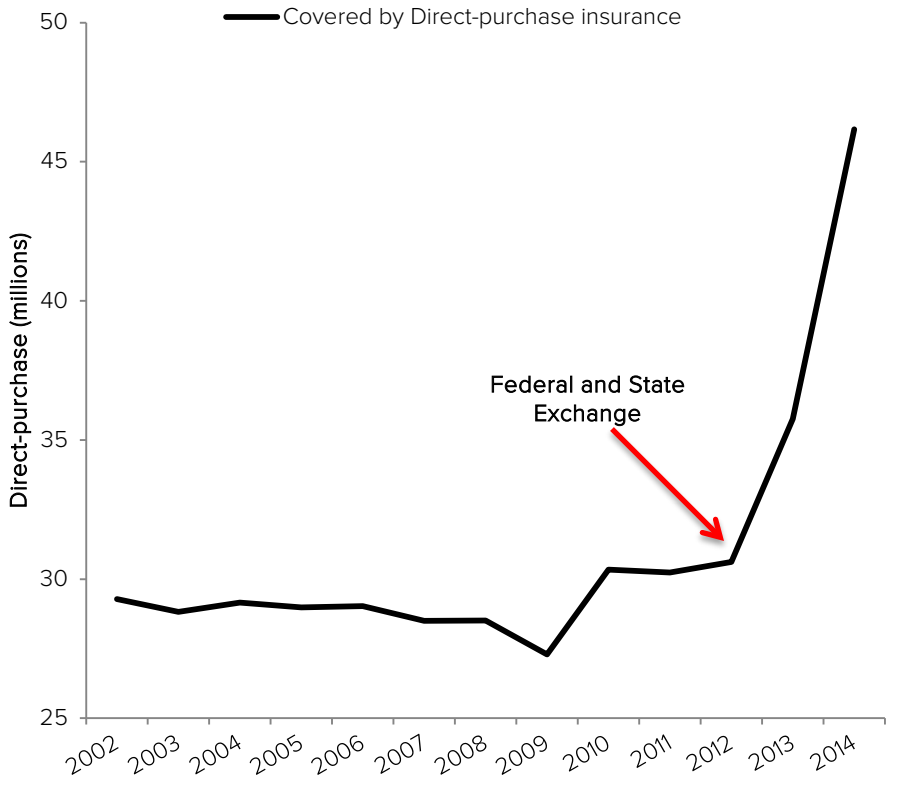


DATA SOURCE: FACTSET AND BLS

COVERED LIVES AND NFP

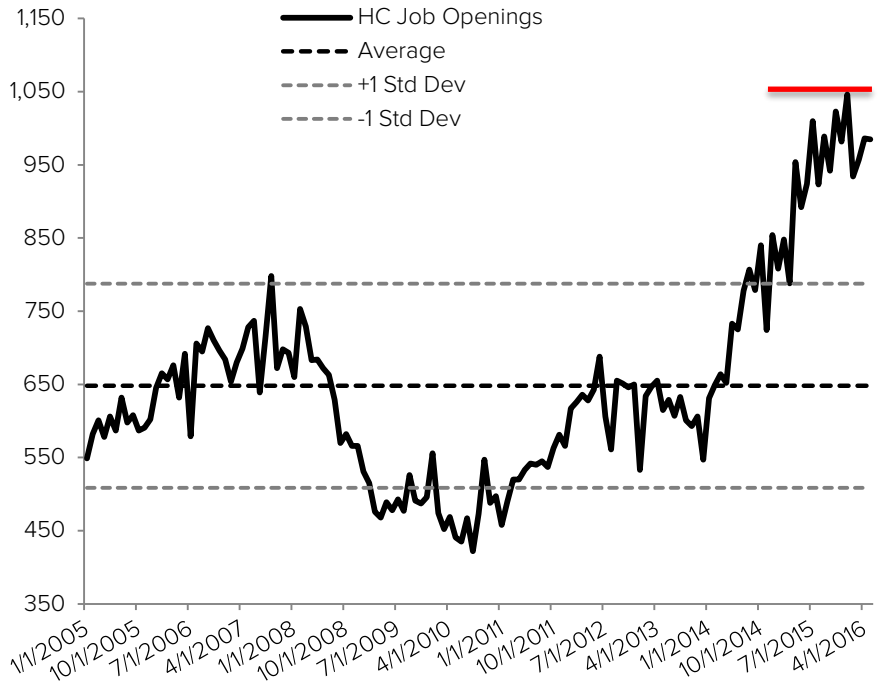
ACA DRIVING INCREASE IN DIRECT-PURCHASE





DATA SOURCE: BLS AND NHE

HEALTHCARE JOB OPENINGS (JOLTS)

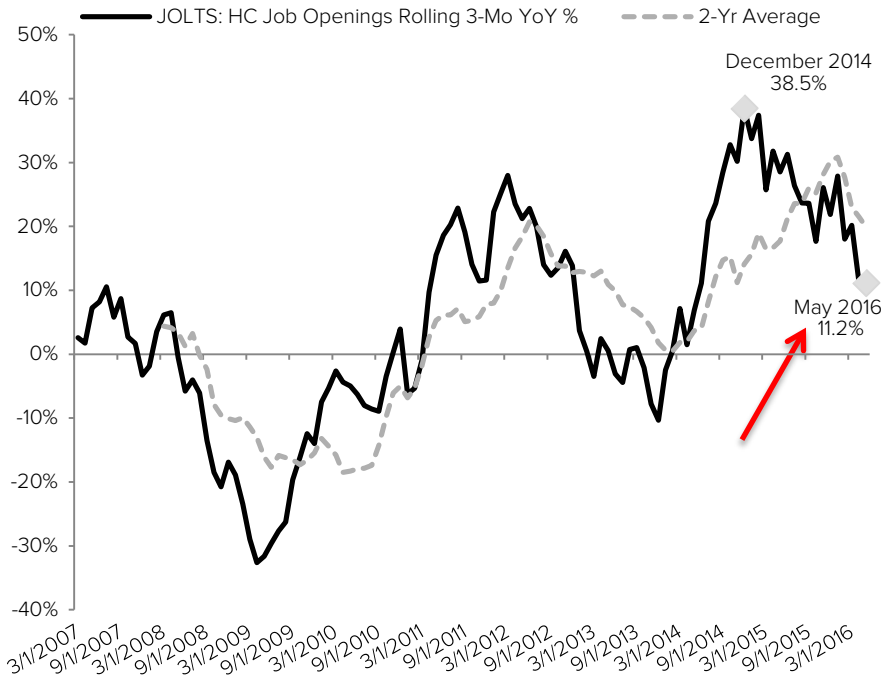


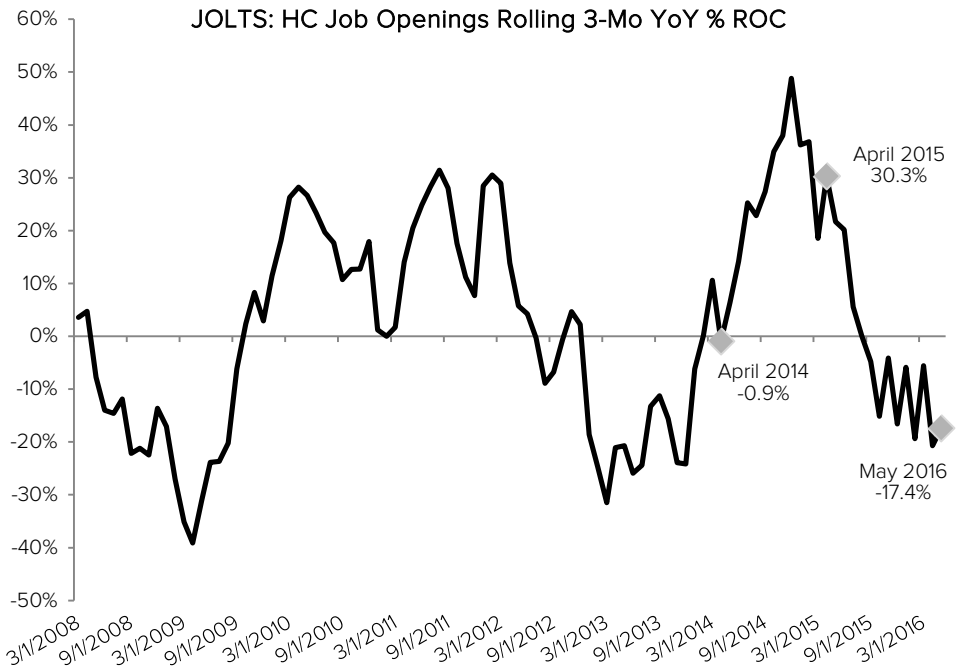
HEALTHCARE JOB OPENINGS EXTENDED...

We have observed similar patterns across multiple metrics tied to medical consumption, enrollment, and employment suggesting that the Healthcare Economy is extended.

DATA SOURCE: BLS

HEALTHCARE JOB OPENINGS (JOLTS)





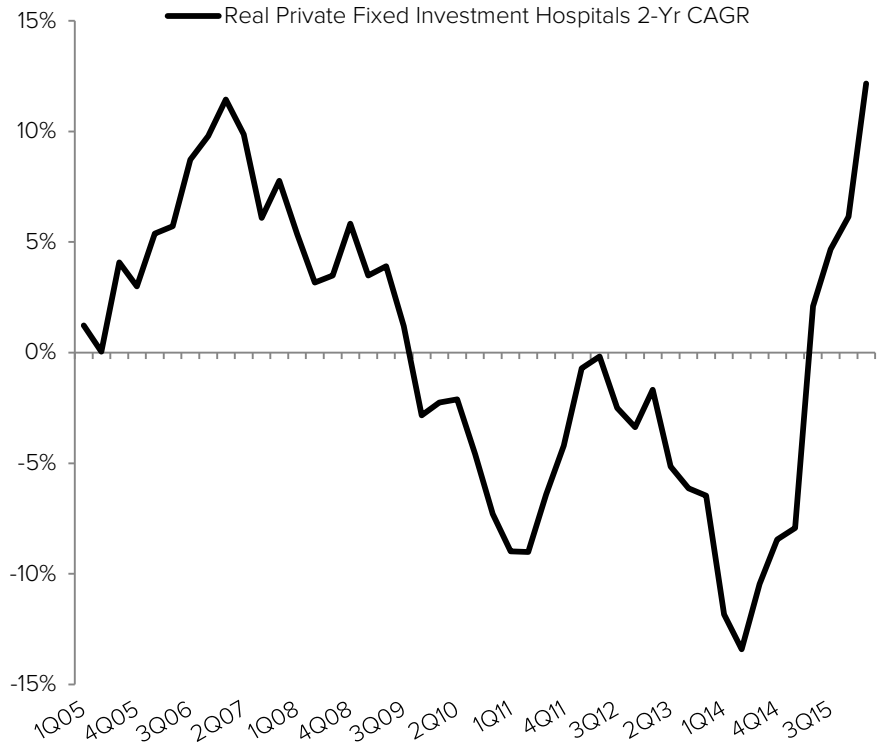
HEALTHCARE JOB OPENINGS SLOWING...

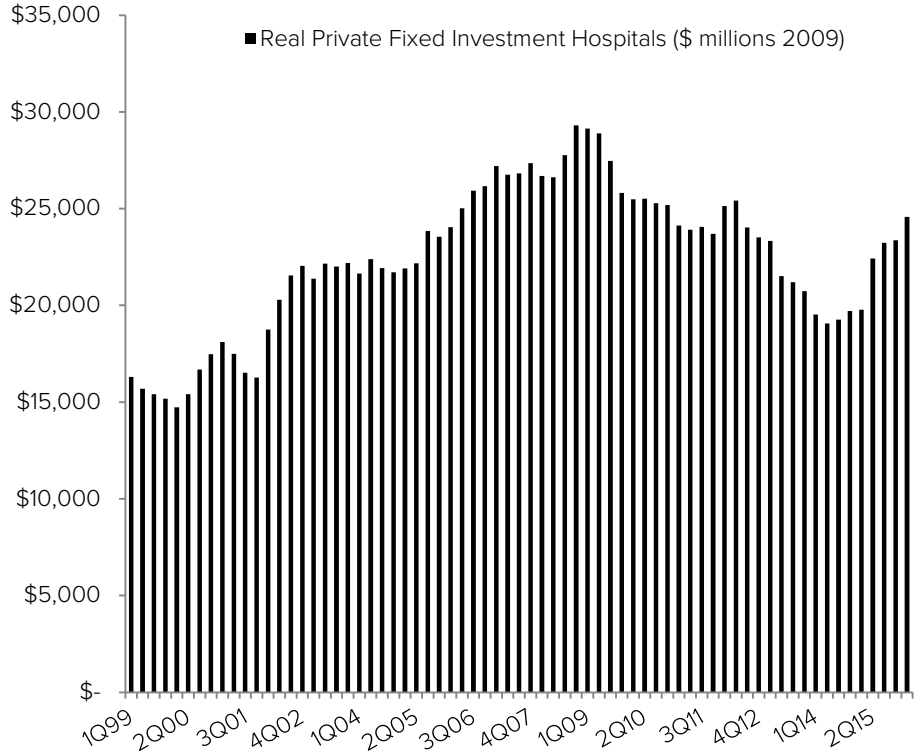
After peaking in December 2014, Healthcare Job Openings posted the slowest growth in approximately 2-years. We expect growth to slow further as we comp out of stimulus.

DATA SOURCE: BLS

HOSPITAL PRIVATE FIXED INVESTMENT

HOSPITAL CAPEX COINCIDES WITH STIMULUS

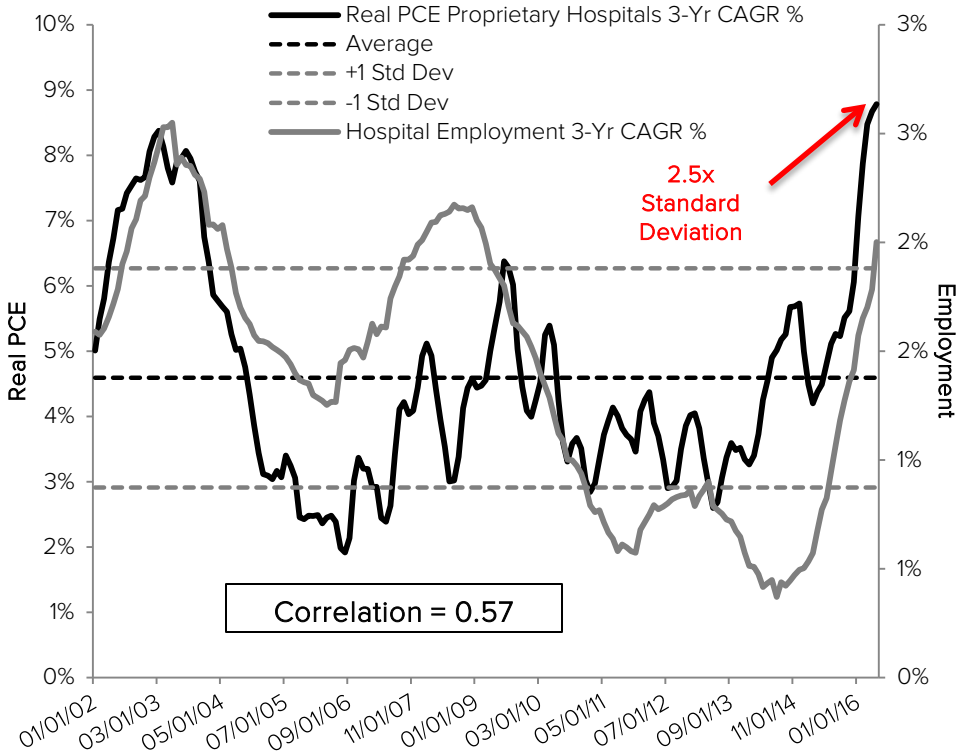


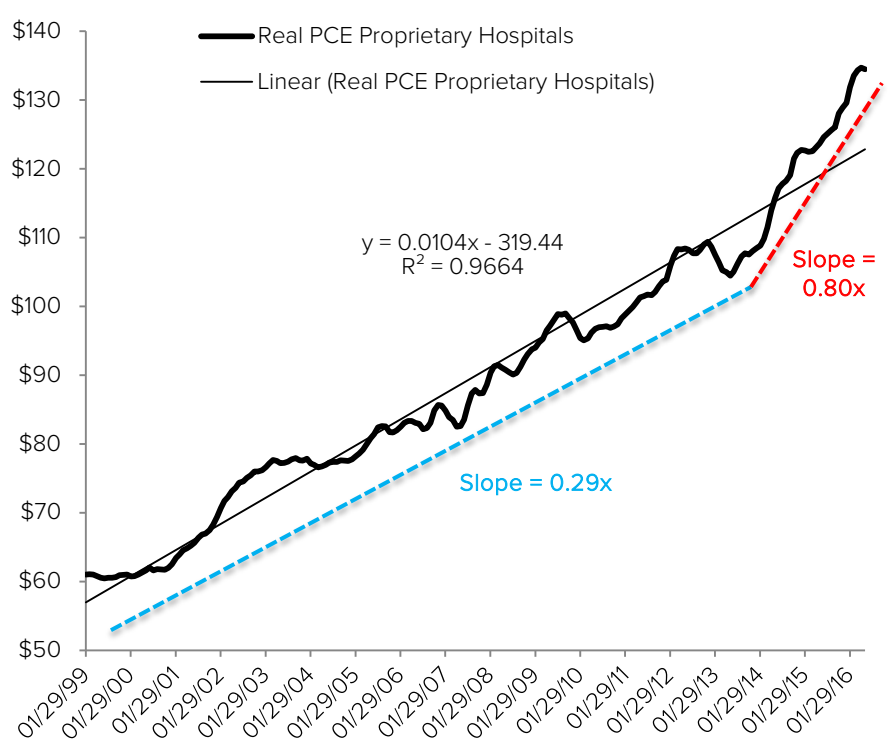


DATA SOURCE: BEA

REAL PCE PROPRIETARY HOSPITALS

REAL PCE GROWTH ACCELERATED WITH NEWLY INSURED

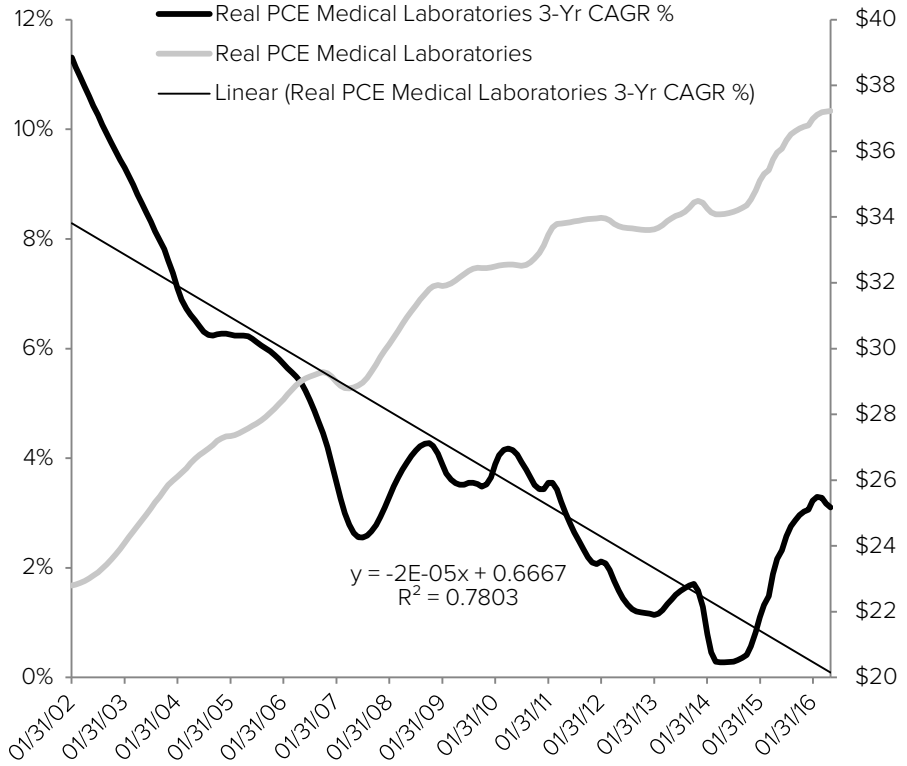


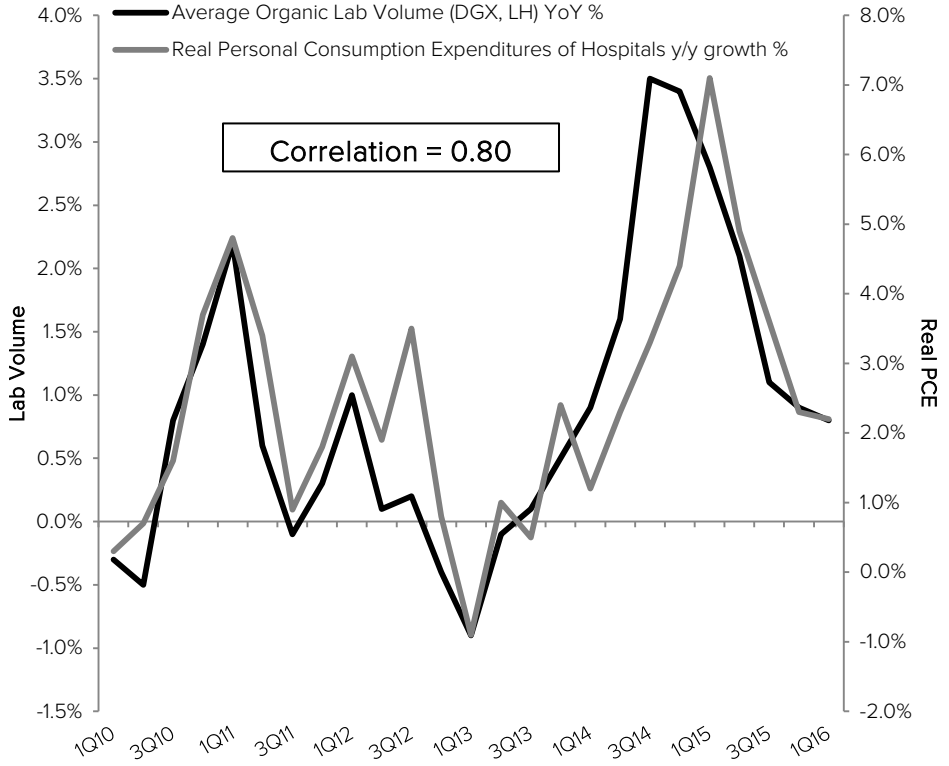


DATA SOURCE: BEA AND BLS

REAL PCE MEDICAL LABORATORIES

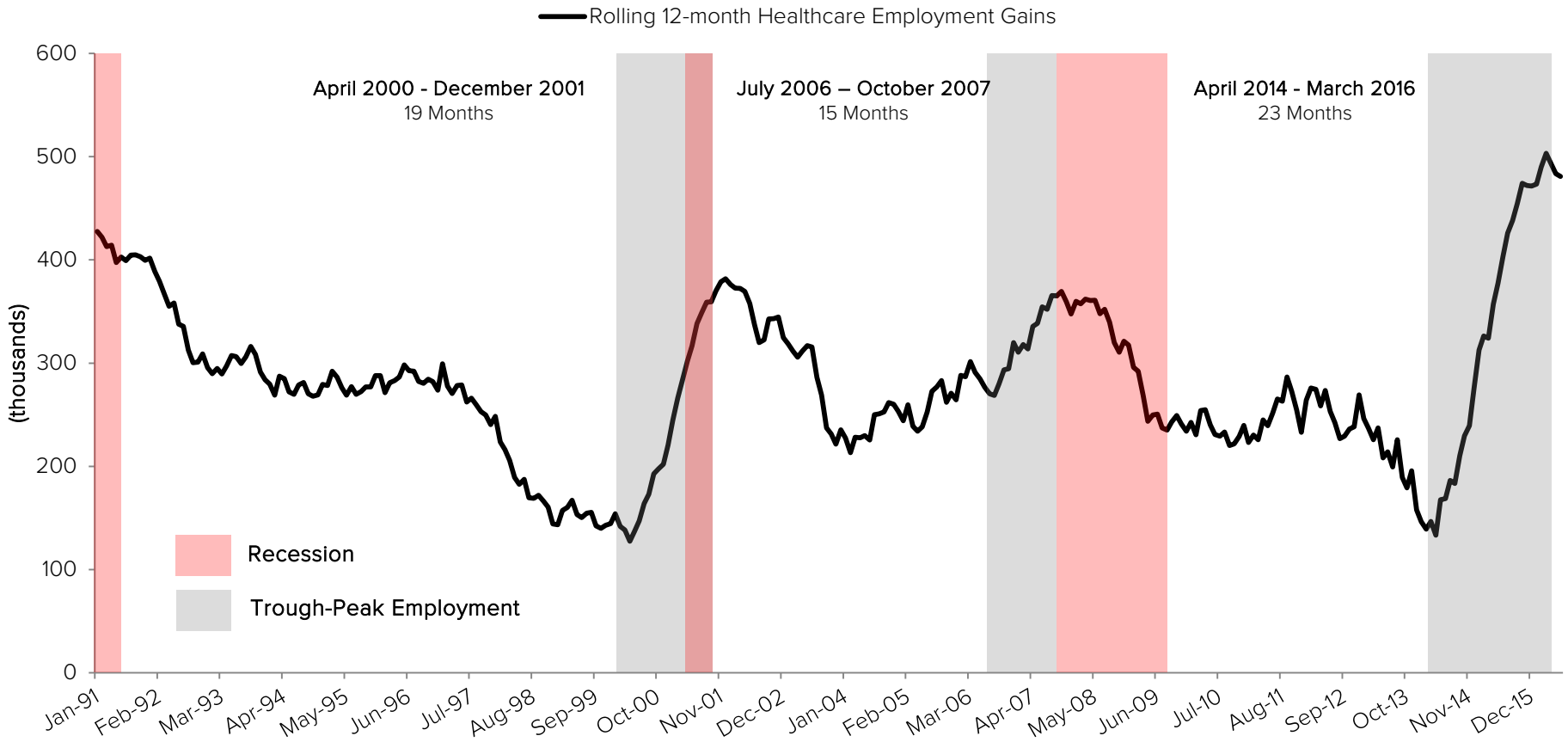
ACCELERATION IN DIAGNOSTIC TESTING GROWTH





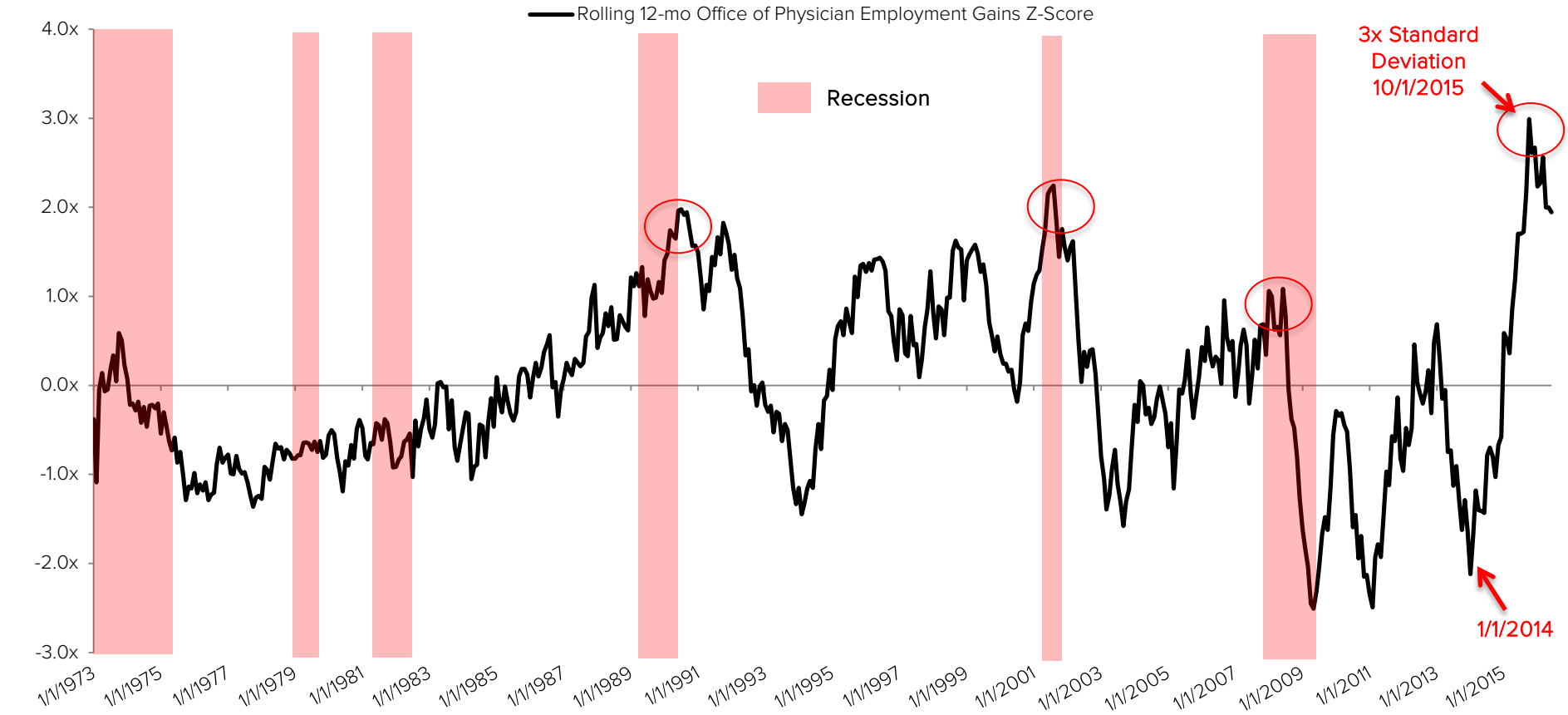
DATA SOURCE: BEA AND COMPANY FILINGS

HEALTHCARE EMPLOYMENT GAINS



DATA SOURCE: BLS, NBER

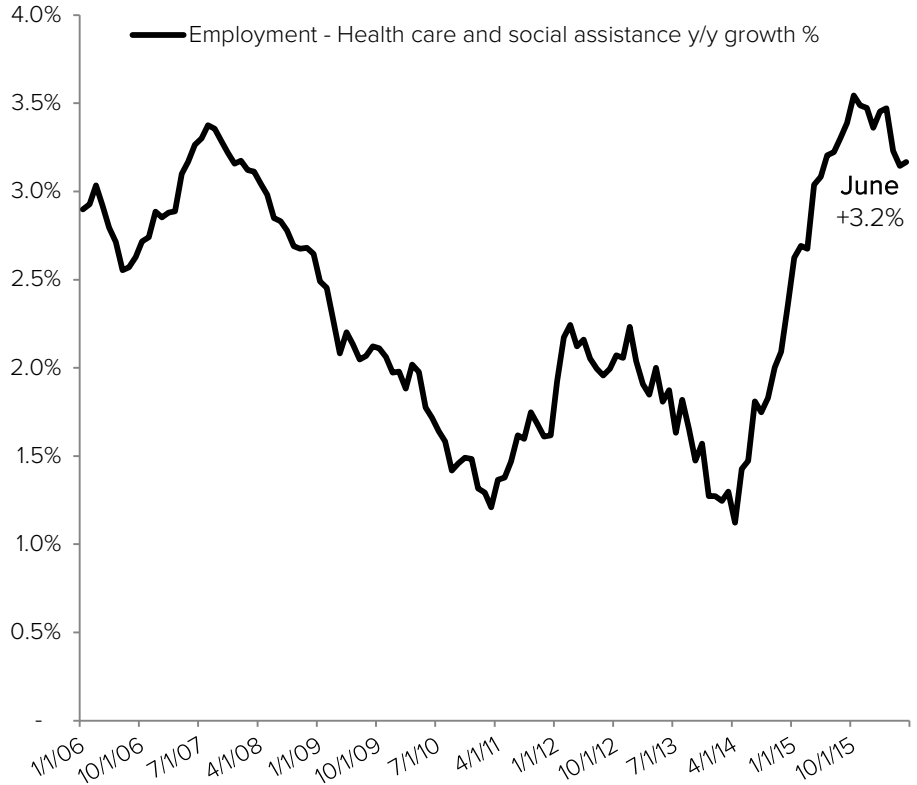
PHYSICIAN EMPLOYMENT GAINS

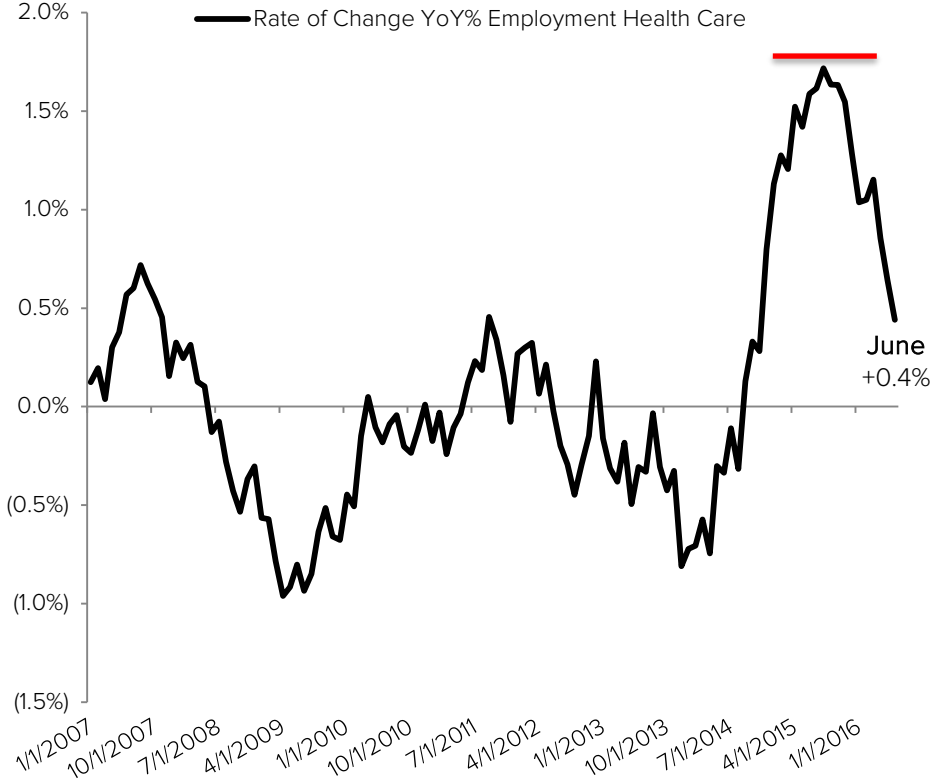


DATA SOURCE: BLS, NBER

HEALTHCARE EMPLOYMENT

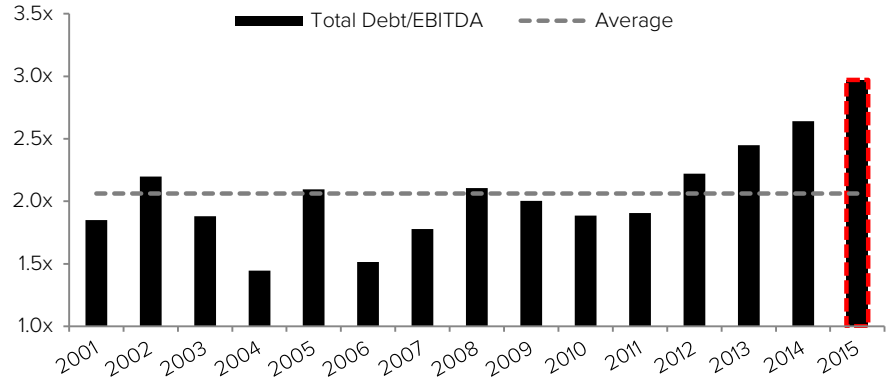
CONTINUES TO SLOW…

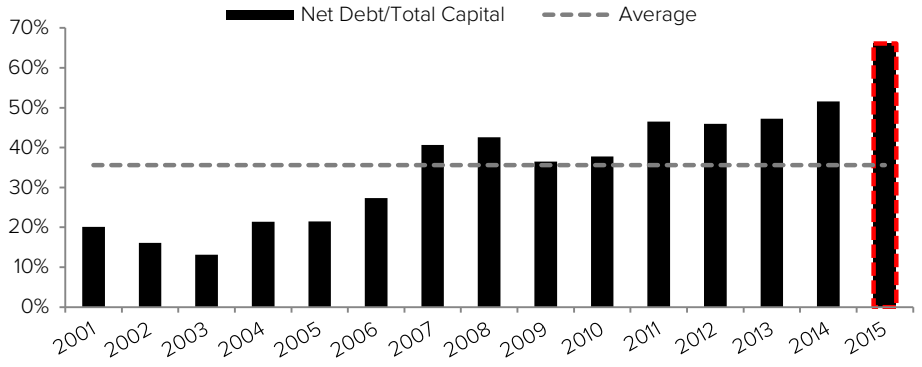


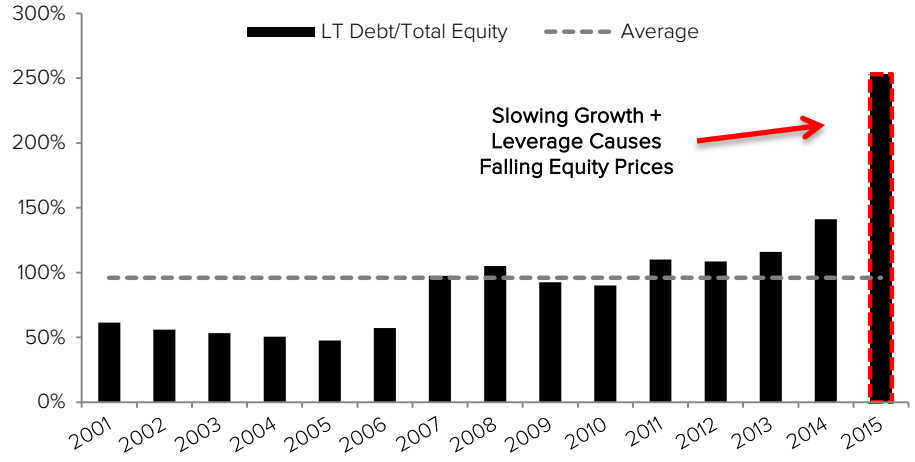


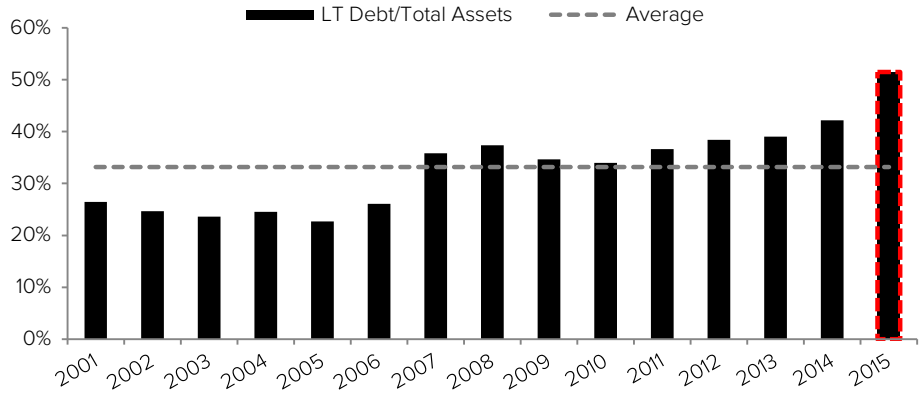
DATA SOURCE: BLS

LEVERAGE AT 15-YEAR HIGH



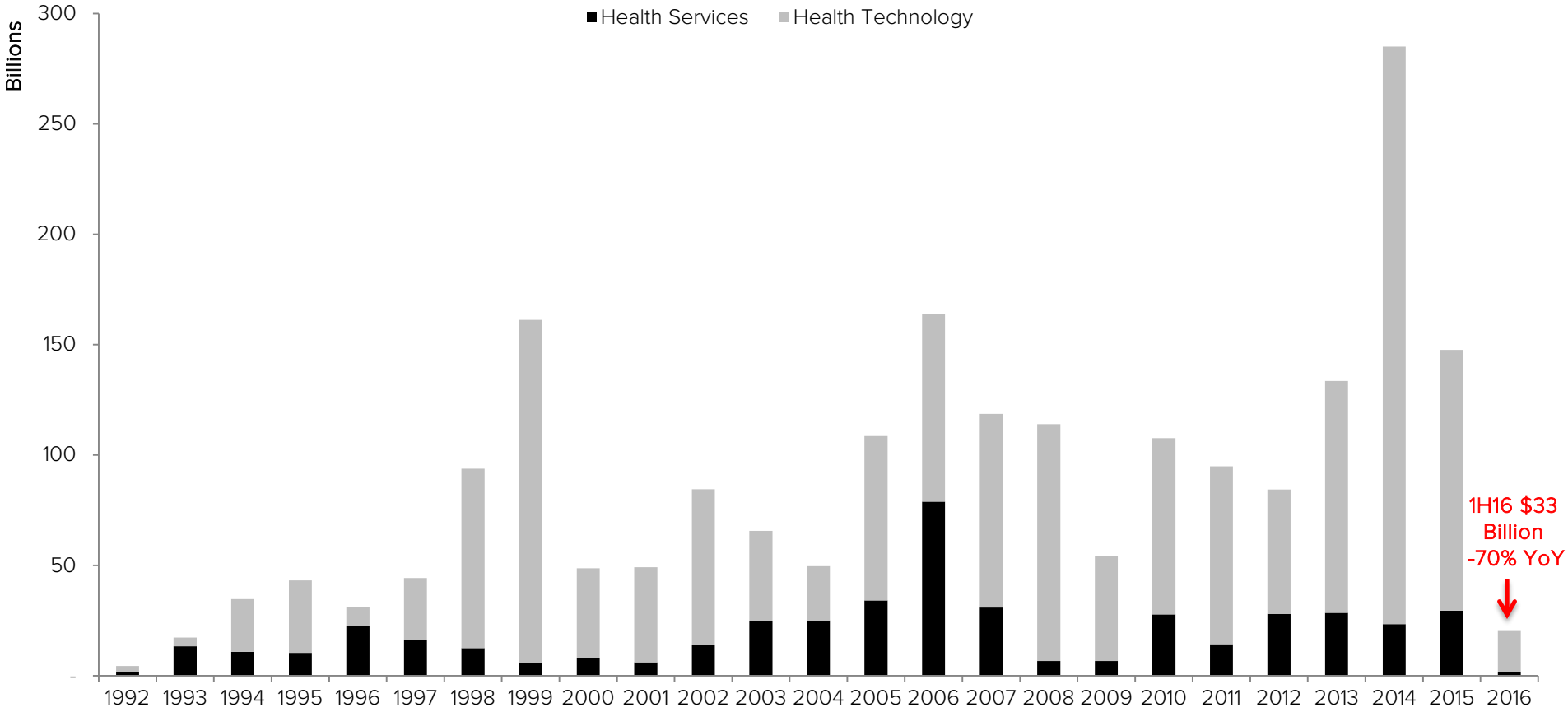






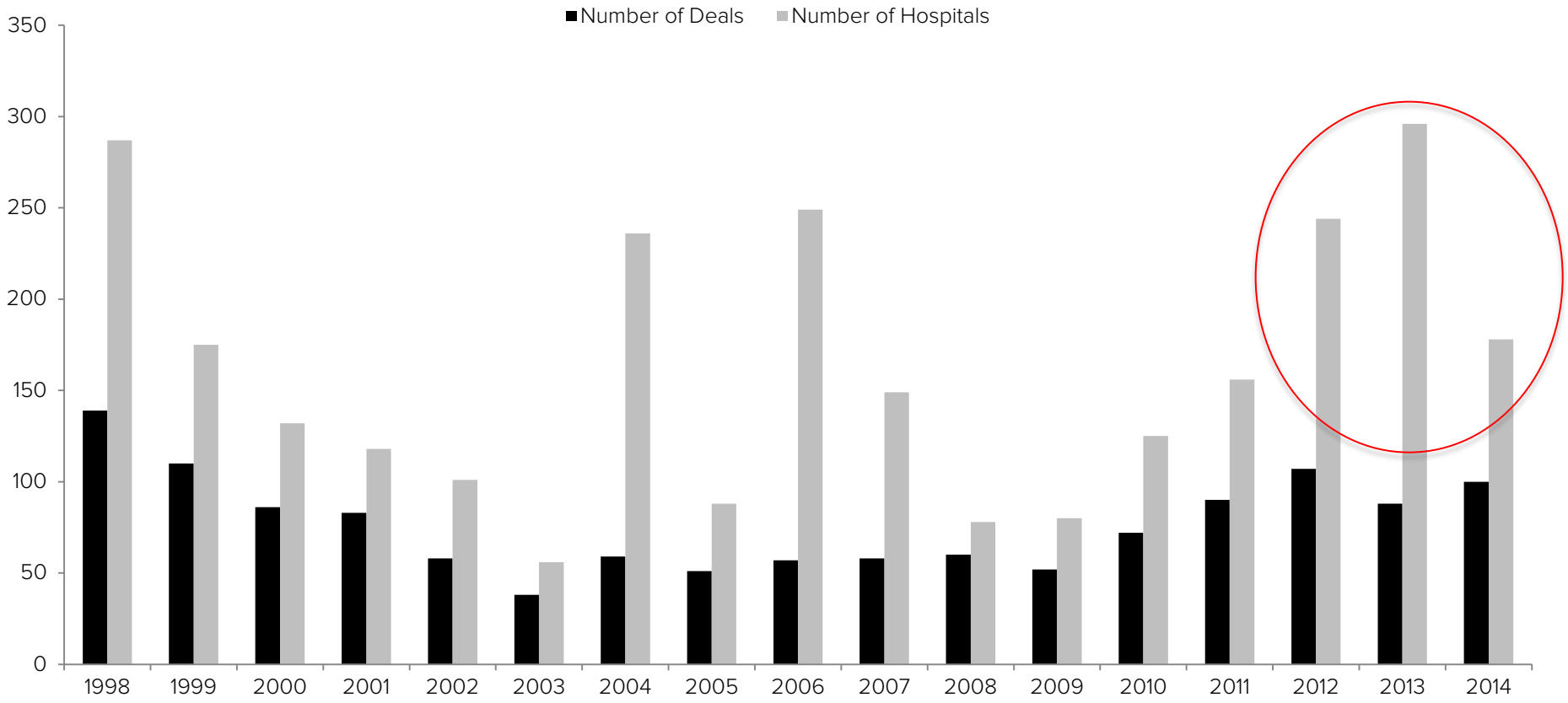
DATA SOURCE: FACTSET

GLOBAL HEALTHCARE M&A ACTIVITY



DATA SOURCE: HTTP://WWW.AHA.ORG/RESEARCH/REPORTS/TW/CHARTBOOK/2015/CHAPTER2.PDF

ANNOUNCED HOSPITAL M&A



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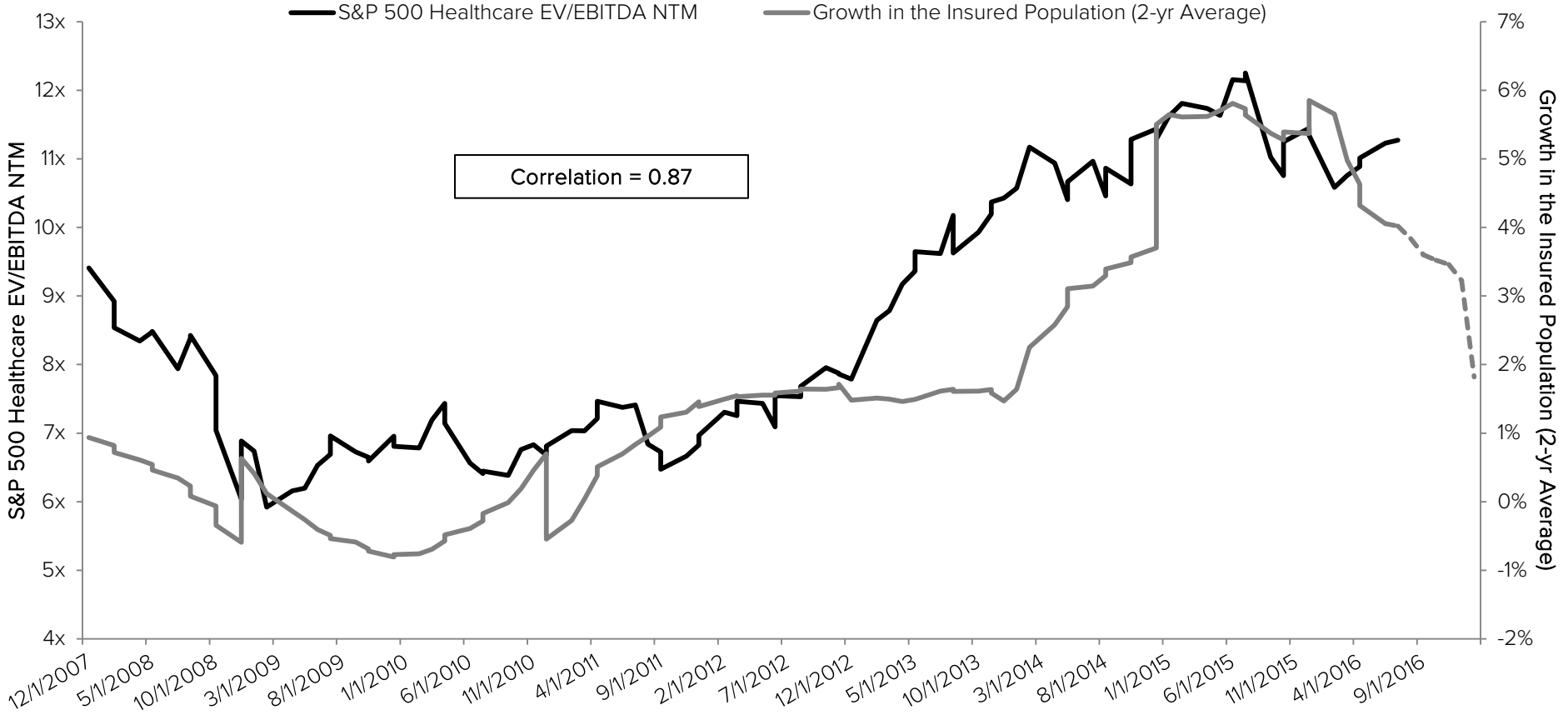
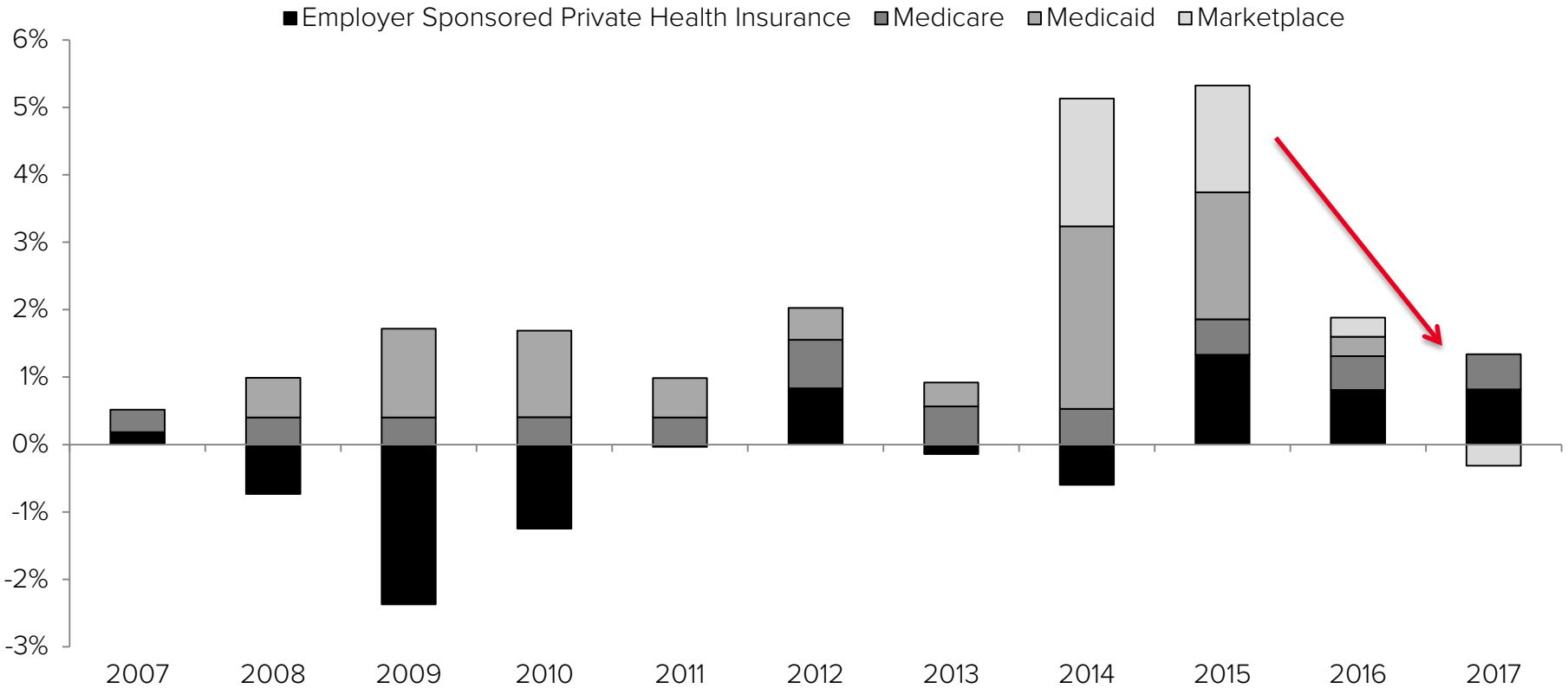
INSURED POPULATION GROWTH



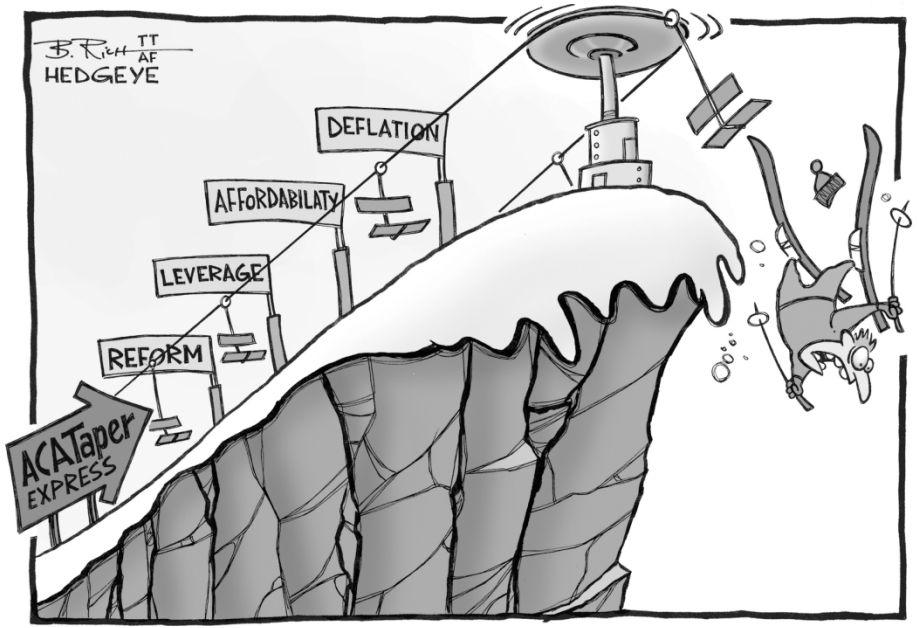
DATA SOURCE: FACTSET, BLS, U.S. CENSUS, CMS, AND KAISER

WHERE TO FROM HERE?

MEDICAL CONSUMER SLOWDOWN



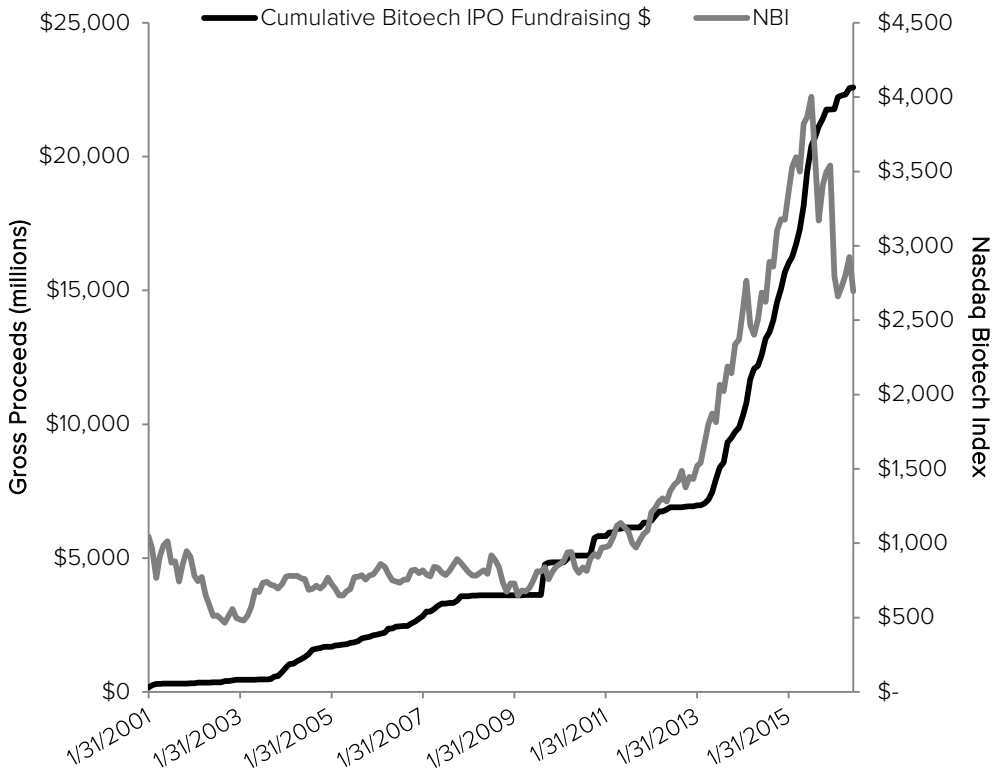
DATA SOURCE: CMS, NHE, BLS, KAISER, HEDGEYE ESTIMATES

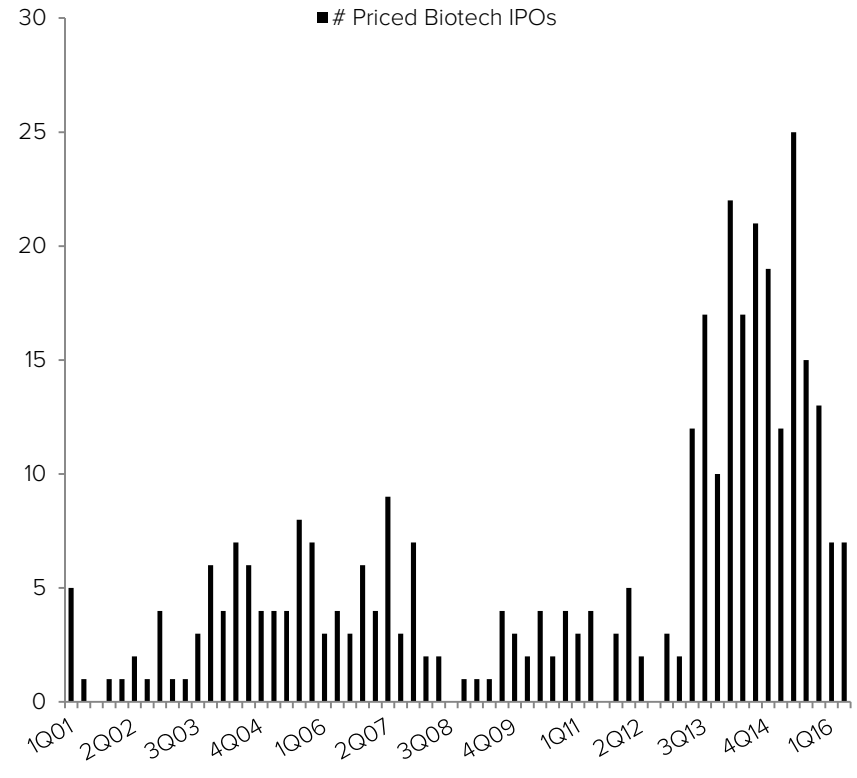


#BIOBUBBLE

BIOTECH PERFORMANCE

IT IS ALL ABOUT THE MARGINAL FUNDRAISING DOLLAR

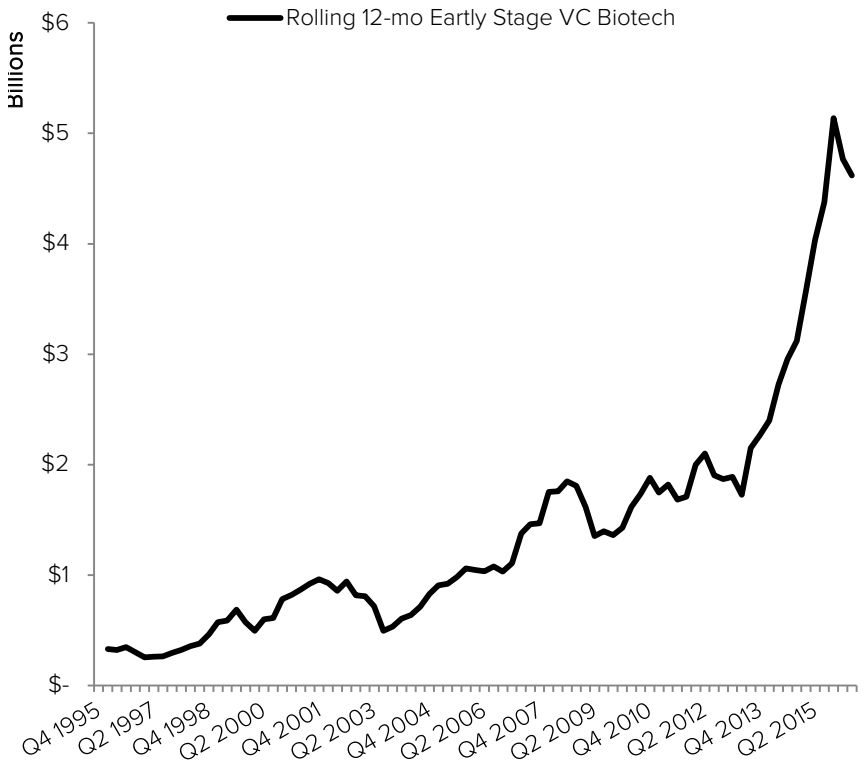


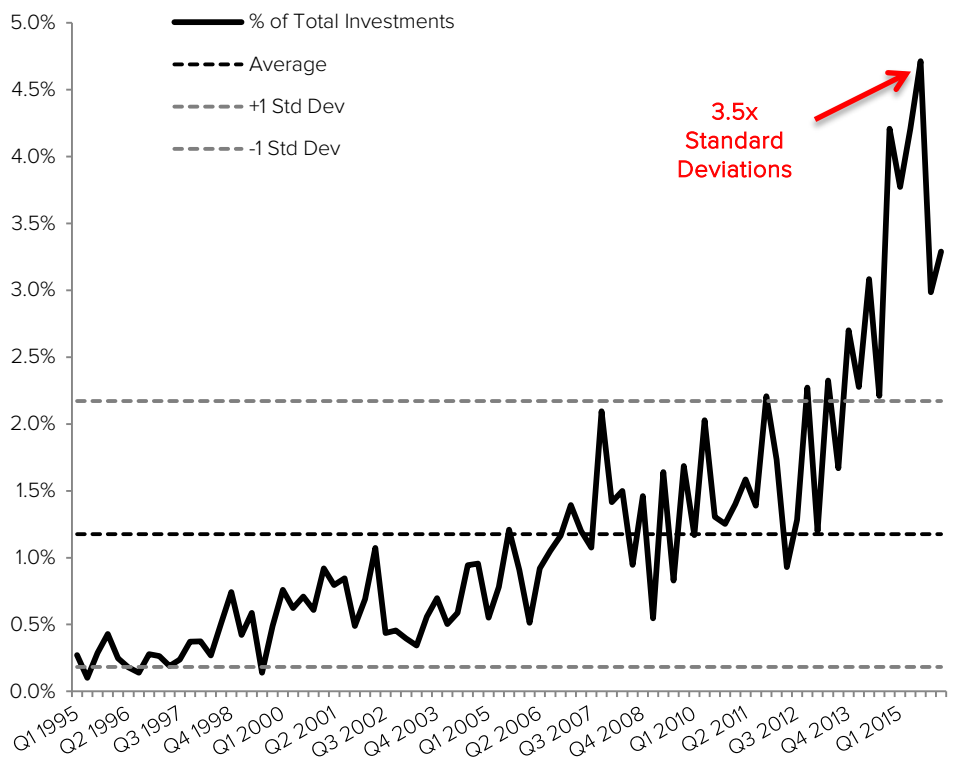


DATA SOURCE: FACTSET

BIOTECH VENTURE CAPITAL

...IT'S NOT JUST THE PUBLIC MARKETS

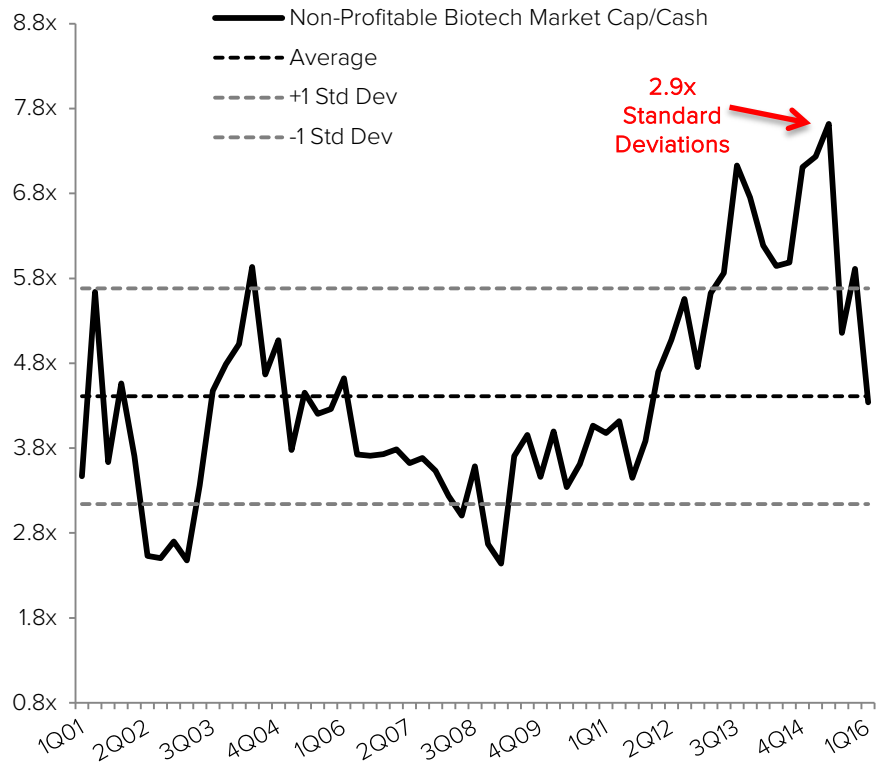


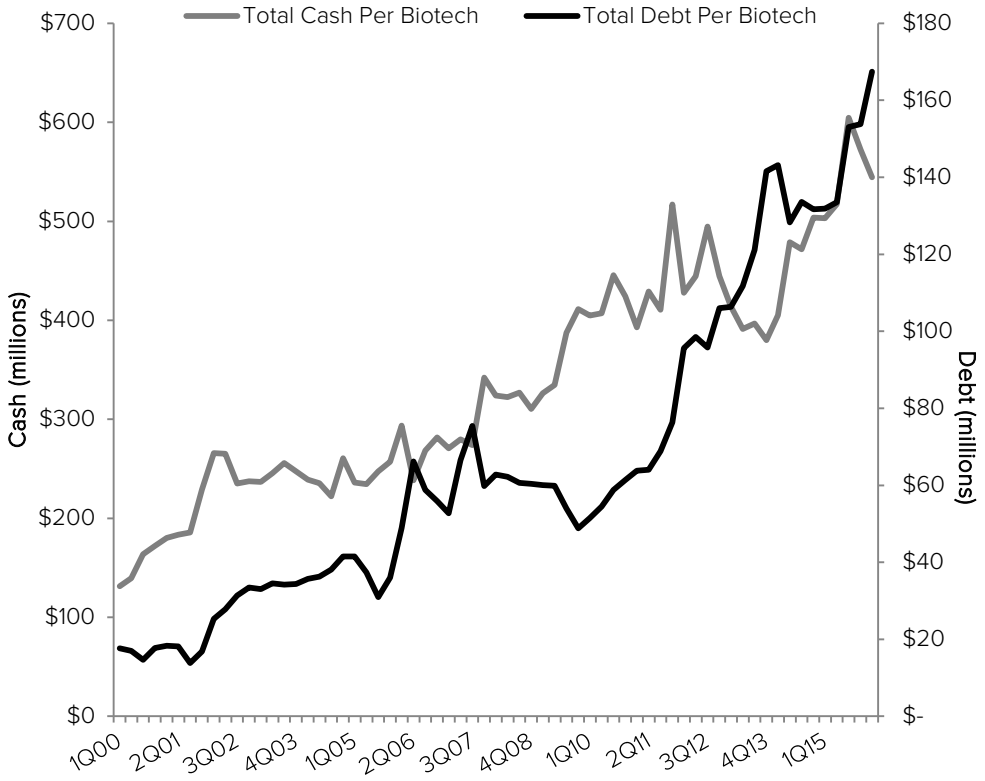


DATA SOURCE: PWC

BIOTECH EQUITY-TO-CASH VALUE

STORY STOCKS NEED CASH

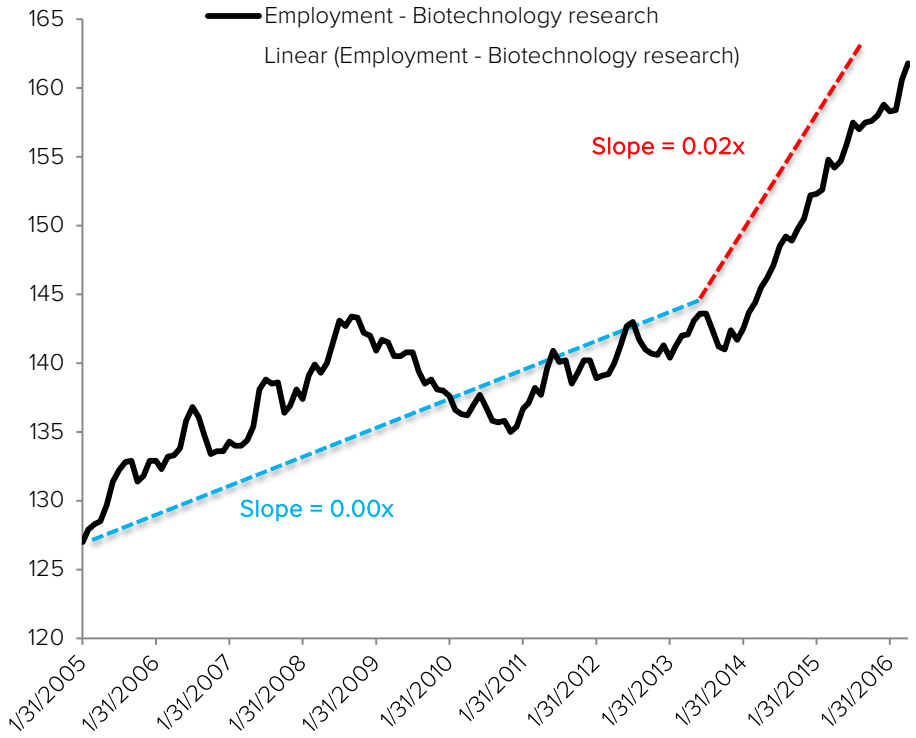


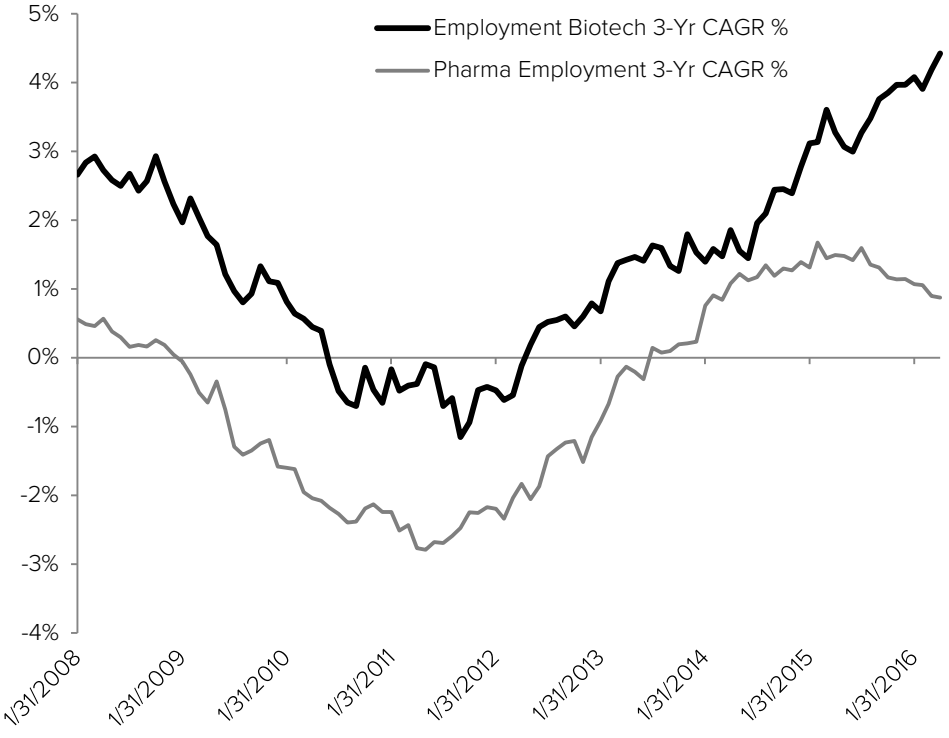


DATA SOURCE: FACTSET

BIOTECH EMPLOYMENT

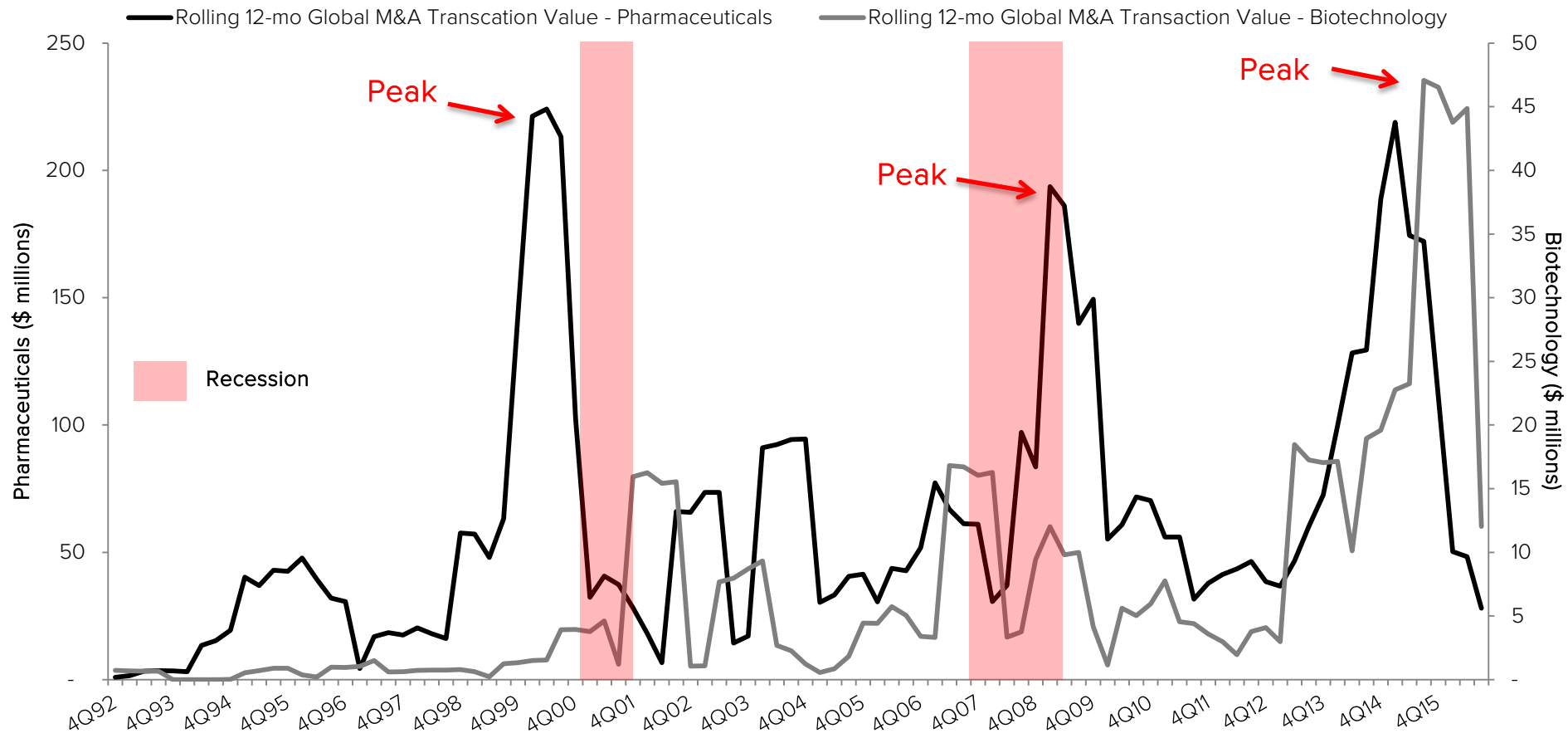
ACCELERATED 6-12 MONTHS AFTER FUNDRAISING SPIKE



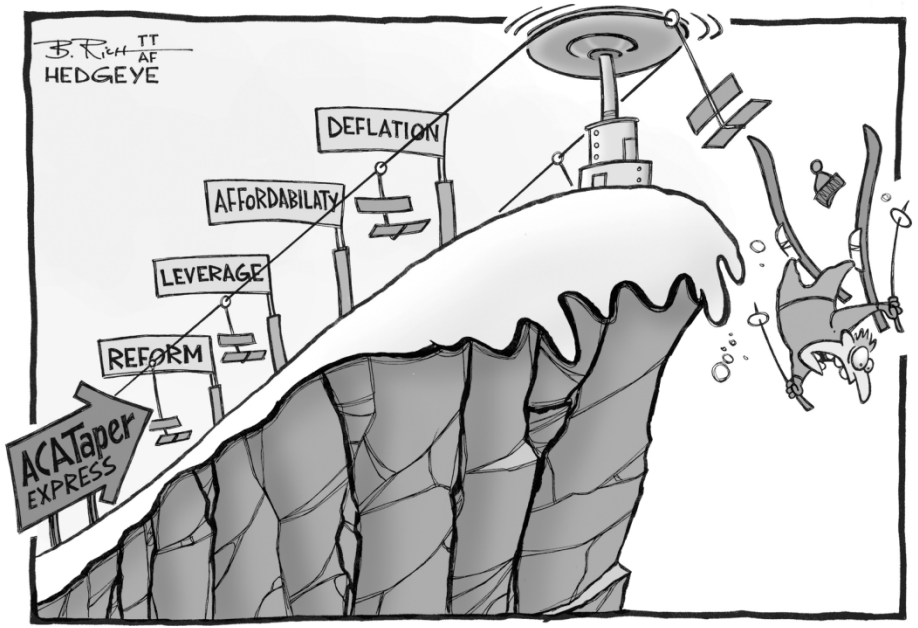


DATA SOURCE: BLS

M&A IS LATE CYCLE



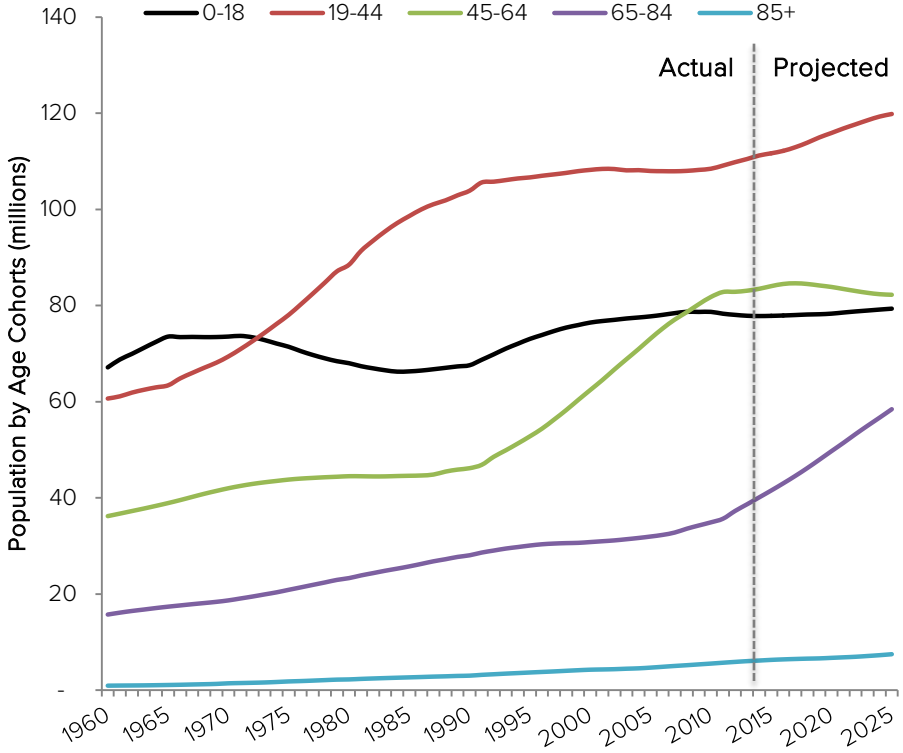
DATA SOURCE: FACTSET, AND NBER

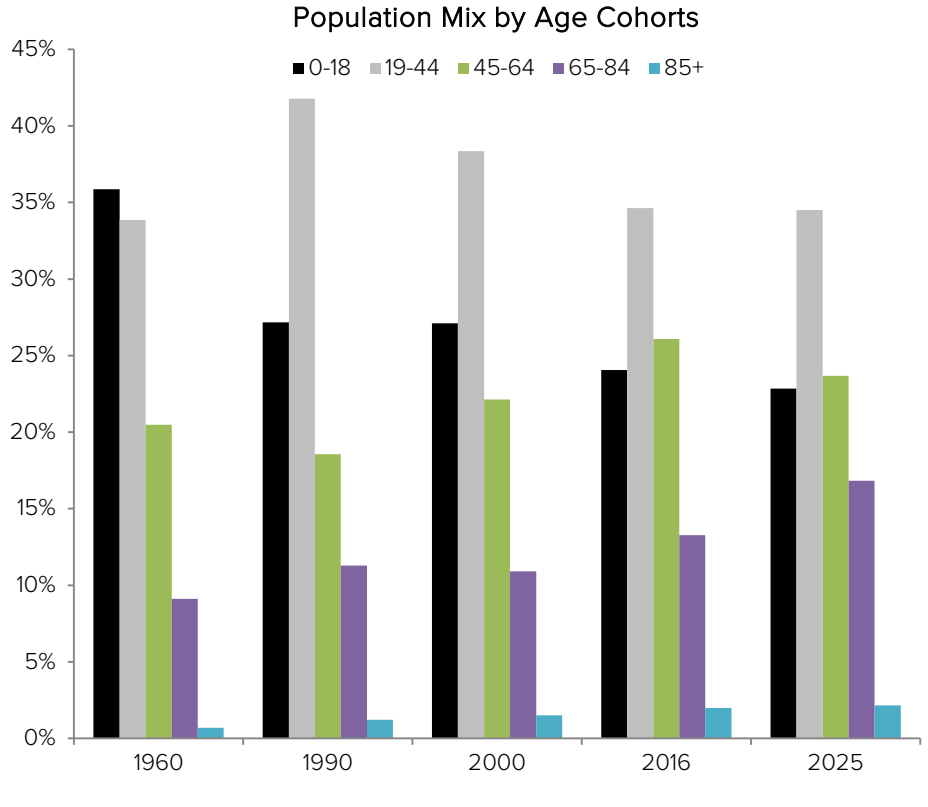


#DEMOGRAPHICS

CENSUS POPULATION ESTIMATES

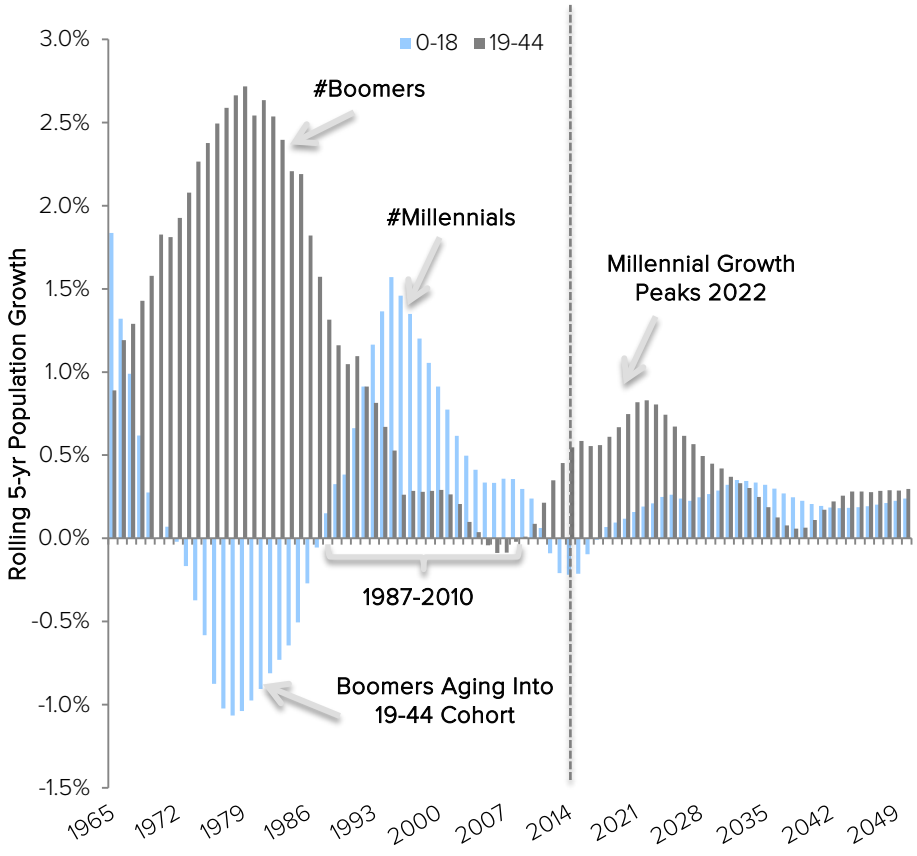
"THE GRAYING OF AMERICA" IS OVERSTATED

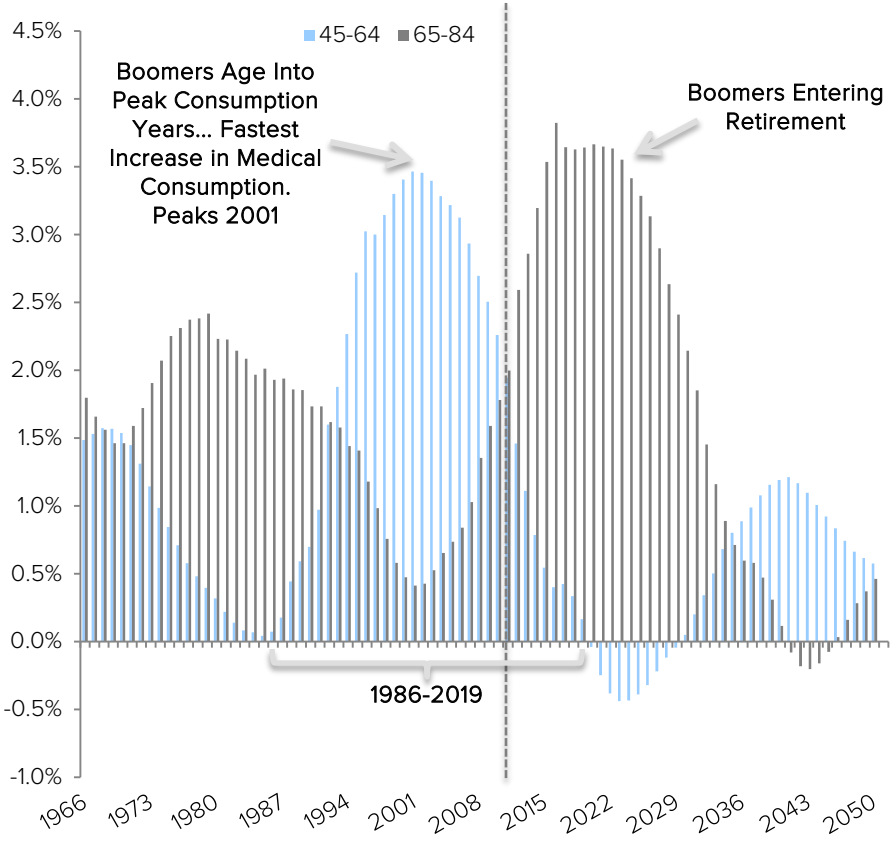




DATA SOURCE: U.S. CENSUS

POPULATION GROWTH OVER TIME





DATA SOURCE: U.S. CENSUS

$124K + NEEDED FOR 90% CHANCE

Amount of Savings Needed for Health Expenses for People Eligible for Medicare: Unlike the Last Few Years, the News Is Not Good, by Paul Fronstin, Dallas Salisbury, and Jack VanDerhei, EBRI (Click Here)

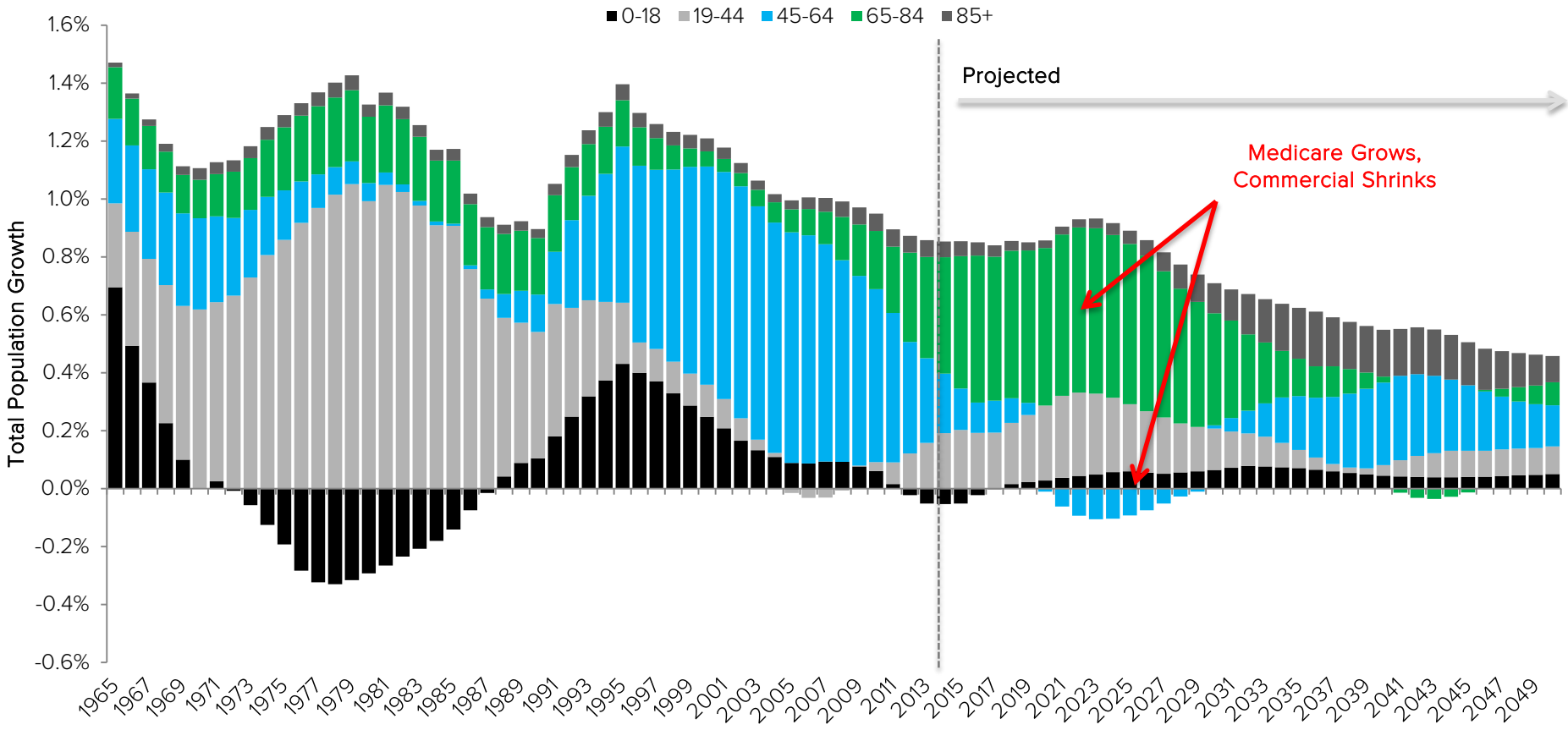
- Medicare beneficiaries pay a share of their health expenses out-of-pocket because of program deductibles and other cost sharing. In 2012, Medicare covered 60 percent of the cost of health care services for Medicare beneficiaries ages 65 and older, while out-of-pocket spending accounted for 13 percent, and private insurance covered 15 percent.

- In 2015, a 65-year-old man needs $68,000 in savings and a 65-year-old woman needs $89,000 if each has a goal of having a 50 percent chance of having enough money saved to cover health care expenses in retirement. If either instead wants a 90 percent chance of having enough savings, $124,000 is needed for a man and $140,000 is needed for a woman. This analysis does not factor in the savings needed to cover long-term care expenses.

- Savings targets increased between 6 percent and 21 percent between 2014 and 2015. For a married couple both with drug expenses at the 90th percentile throughout retirement who want a 90 percent chance of having enough money saved for health care expenses in retirement by age 65, targeted savings increased from $326,000 in 2014 to $392,000 in 2015.

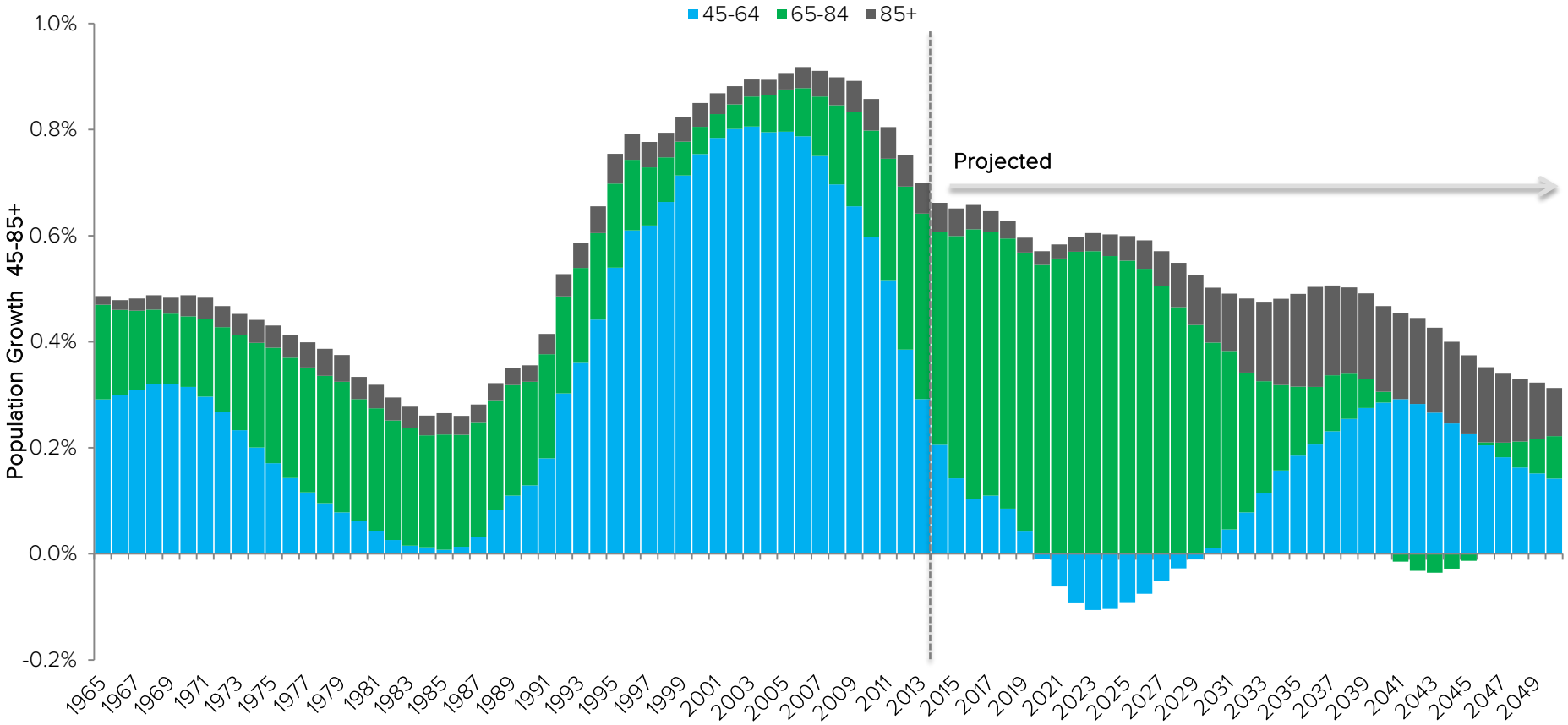
DATA SOURCE: EBRI

AGING POPULATION GROWTH



DATA SOURCE: U.S. CENSUS

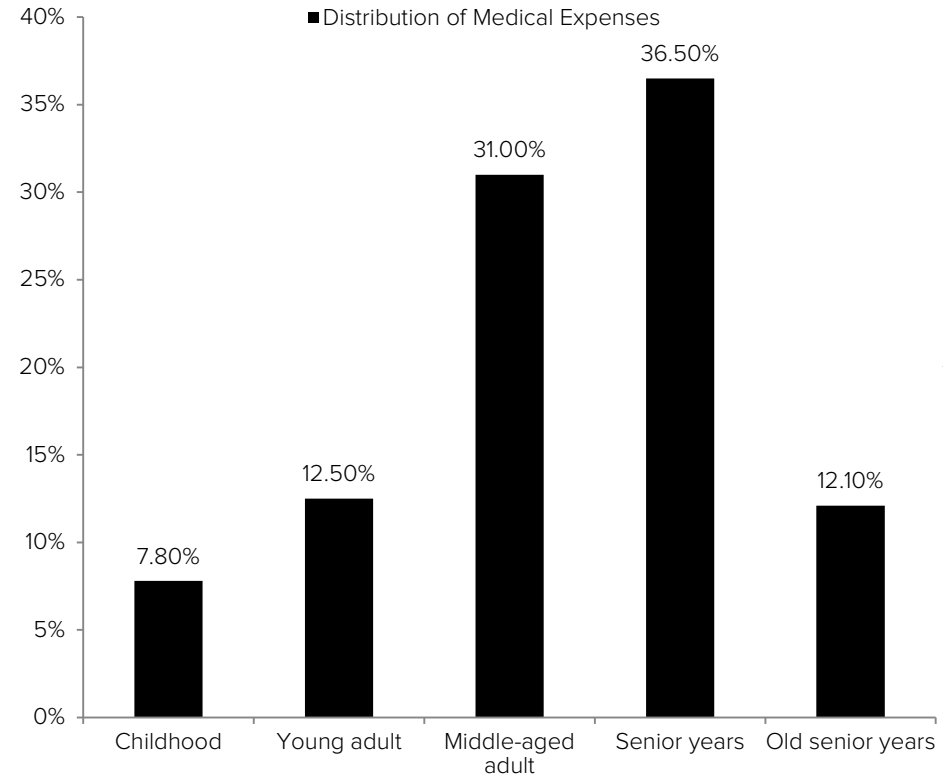
AGING POPULATION GROWTH

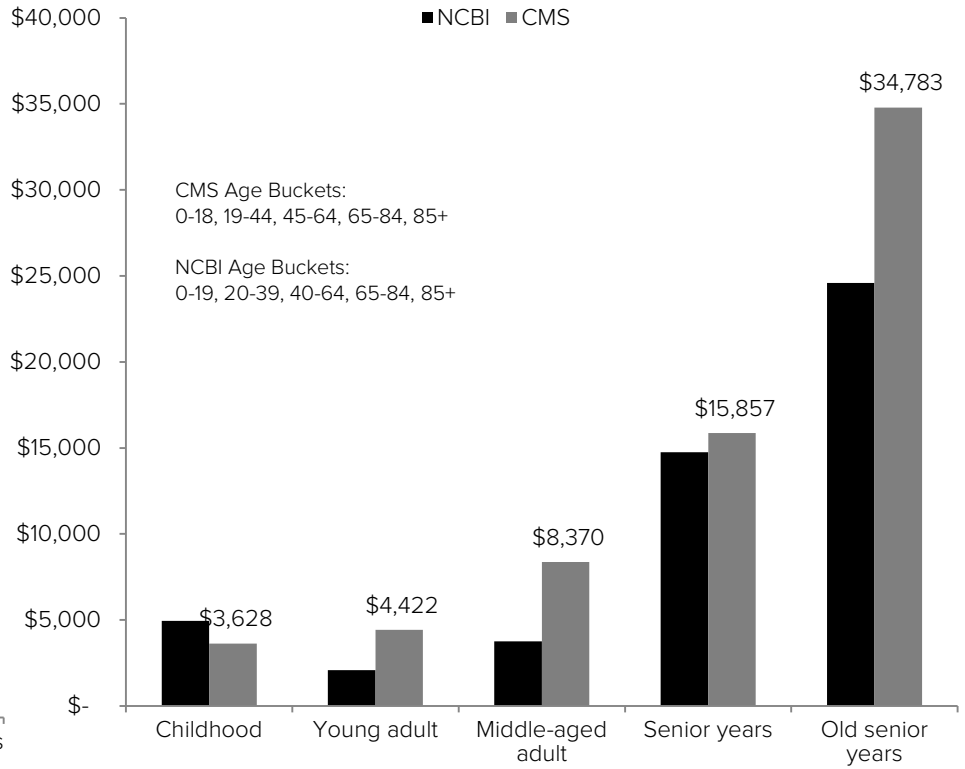


DATA SOURCE: U.S. CENSUS

DISTRIBUTION MEDICAL EXPENSES

AGE 40-84 PEAK MEDICAL CONSUMPTION





DATA SOURCE: CMS AND NCBI

DISTRIBUTION MEDICAL EXPENSES

Table 3
Age-Specific Annual and Lifetime Per Capita Expenditure. Life Table Cohort, and Survivors

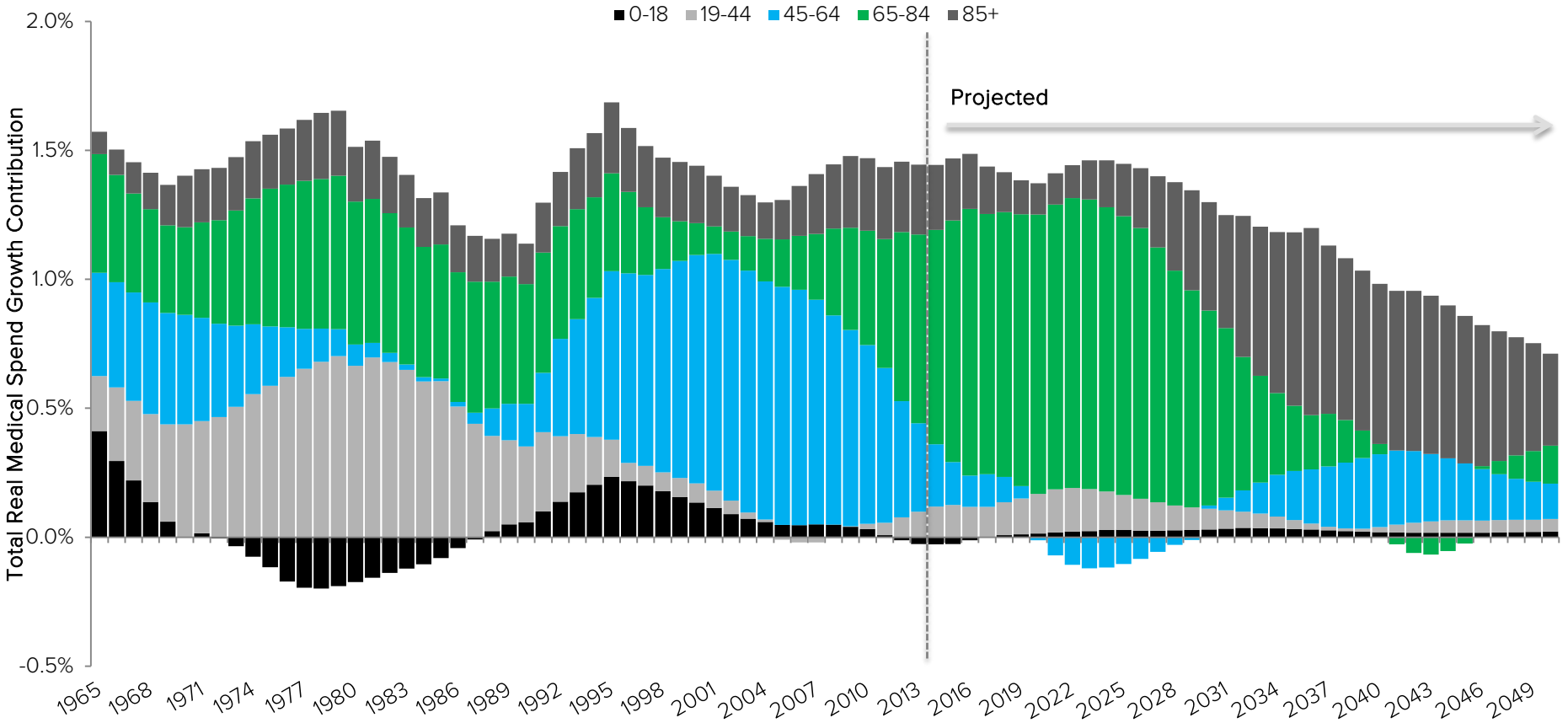
Age	Life Table Cohort			Survivors	
	Annual Per Capita Expenditure	Lifetime Per Capita Expenditure (LEba)	Relative Lifetime Expenditure (RLEba)	Annual Per Capita Expenditure	Lifetime Per Capita Expenditure
0	$ 3,432	$ 316,579	100.0%	$ 2,920	$ 316,579
20	$ 1,448	$ 291,745	92.2%	$ 1,255	$ 296,363
40	$ 2,601	$ 252,082	79.6%	$ 1,929	$ 262,124
65	$ 10,245	$ 153,944	48.6%	$ 7,702	$ 188,658
85	$ 17,071	$ 38,400	12.1%	$ 7,688	$ 113,685

Table 4
Relative Lifetime Per Capita Expendirue at Different Age Intervals, Life Table Cohort, and Survivors (Year 2000 Dollars)

Relative Lifetime Expenditure During	Life Table Cohort	Survivors
Childhood (0-19)	7.8%	6.4%
Young Adult (20-39)	12.5%	10.8%
Middle-Aged Adult (40-64)	31.0%	23.2%
Senior Years (65-84)	36.5%	23.7%
Old Senior Years (85+)	12.1%	35.9%

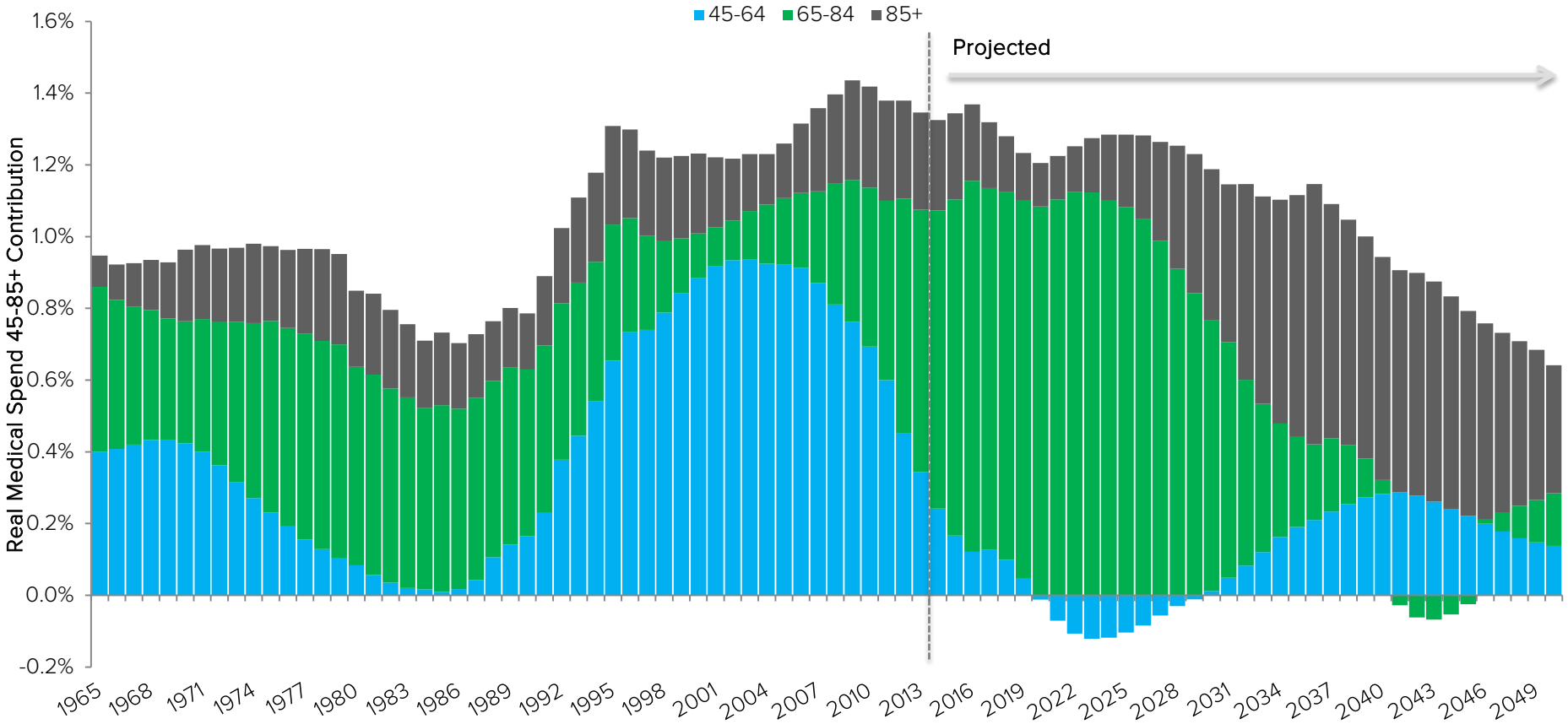
DATA SOURCE: CMS AND NCBI

AGING AND MEDICAL SPEND



DATA SOURCE: U.S. CENSUS, NCBI AND CMS

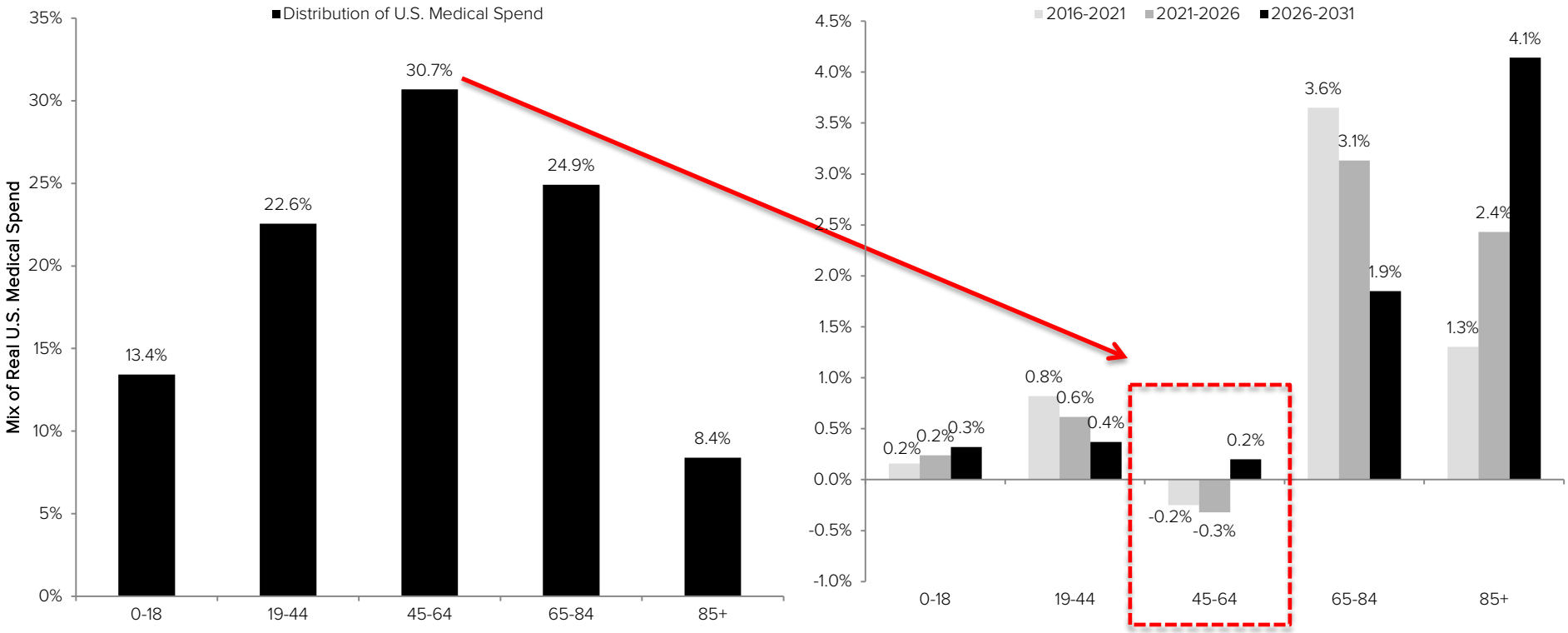
AGING AND MEDICAL SPEND



DATA SOURCE: U.S. CENSUS, NCBI AND CMS

DISTRIBUTION TOTAL MEDICAL SPEND

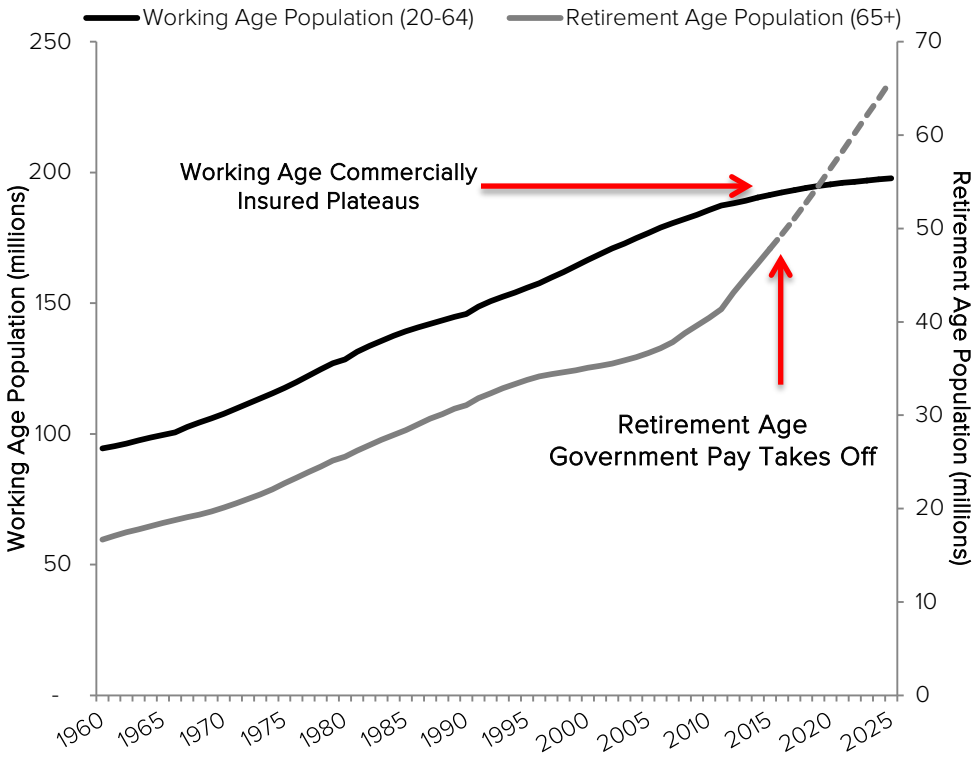
NEGATIVE GROWTH IN LARGEST SPENDING COHORT

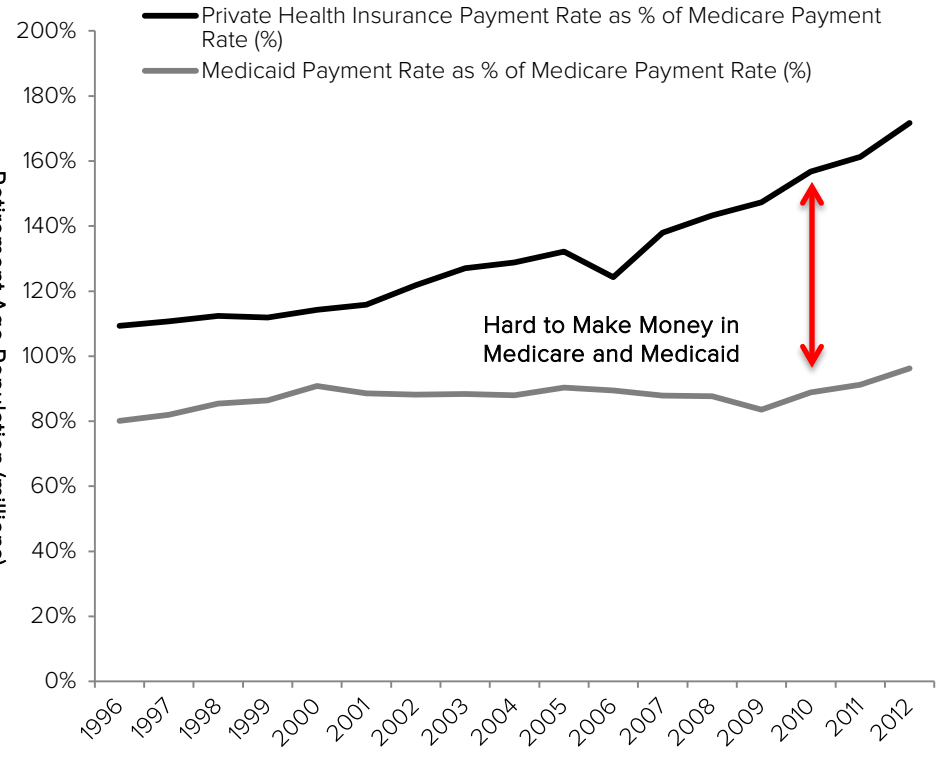


DATA SOURCE: NCBI, BEA, U.S. CENSUS AND CMS

MIX SHIFT TOWARD GOVERNMENT PAY

HARD TO MAKE MONEY IN MEDICARE AND MEDICAID

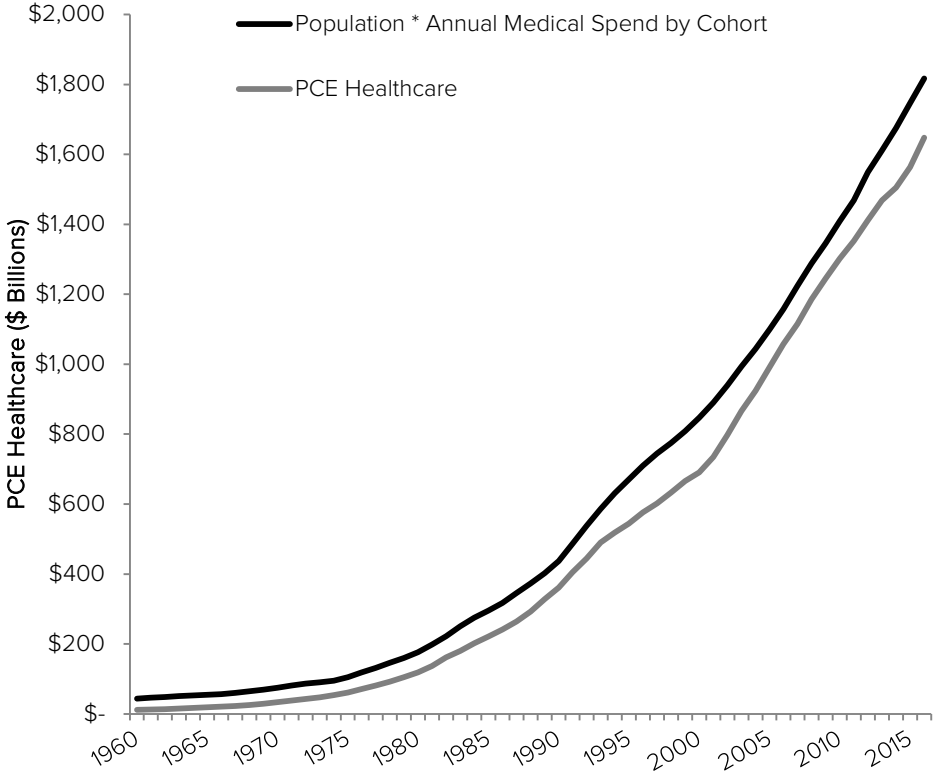


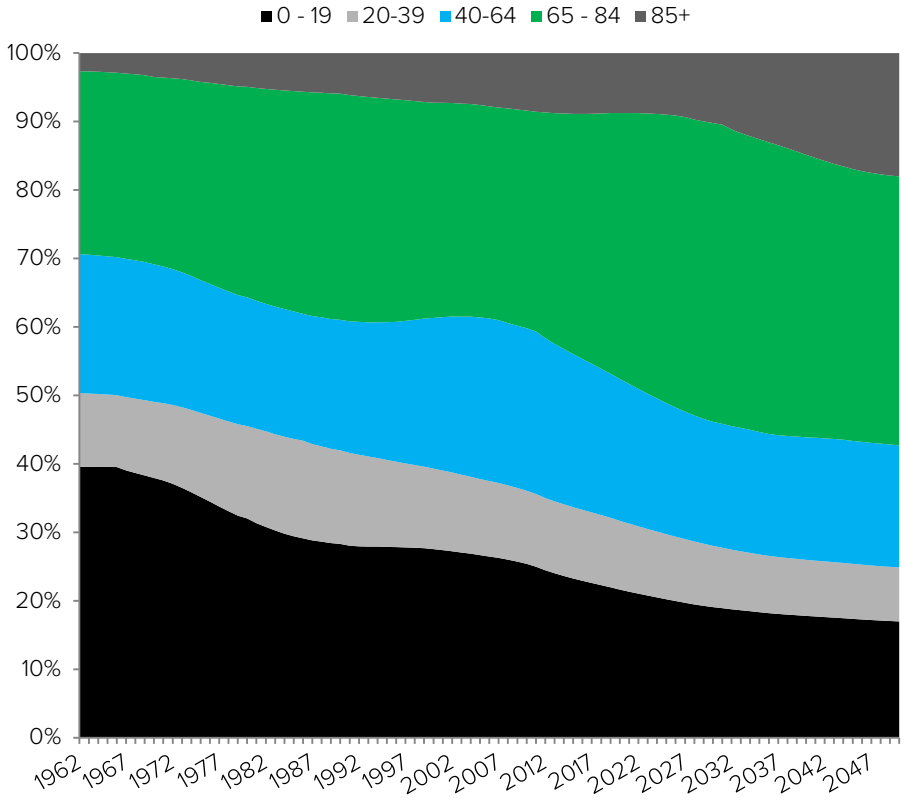


DATA SOURCE: U.S. CENSUS , CMS AND HEALTHAFFAIRS.COM

PCE AND MIX OF MEDICAL SPEND

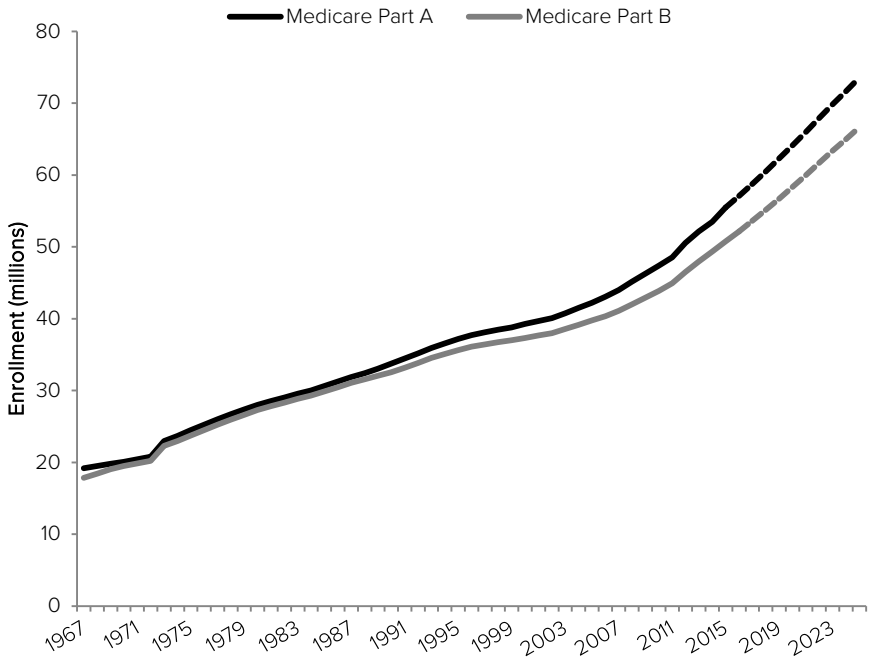
COMMERCIALLY INSURED BUCKET SHRINKING

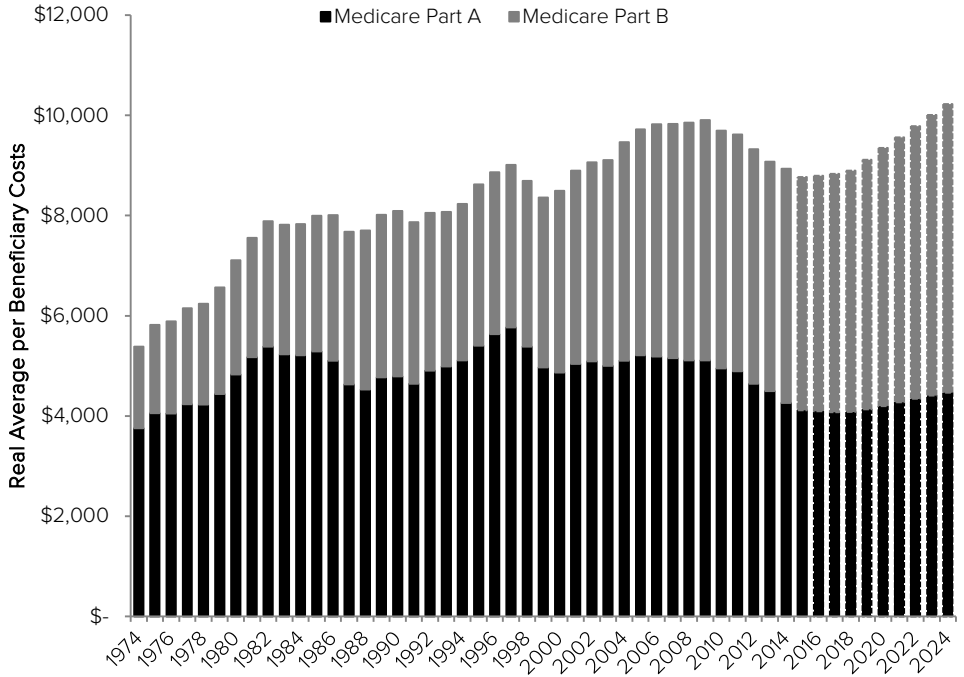




DATA SOURCE: BEA, U.S. CENSUS, NCBI AND CMS

PROJECTED MEDICARE ENROLLMENT





REAL AVERAGE PER BENEFICIARY COST FLAT

While Medicare Enrollment increases, the real average per beneficiary cost is forecasted to remain essentially flat compared to 2009 peak. CMS forecasting decline in Part A expense, which is consistent with reform efforts.

DATA SOURCE: CMS

CONCLUSIONS

1

COMMERCIAL INSURANCE DOLLARS SLOWING

The number and spending level in the most valuable part of the market is slowing. The annual contribution to growth from aging is too modest to offset the larger trend of population deceleration.

2

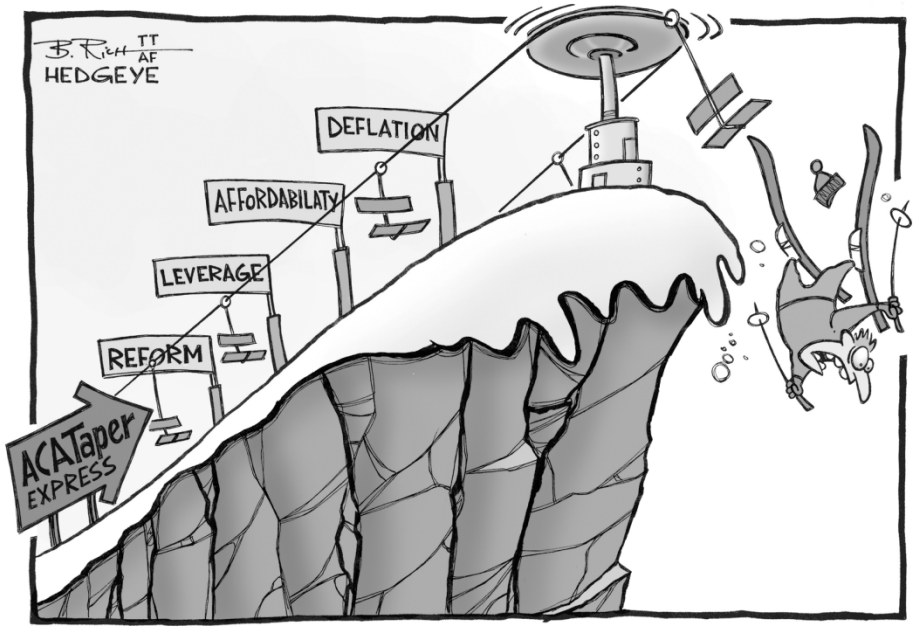
MEDICARE POPULATION ACCELERATES, BUT…

Margins in Medicare already trail privately insured reimbursements across many care areas. While the population is accelerating, it will displace higher margin business. The resulting mix will be of lower value per unit.

3

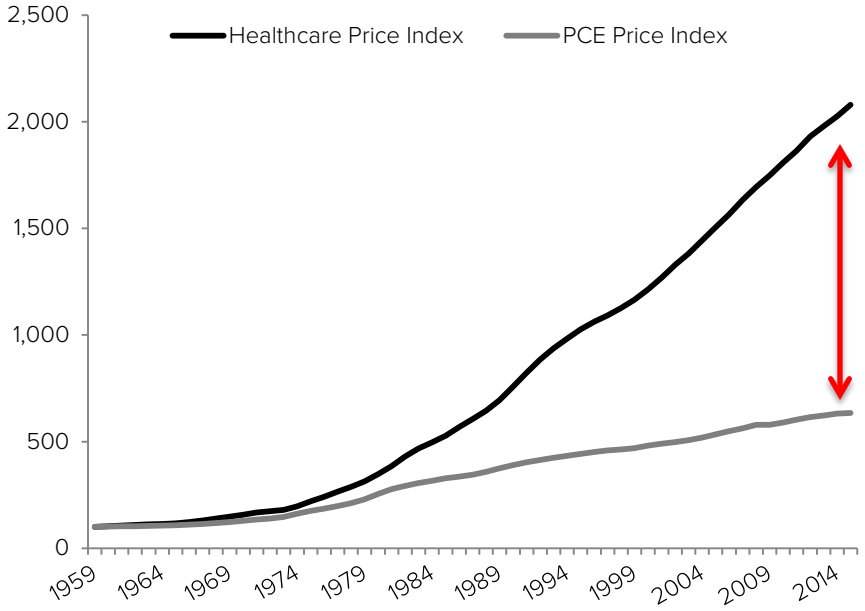
MEDICARE PER CAPITA SPENDING FORCED LOWER

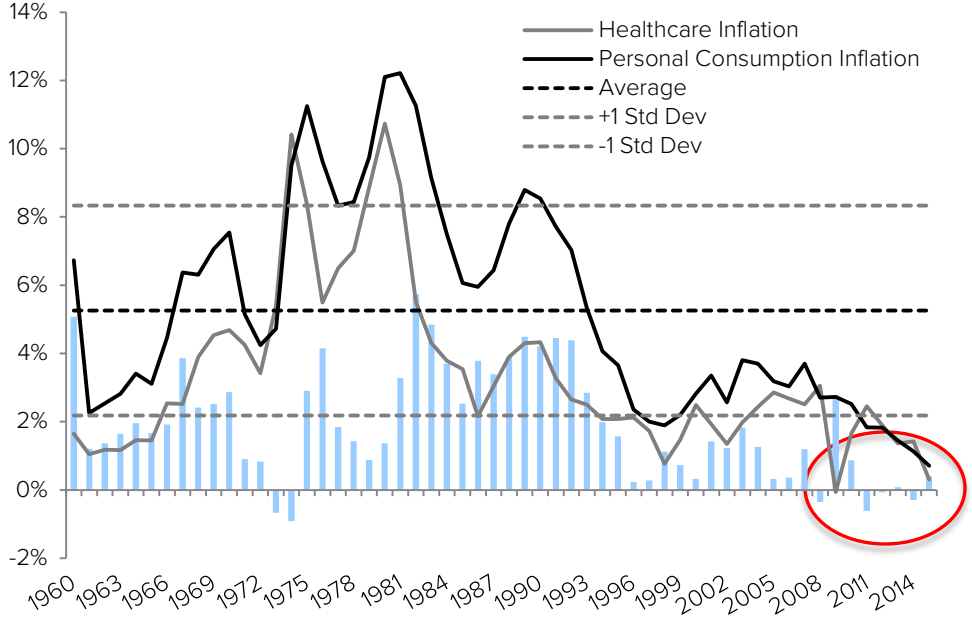
As limited federal spending grows slower than the Medicare population expands, real spending per beneficiary will fall, driving efforts to curb costs for providers.



#AFFORDABILITY

LONG HISTORY OF EXCESS





400% HIGHER AFTER 50 YEARS

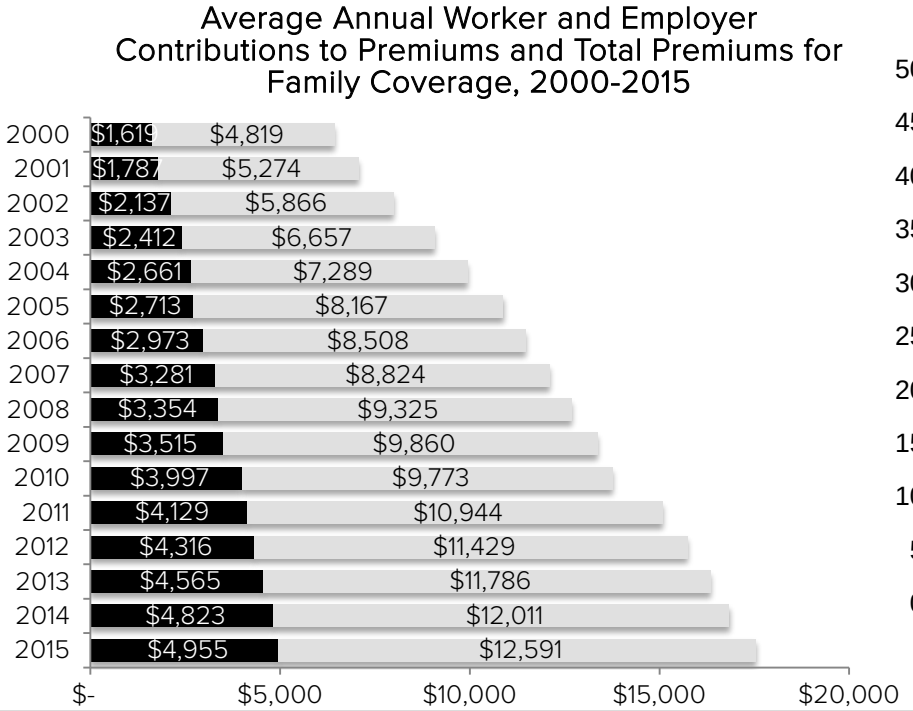
Healthcare inflation has exceeded broader market inflation for over 50 years with the cumulative increase now 400% higher.

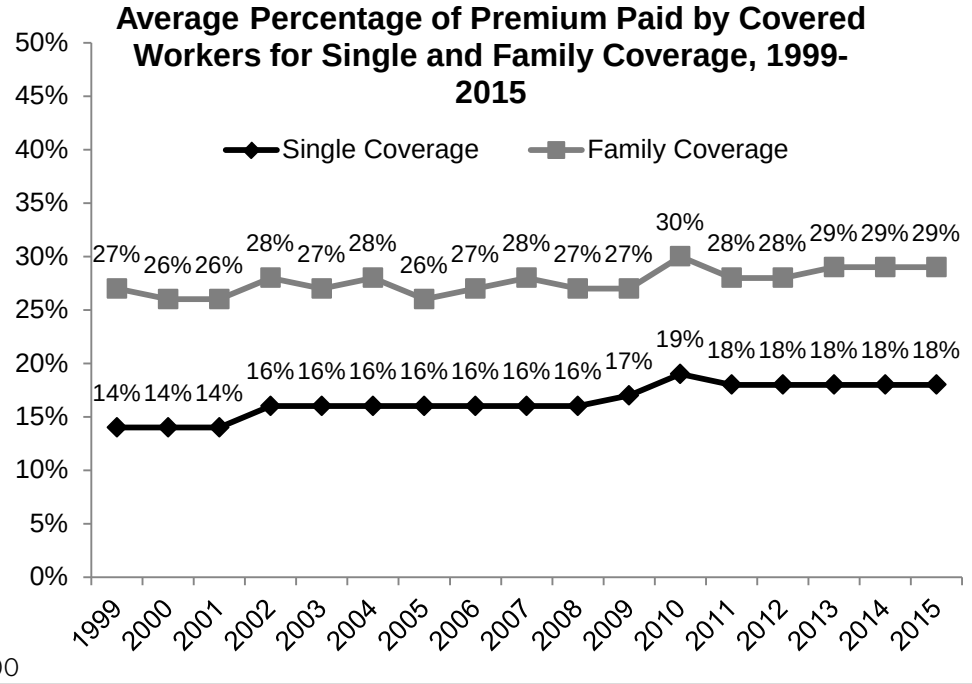
HEALTHCARE DISINFLATION

4 of the 6 years where Healthcare inflation has been ***lower*** than the broader market have occurred since 2008.

DATA SOURCE: BEA

PREMIUM GROWTH EXCESSIVE



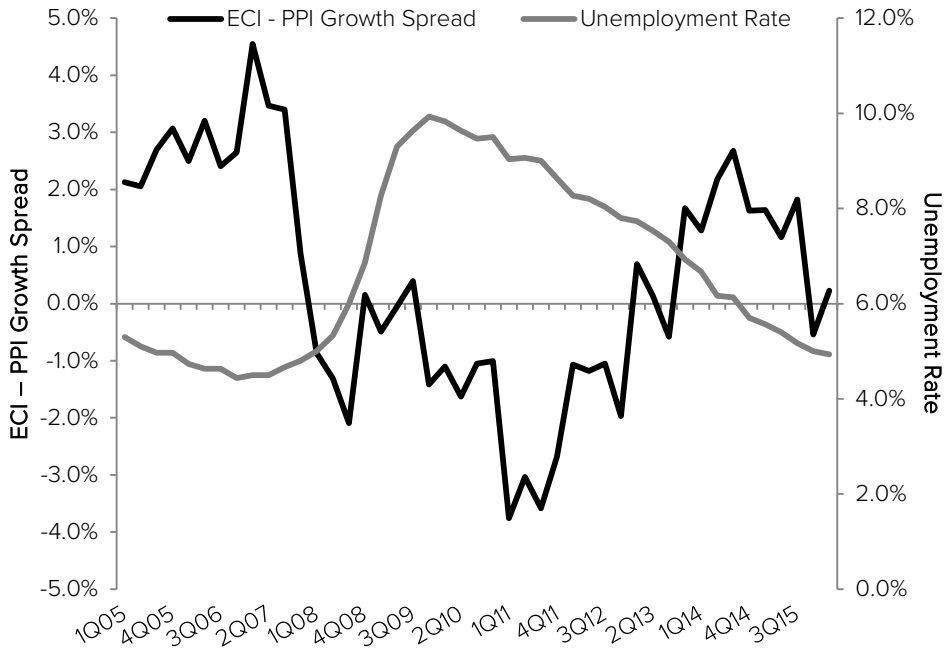


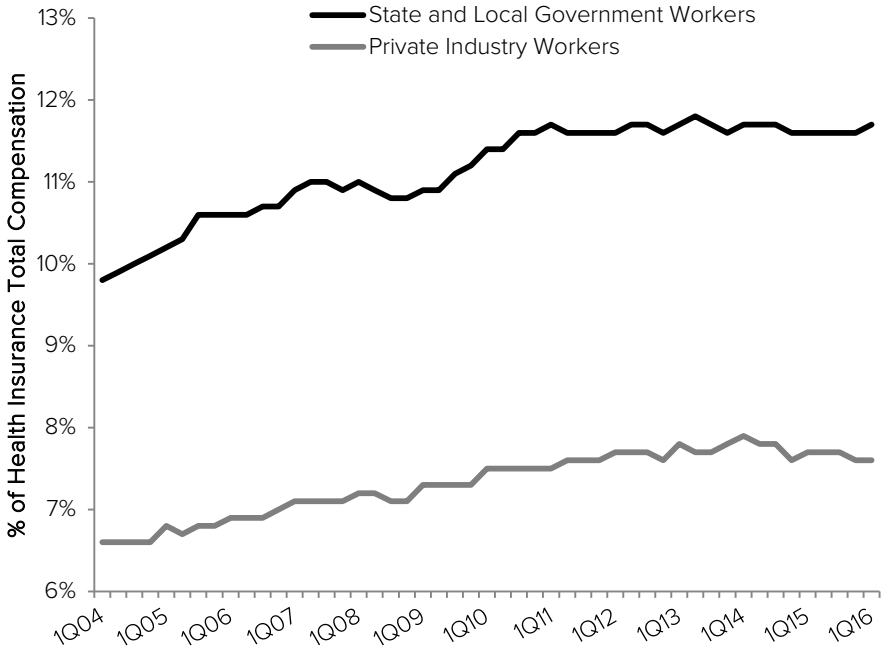
EMPLOYEES PAY FOR EXCESS INFLATION

Excess inflation is paid for in large part by accelerating premiums. Aging accounts for a very small part of these dramatic increases.

DATA SOURCE: KAISER/HRET SURVEY OF EMPLOYEE-SPONSORED HEALTH BENEFITS, 2004-2014

COST SHIFTING



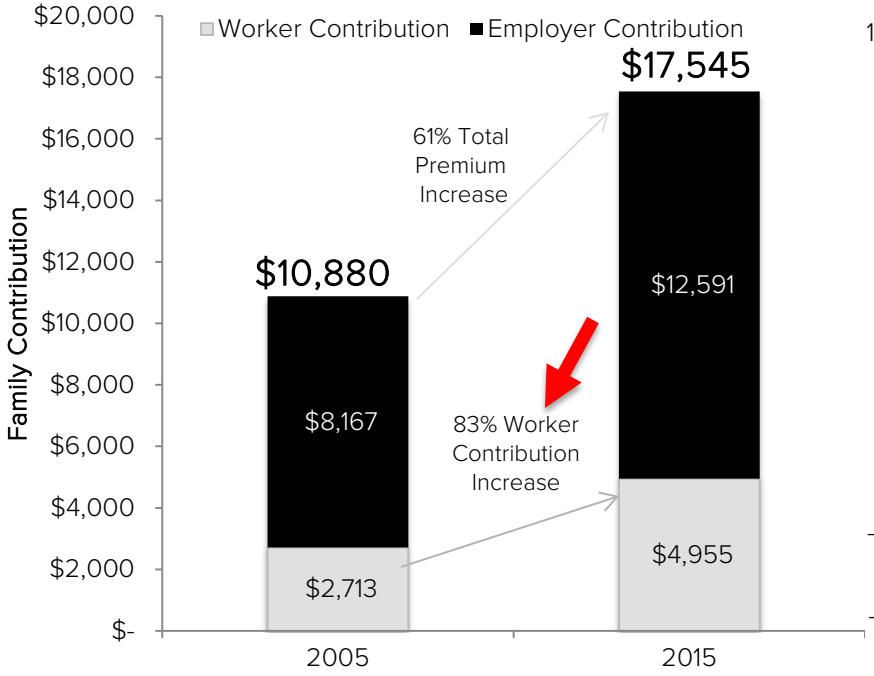


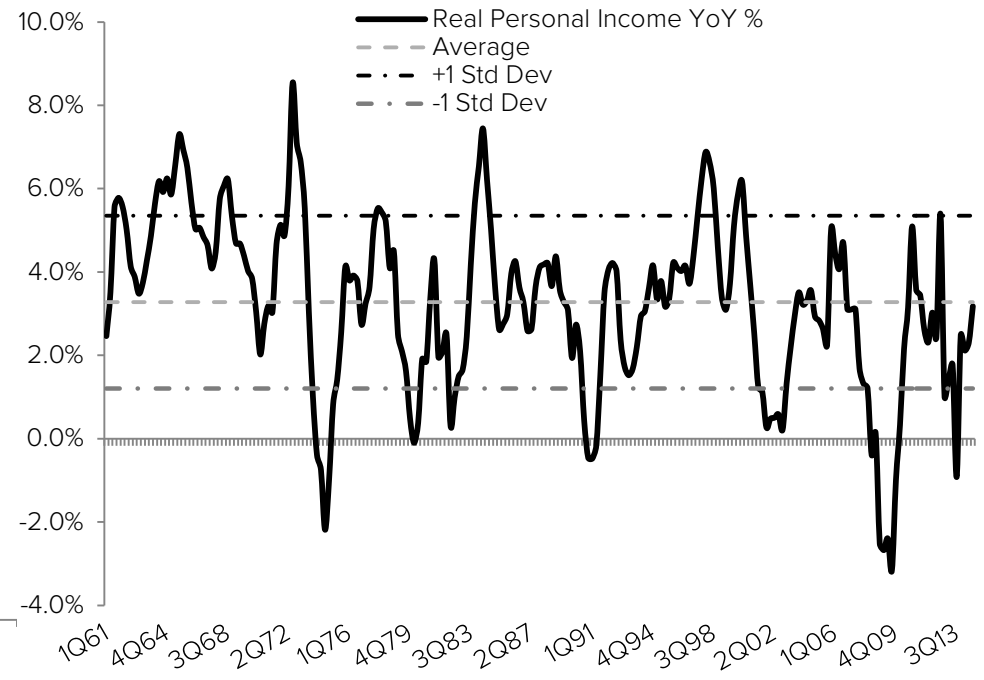
EMPLOYEES ABSORB THE MARGINAL COST

The spread between the PPI, which includes co-pays and deductibles, and the ECI which does not is negative when unemployment is high. This means employers are shifting medical expense to employees.

DATA SOURCE: BLS AND BEA

EMPLOYEE PREMIUM SHARE +81%



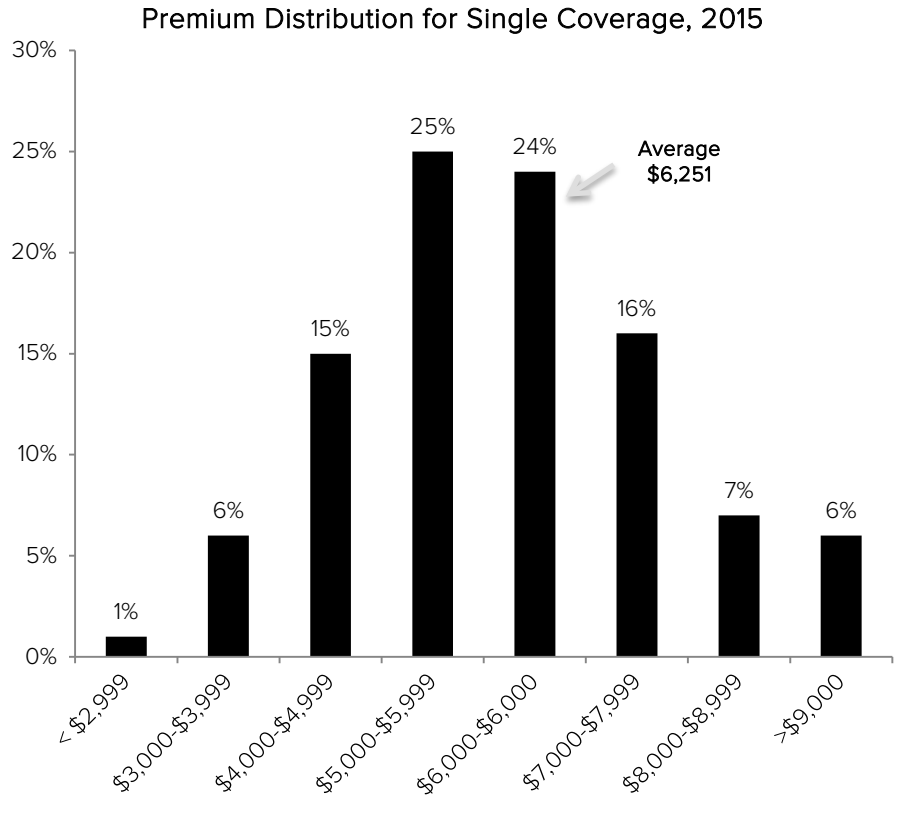


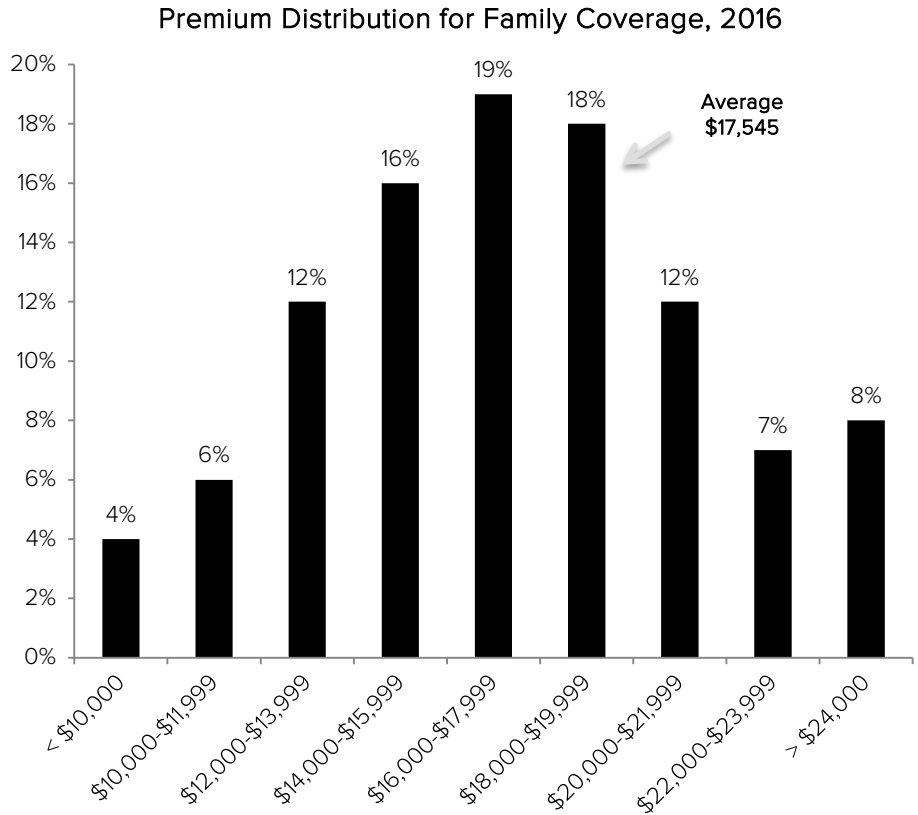
PREMIUMS HAVE GROWN FASTER THAN WAGES

Out-of-pocket worker contribution has increased 83% over the last decade (6.2% CAGR). Real personal income growth has averaged 2-3%.

DATA SOURCE: KAISER FAMILY FOUNDATION, BEA, HEDGEYE ESTIMATES

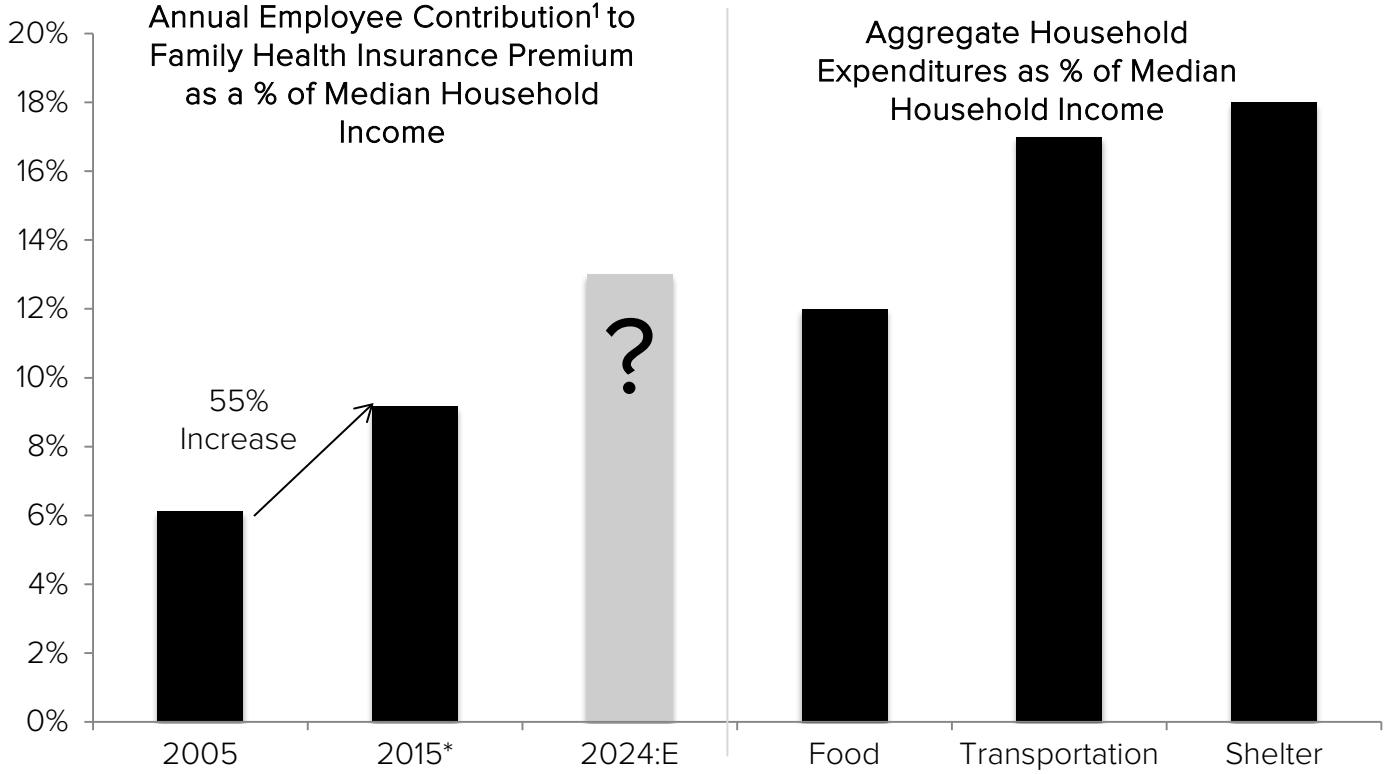
PREMIUM DISTRIBUTION BY TYPE





DATA SOURCE: KAISER FAMILY FOUNDATION

INSURANCE VS MAJOR EXPENSES

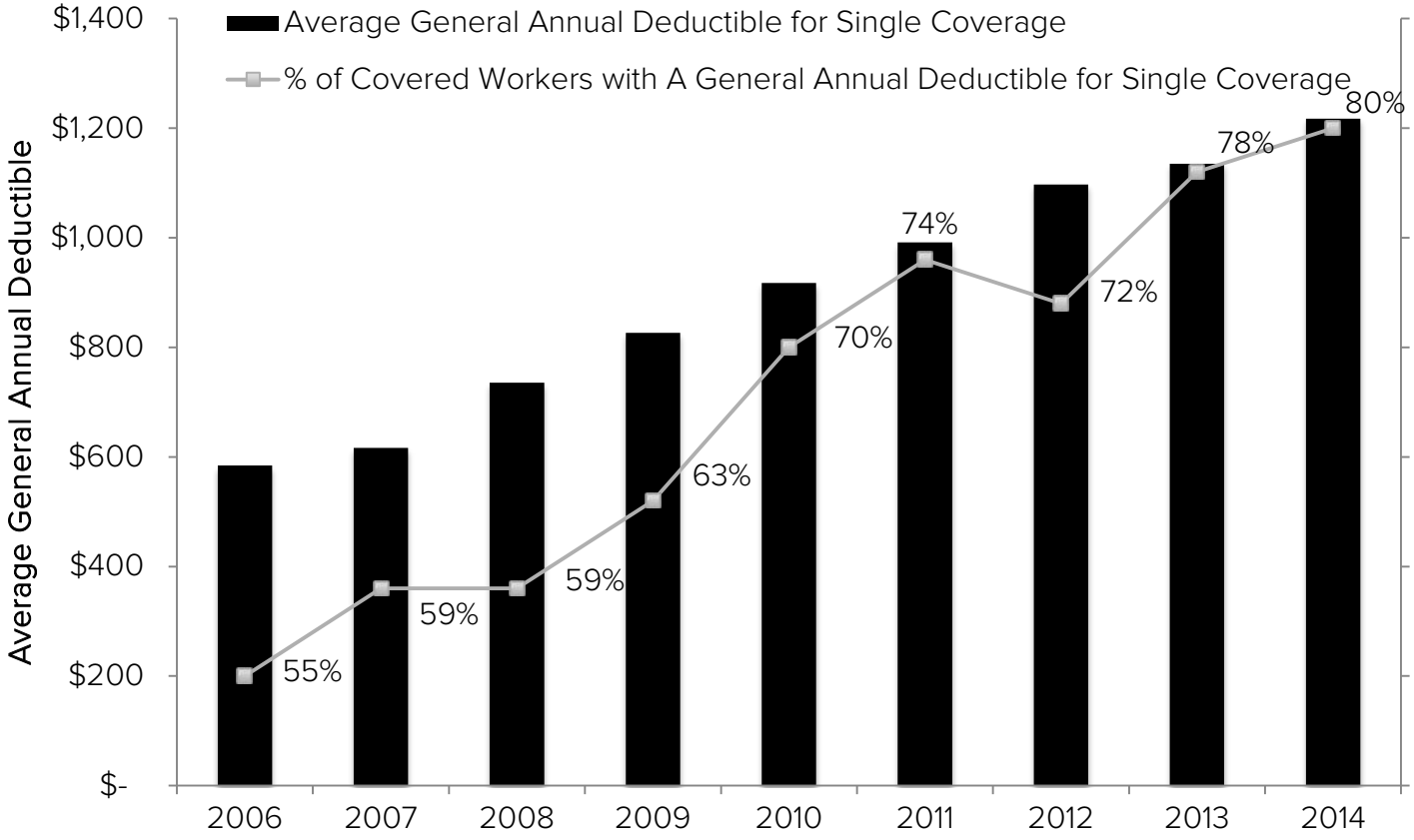


[1]Employee Sponsored Health Plans
*Based on 2013 Median Household Income Rolled Forward by 2-years Inflation 2%
Data Source: Kaiser Family Foundation, St. Louis Federal Reserve and HRM Estimates

Annual employee contribution to annual premium has grown to almost 10% of Household Income. Food makes up 12%, while shelter 18%.

How much higher can in it go?

DEDUCTIBLES NOW SIGNIFICANT

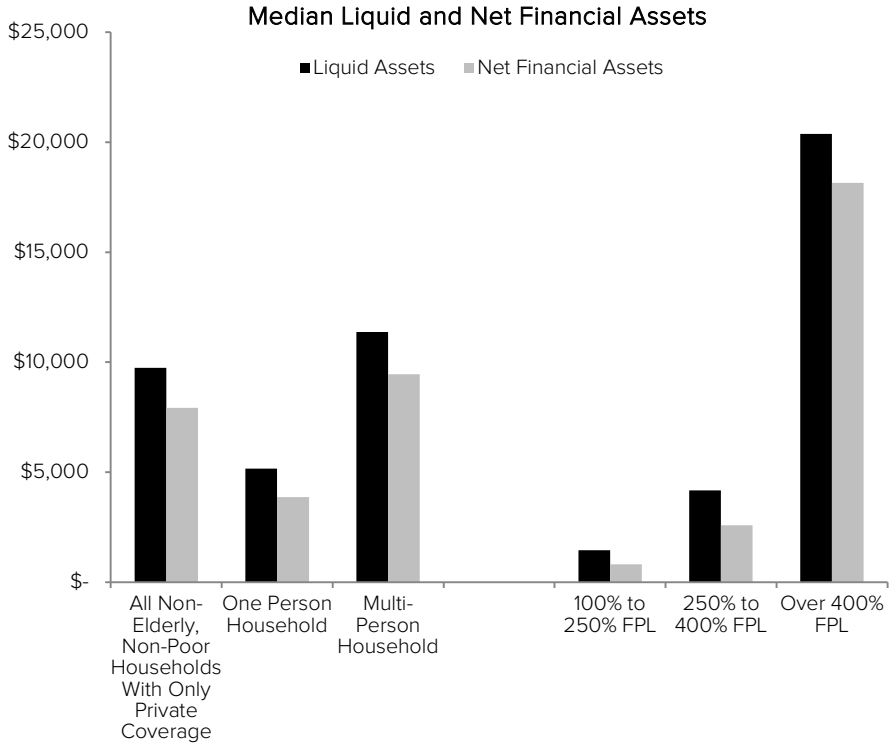


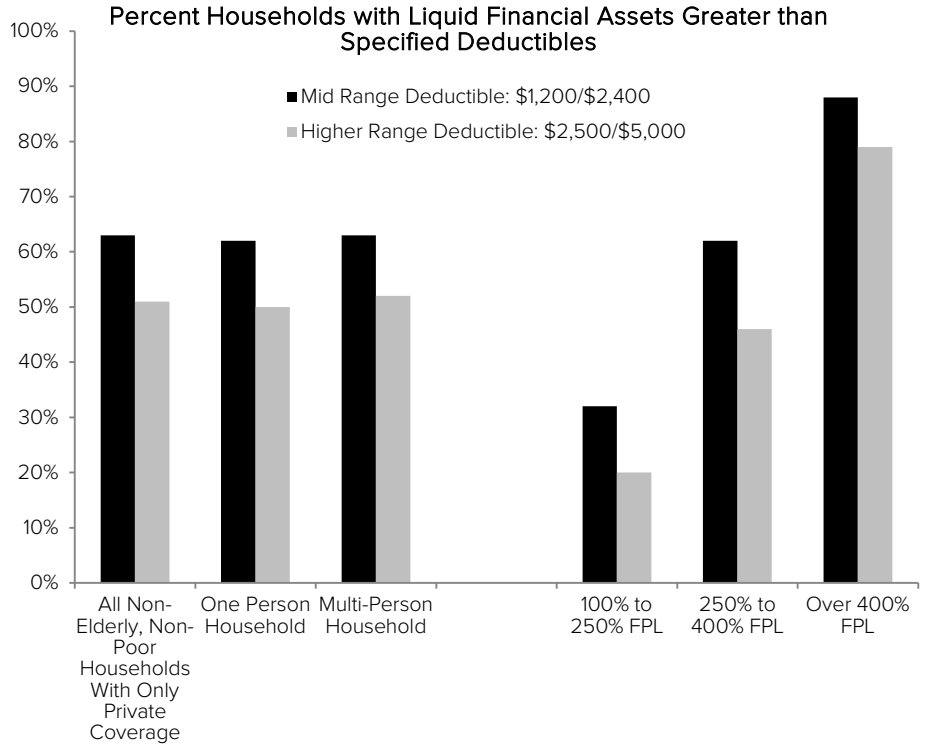
Growth in deductible prevalence, including HDHP, placing greater burden on employees.

DATA SOURCE: KAISER/HRET SURVEY OF EMPLOYEE-SPONSORED HEALTH BENEFITS, 2004-2014

TOUGH TO COVER THE DEDUCTIBLE

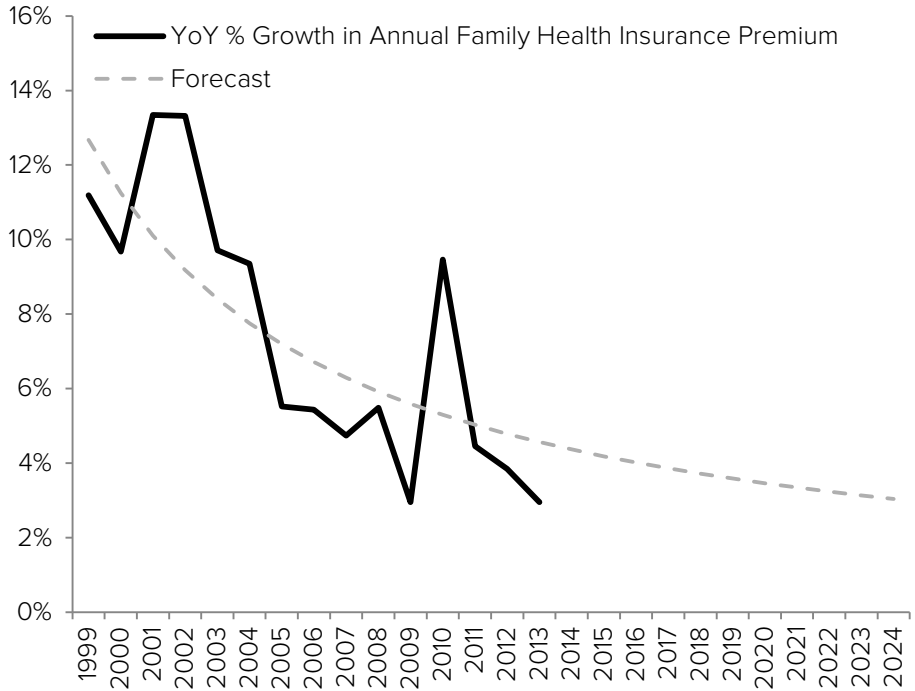
LOW SAVINGS, LIQUID ASSETS

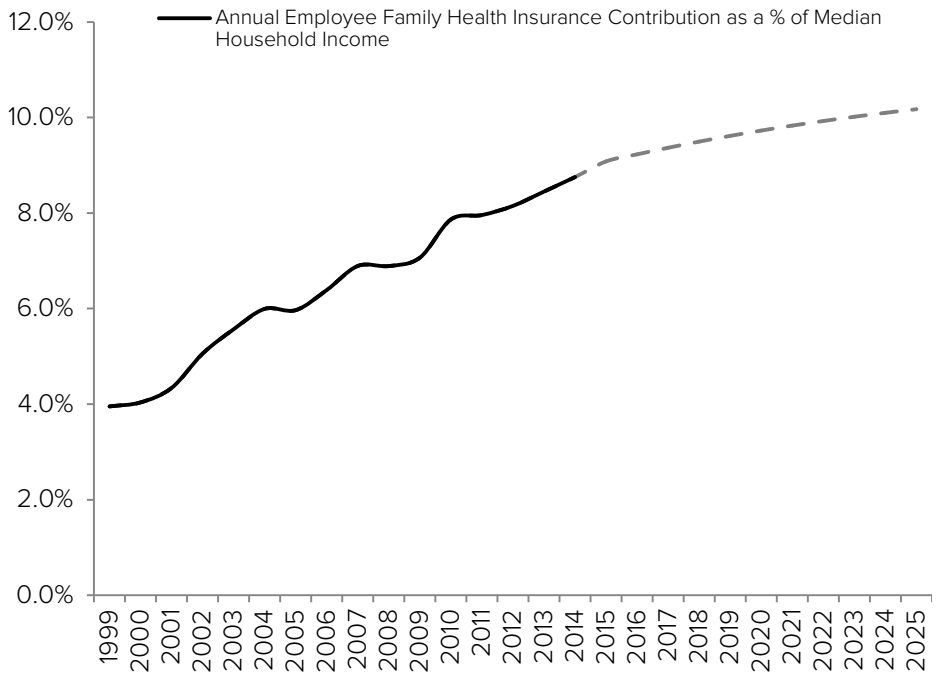




DATA SOURCE: KAISER FAMILY FOUNDATION

PREMIUM GROWTH SLOWING



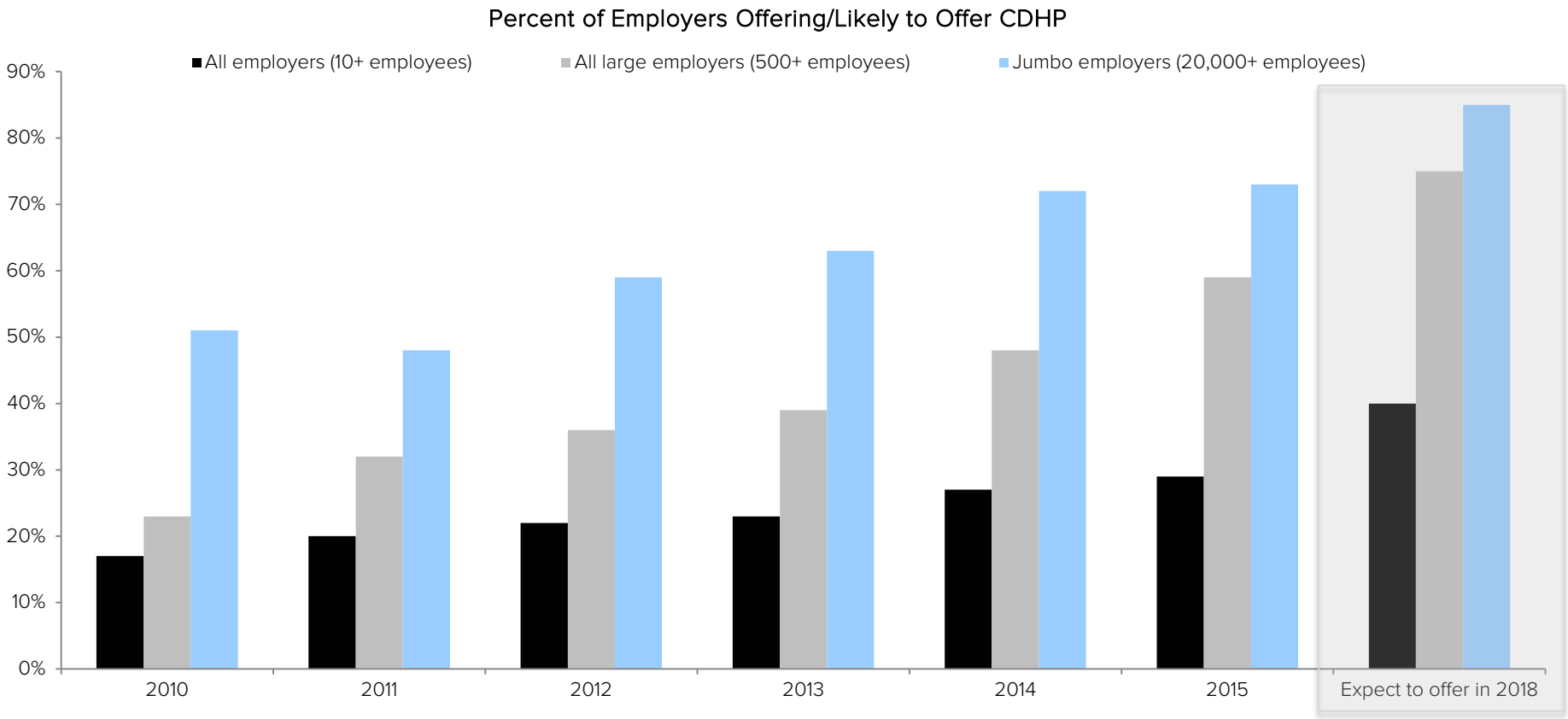


10% OF MEDIAN HOUSEHOLD INCOME

Growth in annual family insurance premium is slowing and long-term will ultimately reach parity with GDP (2-3%) and nominal household incomes.

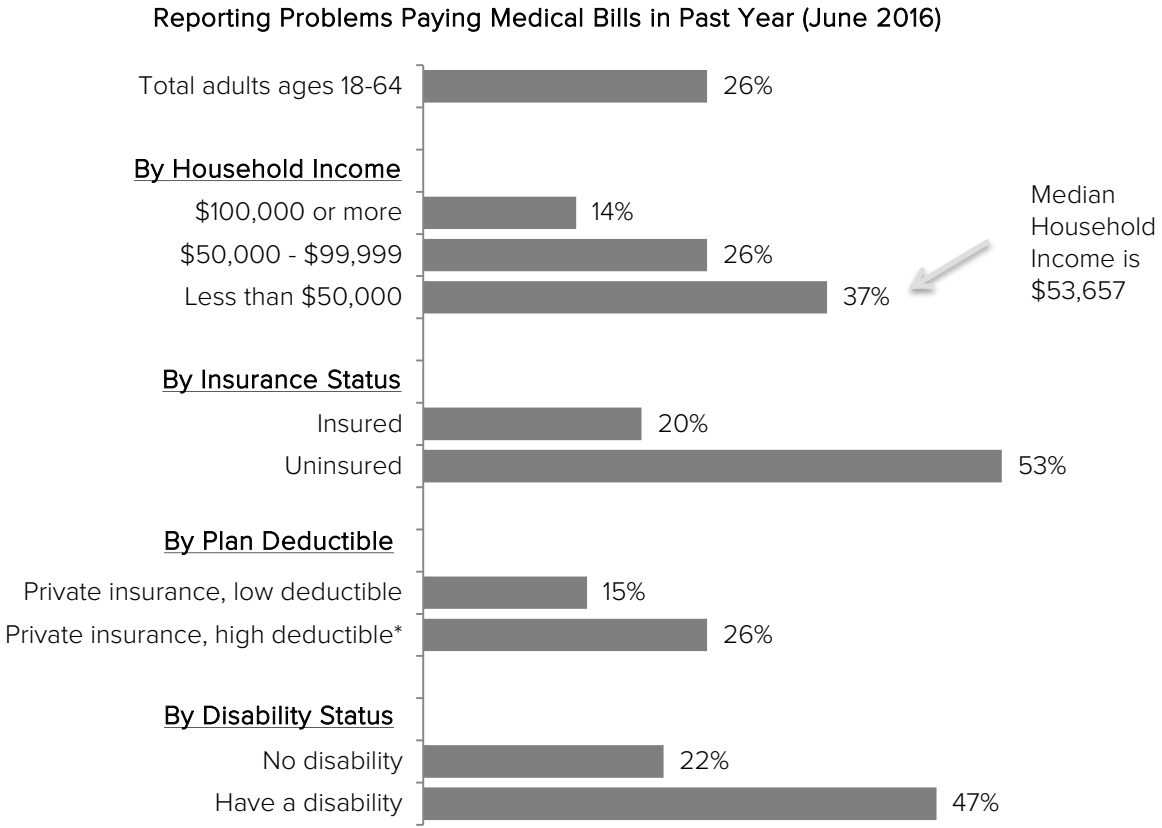
DATA SOURCE: KAISER FAMILY FOUNDATION, HEDGEYE ESTIMATES

GROWTH IN CDHP ACCELERATING



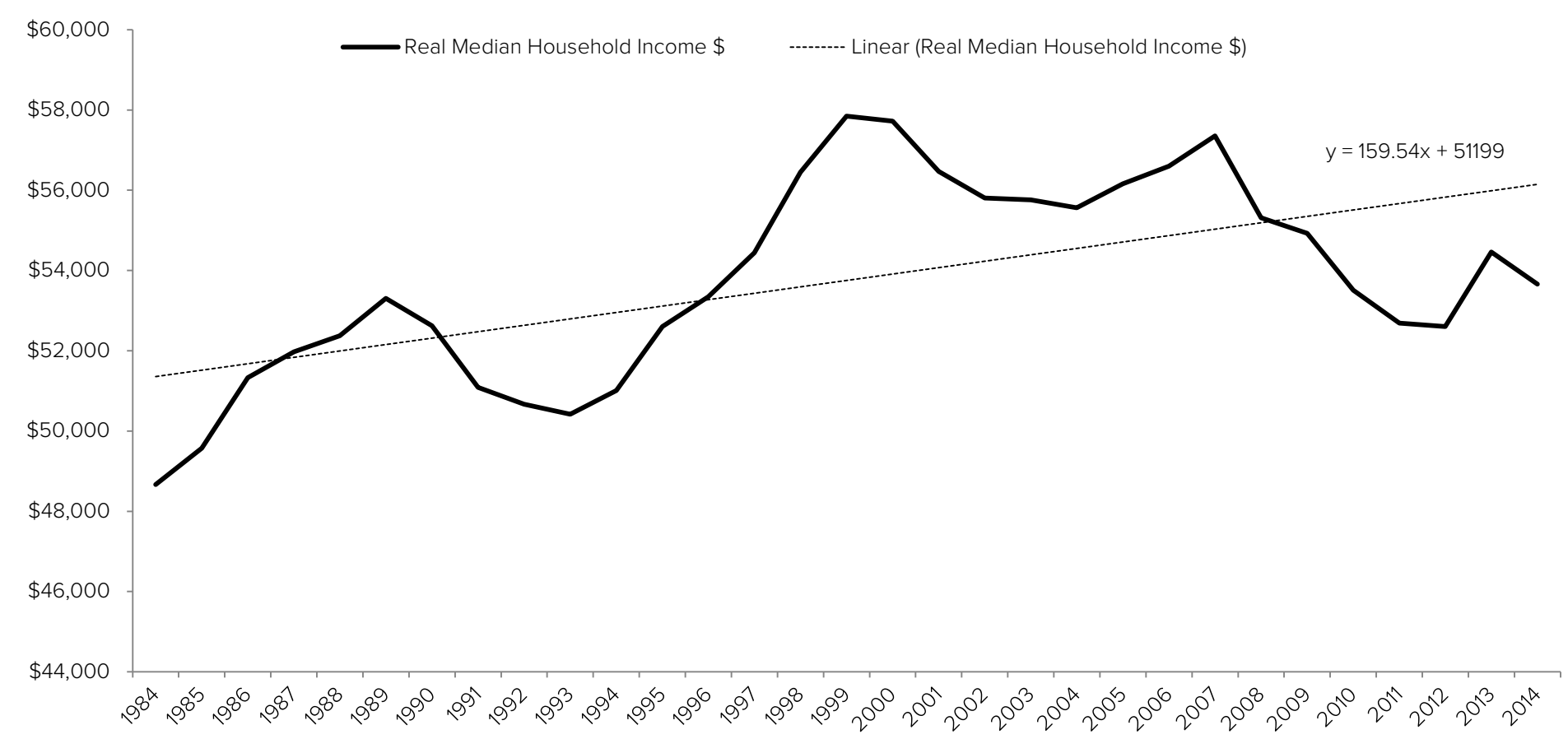
DATA SOURCE: 2014/2015 MERCER SURVEY OF HEALTH PLANS

DIFFICULT PAYING MEDICAL BILLS



DATA SOURCE: KAISER FAMILY FOUNDATION

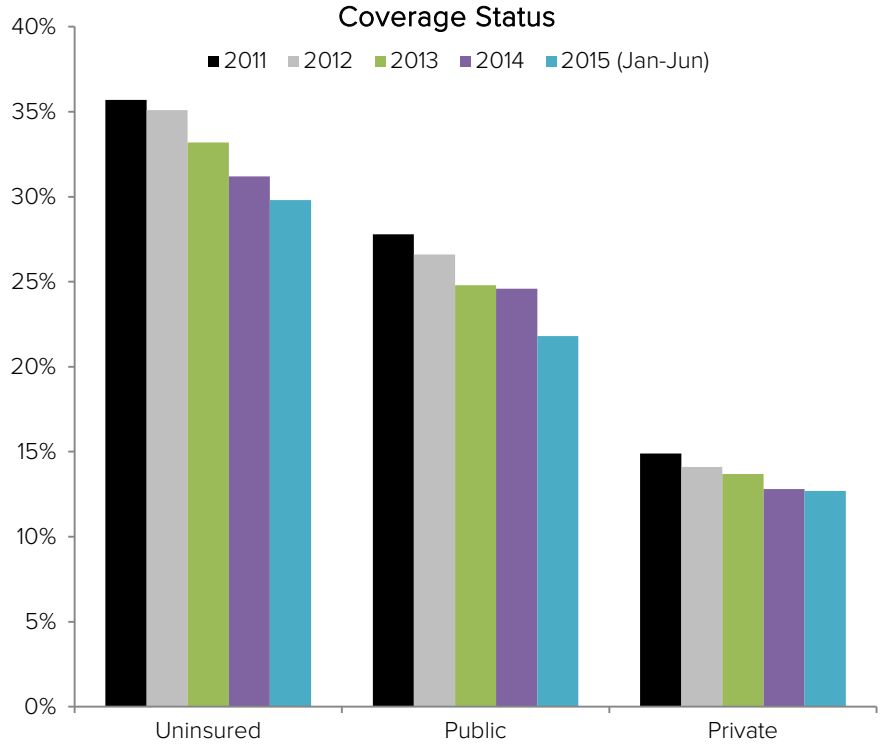
REAL HOUSEHOLD INCOME FLAT

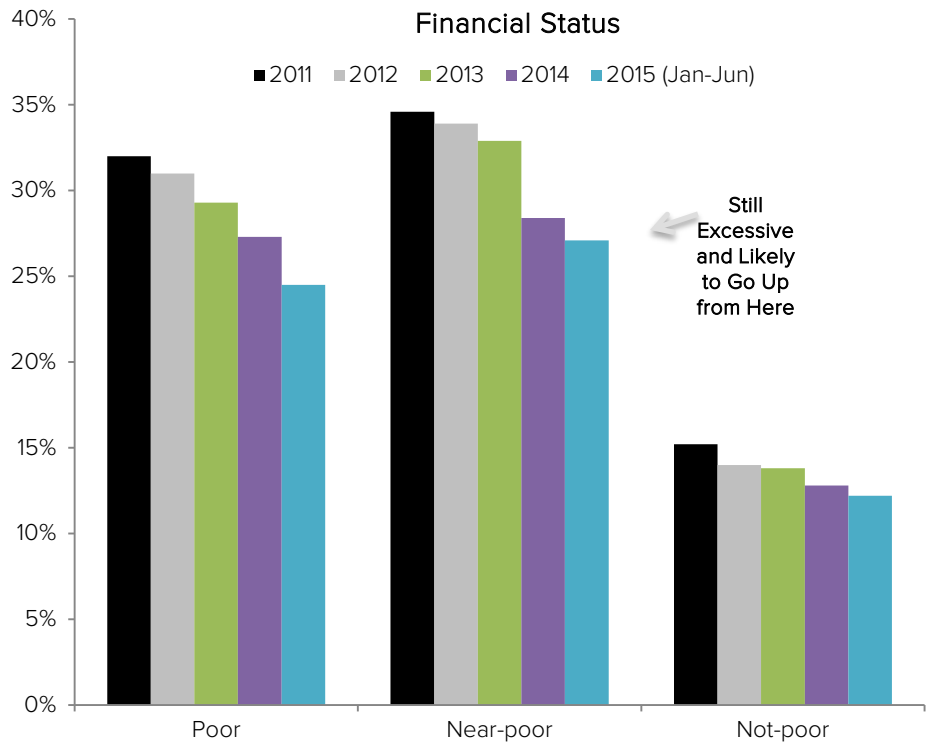


DATA SOURCE: FEDERAL RESERVE BANK OF ST. LOUIS

DIFFICULT PAYING MEDICAL BILLS

Percentage of persons under age 65 who are in families having problems paying medical bills in past 12 months





DATA SOURCE: CDC

EXCHANGE ECONOMIC DISINCENTIVE

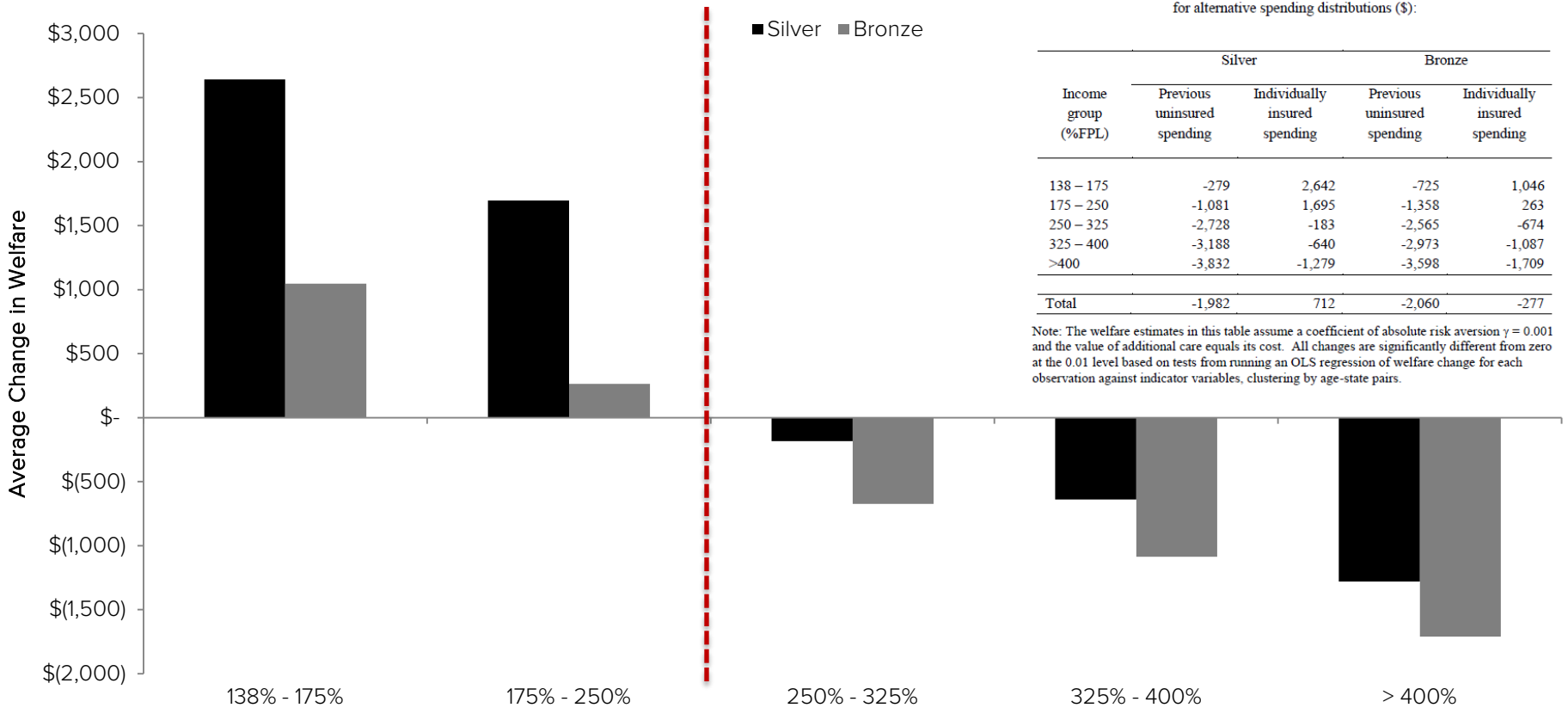


Table 8. Average change in welfare under "Best-case" scenario for alternative spending distributions ($):

Income group (%FPL)	Silver		Bronze	
	Previous uninsured spending	Individually insured spending	Previous uninsured spending	Individually insured spending
138 – 175	-279	2,642	-725	1,046
175 – 250	-1,081	1,695	-1,358	263
250 – 325	-2,728	-183	-2,565	-674
325 – 400	-3,188	-640	-2,973	-1,087
>400	-3,832	-1,279	-3,598	-1,709
Total	-1,982	712	-2,060	-277

Note: The welfare estimates in this table assume a coefficient of absolute risk aversion $\gamma = 0.001$ and the value of additional care equals its cost. All changes are significantly different from zero at the 0.01 level based on tests from running an OLS regression of welfare change for each observation against indicator variables, clustering by age-state pairs.

DATA SOURCE: HTTP://WWW.NBER.ORG/PAPERS/W21565

ACA PREDICTED TAKE-UP RATES

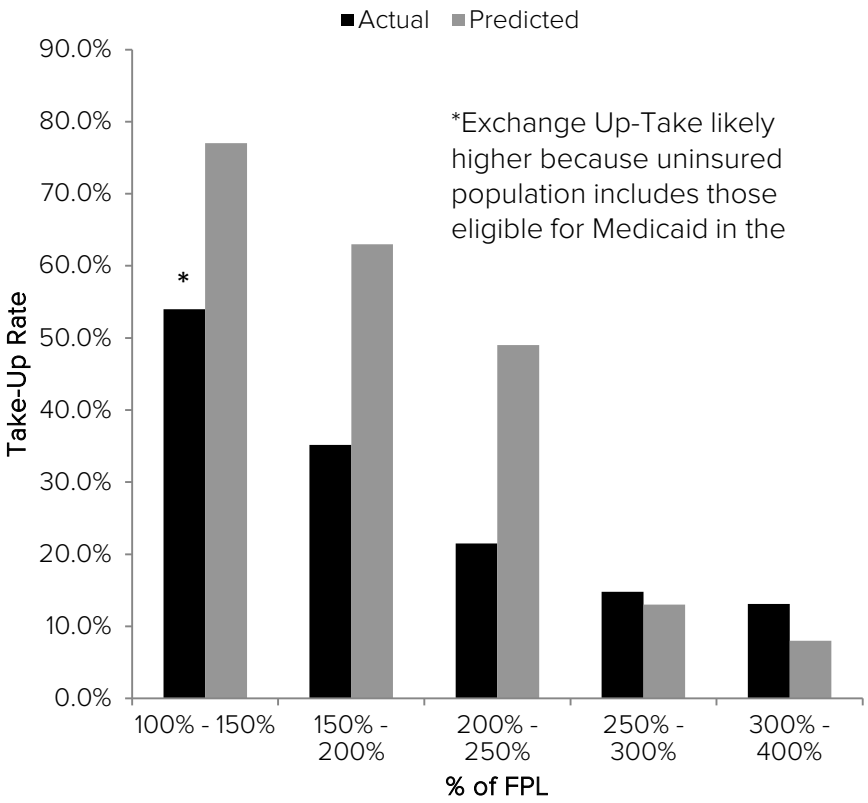
Table 9. Predicted take-up rates by income for alternative spending distributions ($)

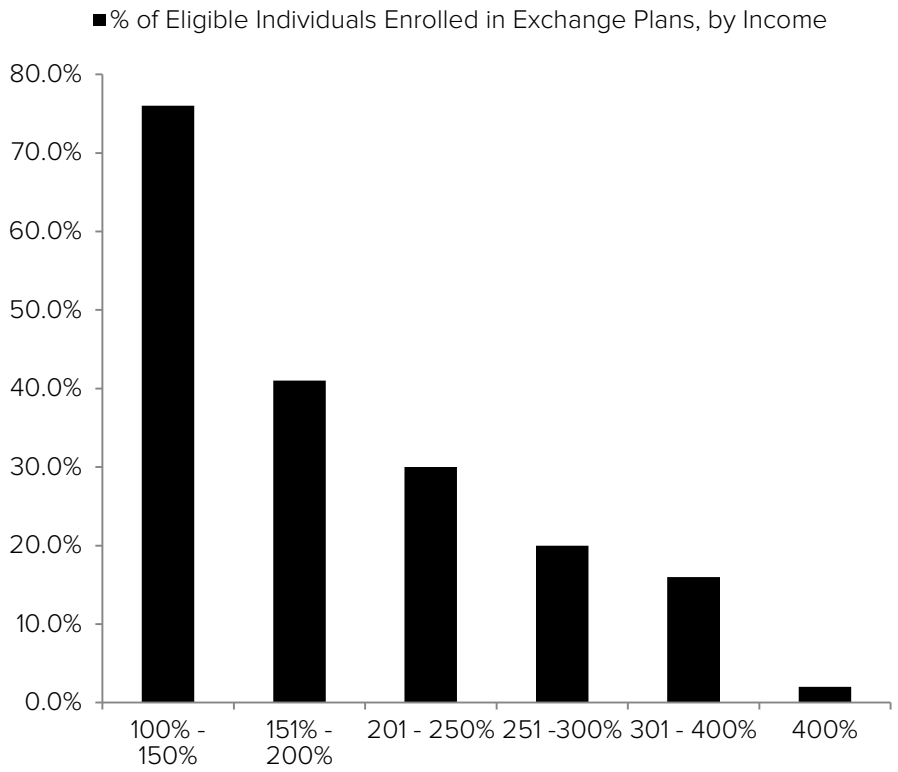
					"Best case" scenario			
	Previous uninsured spending		Privately insured spending		Previous uninsured spending		Privately insured spending	
Income group	Silver	Bronze	Silver	Bronze	Silver	Bronze	Silver	Bronze
138 – 175	8%	0%	75%	77%	26%	16%	100%	74%
175 – 250	0%	0%	46%	49%	16%	5%	90%	57%
250 – 325	0%	1%	7%	13%	2%	1%	53%	37%
325 – 400	1%	1%	3%	8%	1%	1%	38%	25%
>400	1%	1%	5%	5%	1%	1%	34%	21%
Total	2%	0%	32%	35%	11%	5%	69%	46%

Note: For the base scenario (columns 1-4), the coefficient of absolute risk aversion γequals 0.0003 and the value of additional care is assumed to equal one-half its cost. For the "Best-case" scenarios, risk aversion γ = 0.001 and value of additional care equals its cost.

DATA SOURCE: HTTP://WWW.NBER.ORG/PAPERS/W21565

ACA GREAT IF YOU'RE SUPER POOR

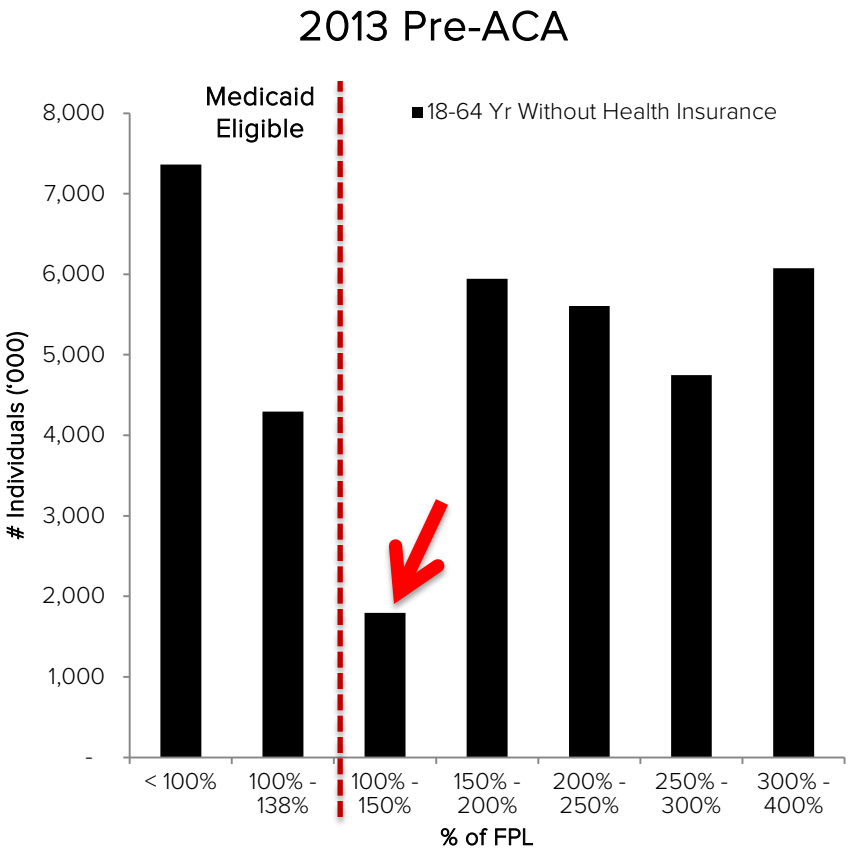


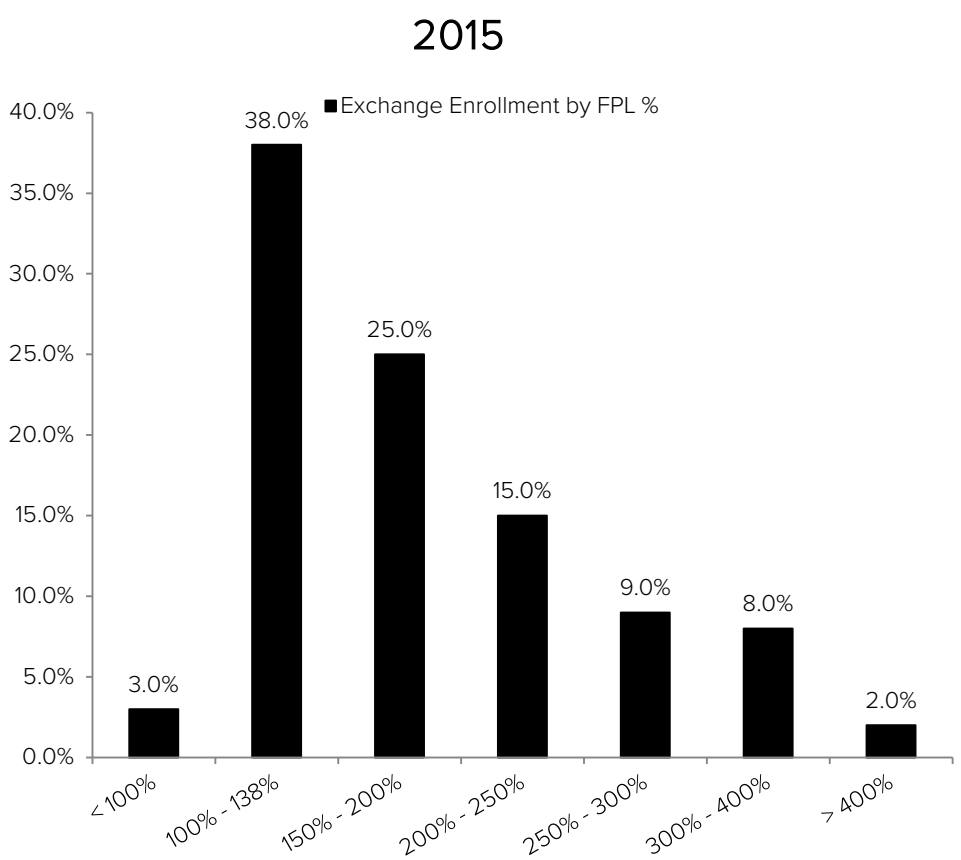


Number of potential eligible exchange enrollees determined using 2013 American Community Survey data on the Uninsured and Non-group populations prior to implementation of the health insurance exchanges. Analysis is limited to the 37 states relying on healthcare.gov in 2015.

DATA SOURCE: HTTP://WWW.NBER.ORG/PAPERS/W21565

ACA ENROLLMENT BY FPL

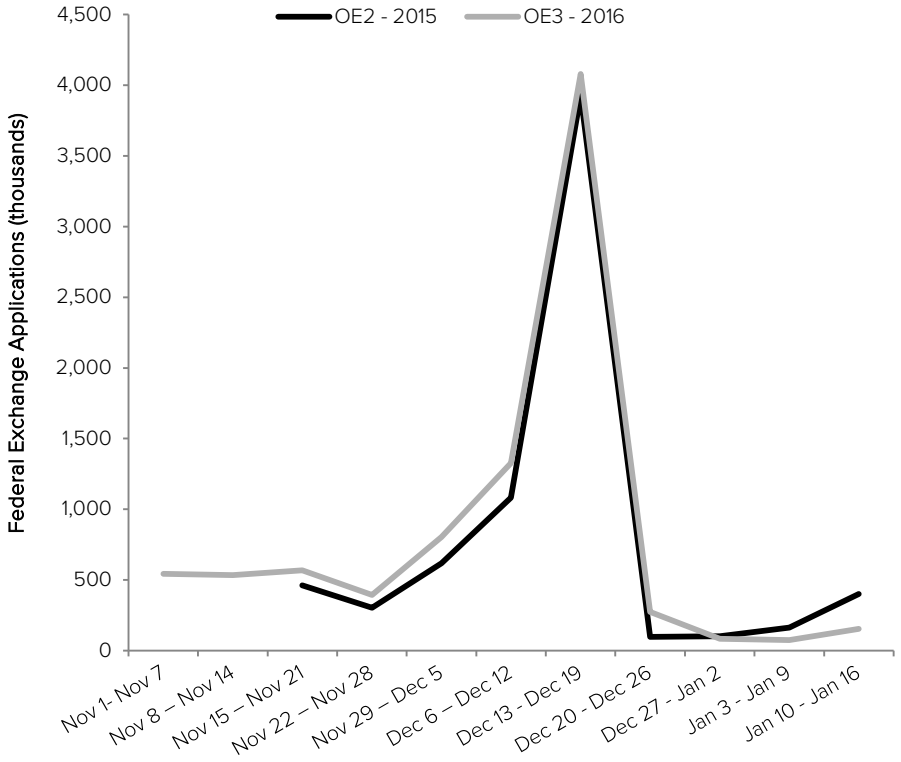


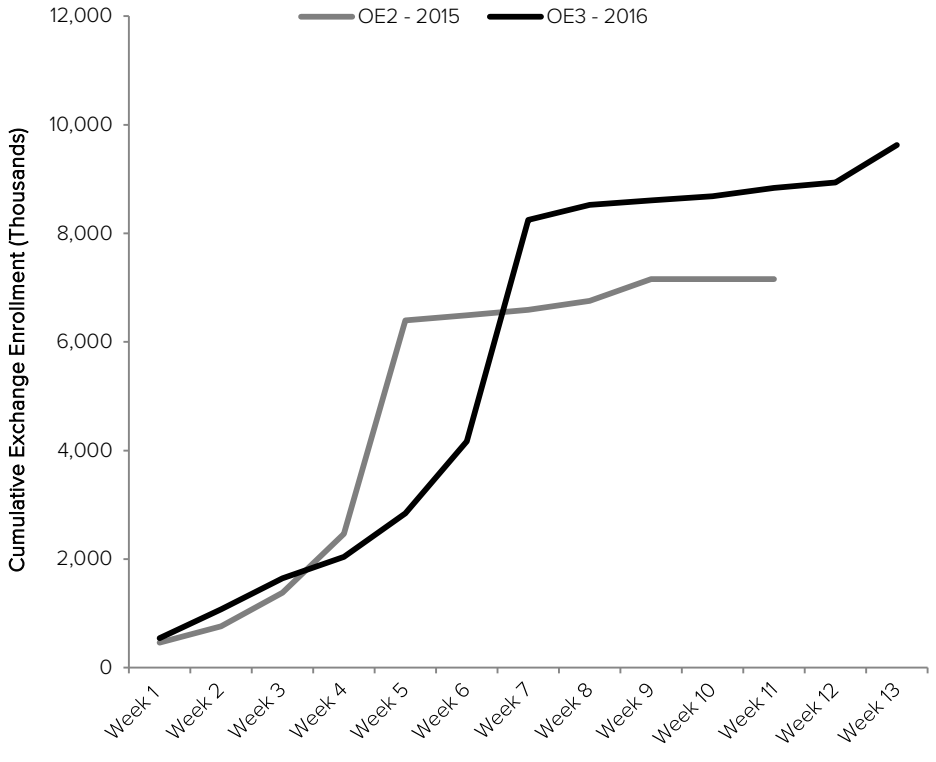


DATA SOURCE: HTTP://WWW.NBER.ORG/PAPERS/W21565, HHS

FEDERAL OPEN ENROLLMENT

EXCHANGE ENROLLMENT FLOPPED





DATA SOURCE: CMS

#POLICY

POLICY INFLUENCE ON #ACATAPER

1

MAGNIFIERS

Currently enabled policy, regulation or law that will enhance current slowing trend

2

MITIGATORS

Factors that may limit or alter slowing trend

3

MUDDLERS

Programs whose impact on slowing growth in health care expenditures is difficult to discern

POLICY INFLUENCE ON #ACATAPER

1

MAGNIFIERS

- Alternative payment models
- Status quo for insurance exchanges
- Recovery Audit program
- Expansion of Managed Care

ALTERNATIVE PAYMENT MODELS

1 FORGET ABOUT IPAB – CMMI HAS GOT THE POWER

- Requires certification by Office of the Actuary
- Permits testing of payment models and expansion nationwide
- All without the benefit of Congressional action
- Currently about 70 models at some stage of development

2 MACRA – PROBABLY MORE SIGNIFICANT THAT ACA

- Replaces current service specific payment system with MIPS and APMs
- Changes in payments begin in 2019

3 SPILLOVER TO COMMERCIAL PAYERS

- That refuge from government pricing recedes
- Health Care Payment and Learning Action Network
- Catalyst for Payment Reform

STATUS QUO FOR EXCHANGES

1

NO RELIEF IN SIGHT

- Two of three risk mitigation program expire this year
- Unless there is an unforeseen election outcome, the current stalemate on what to do will continue

2

NARROW NETWORKS, HIGH COST OR BOTH

- Insurers that have had success on exchanges have aggressively managed risk
- Reputation makes it poor alternative to employer-based system
- Not likely to change either

3

CONSIGNED TO SERVE LOWER INCOME PEOPLE

- Not the middle class benefit everyone thought it would be
- At risk, politically

REVIVAL OF RECOVERY AUDITS

1

LIKELY TO RETURN LATE 2016

- Re-procurement underway
- More constrained program

2

BENT THE COST CURVE

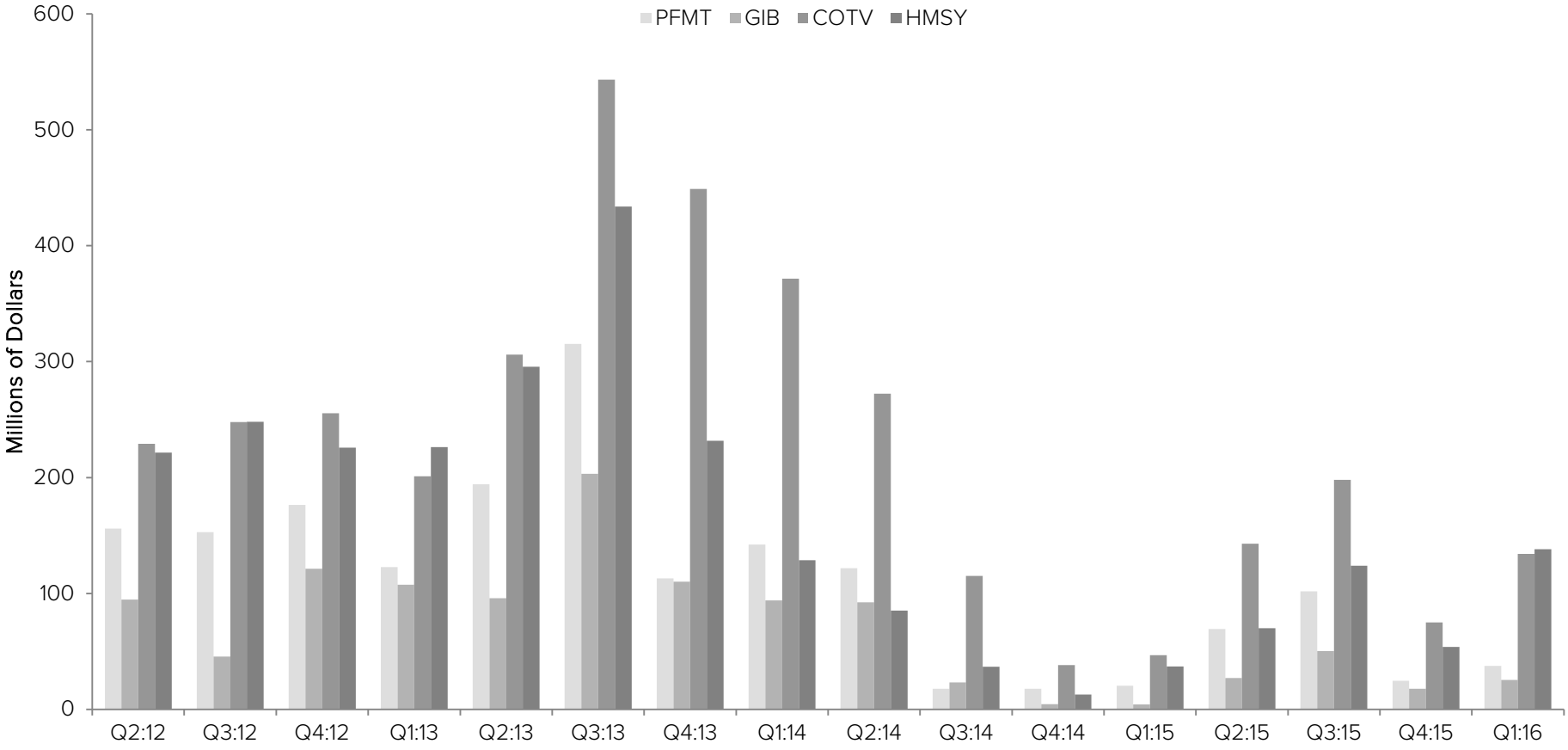
- Shift to outpatient care
- Scrutinized medical necessity of care
- Some might say rationed care

3

PROBABLY HERE FOR GOOD

- Survived number of efforts to repeal or amend
- Not likely to risk wrath of hospitals again

RECOVERY AUDITS 2012-2016



DATA SOURCE: CMS

EXPANSION OF MANAGED CARE

1 MEDICARE ADVANTAGE

- Growth slowed last year but not by much
- Great concern to provider community
- Changes to risk adjustment could change trajectory

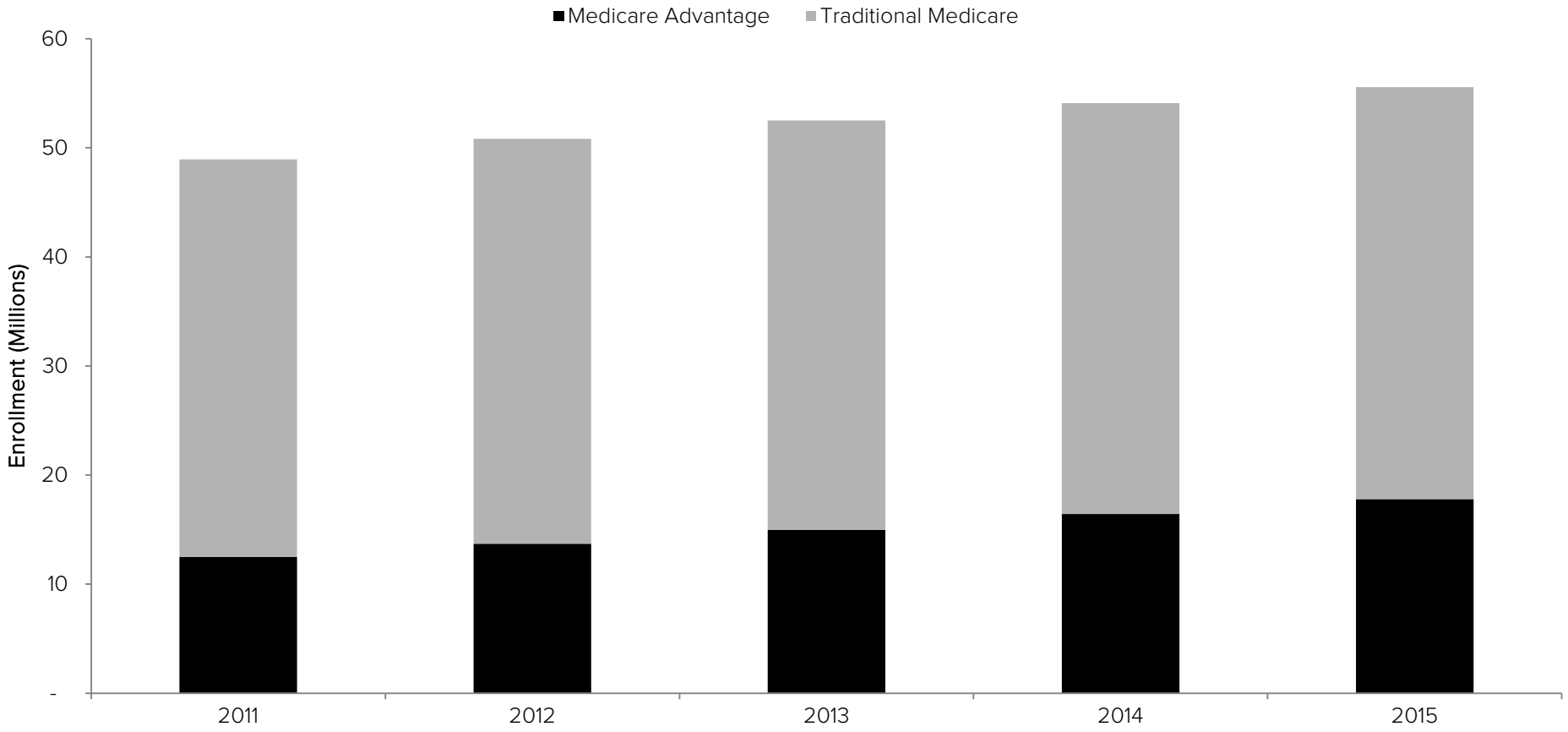
2 MEDICAID MANAGED CARE

- Only two states are 100% MCO
- Most others have 50-75% penetration
- Budget crisis drive adoption

3 EMPLOYER-BASED PLANS

- Little action
- Opting instead for changes in cost-sharing

MEDICARE ADVANTAGE GROWTH



DATA SOURCE: CMS

POLICY INFLUENCE ON #ACATAPER

2

MITIGATORS

- Influx of Medicare enrollees
- Expansion of Behavioral Health/SUD benefits
- Innovation in treatments especially for high cost conditions
- Medicaid expansion
- Burn-off of ACA driven reimbursement pressures

INFLUX OF MEDICARE ENROLLEES

1. 10,000 PEOPLE TURN 65 EACH DAY

2. PEAK OF BOOM HITS MEDICARE ELIGIBILITY IN 2022

3. 85 AND OVER SET TO DOUBLE IN 10 YEARS

EXPANSION IN BEHAVIORAL HEALTH

1 REQUIRED COVERAGE UNDER ACA

- Behavioral health, substance abuse treatment considered Essential Health Benefits
- Extension of other Congressional parity efforts

2 ACCELERATED BY OPIOID AND HEROIN EPIDEMIC

- Crisis in rural communities
- Creates bi-partisan support for coverage and funding

3 ONE OF FEW AREAS OF AGREEMENT

- Destigmatized politically
- Embraced by R's in recent years

INNOVATIONS IN TREATMENT

1 CANCER MOON-SHOT

- White House driven effort to find cures
- High profile but still mostly bully pulpit

2 21ST CENTURY CURES LEGISLATION

- Focuses on Alzheimer's, certain childhood cancers
- Designed to fast-track and fund research and innovation

3 LARGE INCREASES IN NIH FUNDING

- Research source for therapies
- Flat funding in recent years – changed in 2014

MEDICAID EXPANSION

1 NINETEEN STATES HAVE NOT EXPANDED

- No hope in high populations states of Florida and Texas; others may opt in
- Tennessee looking at alternative plan

2 EXPANSION DRIVES SOME UTILIZATION

- Hospital services especially ER
- Little impact on physician services and chronic care management

3 OVERALL RECORD IS MIXED ON ACCESS TO CARE

- Payment rates and participating providers limit impact of expansion on utilization

ACA REIMBURSEMENT CUTS EXPIRE

1

MARKET BASKET REDUCTIONS END IN 2019

- Special payment rules for hospitals, IRFs, LTCHs and Inpatient Psych

2

HOME HEALTH REBASING ENDS IN 2017

3

HOSPICE PAYMENT REFORMS LINGER

POLICY INFLUENCE ON #ACATAPER

3

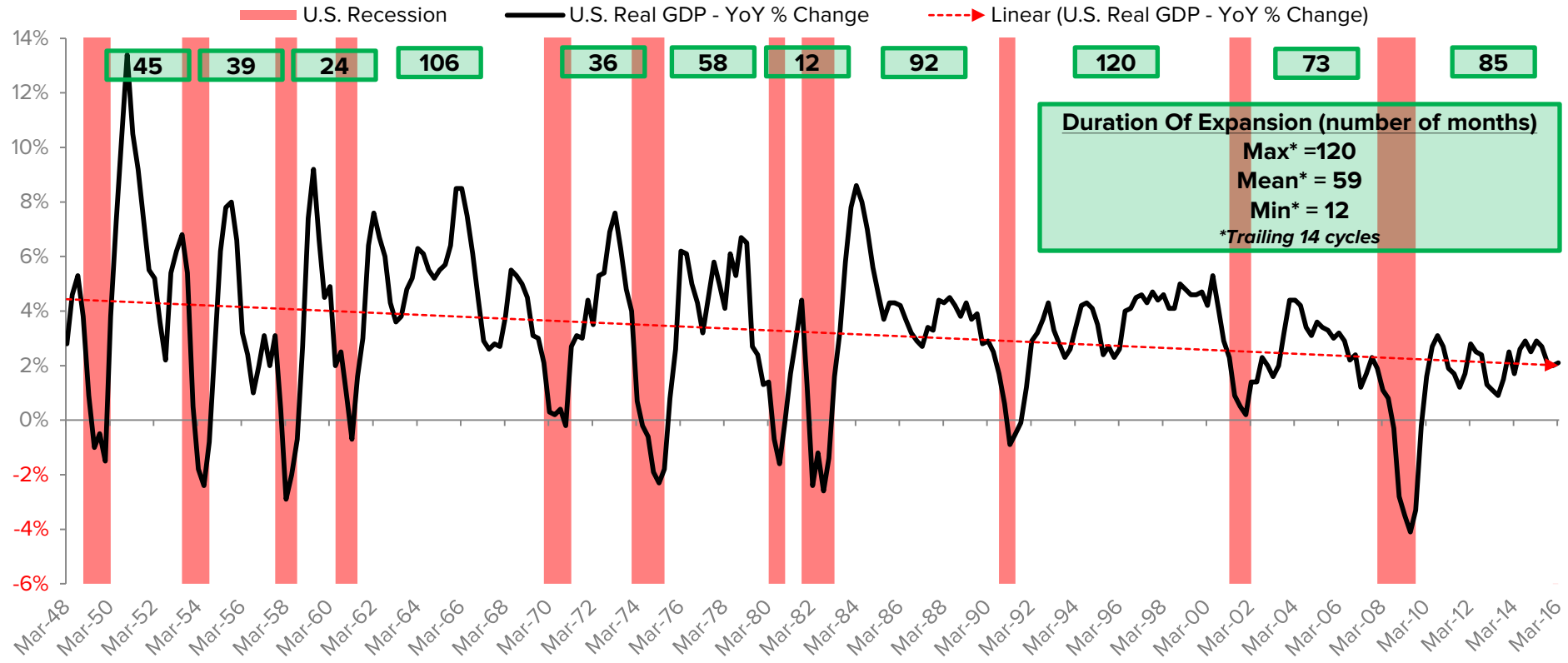
MUDDLERS

- Wage and labor rules change
- ACA Section 1332 waivers
- Stark Act, Anti-kickback law waivers

#RECESSION RISK

FIRST, A HISTORY OF CYCLES

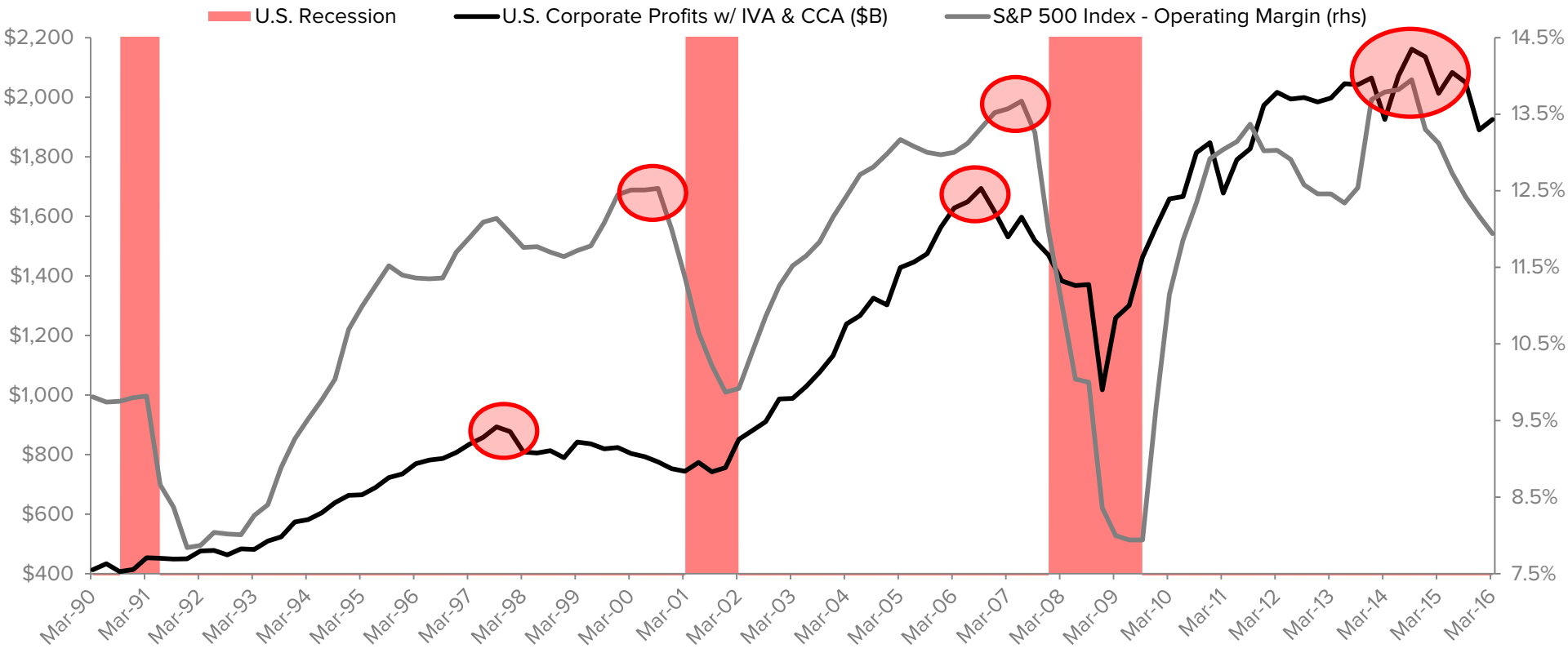
OUR CENTRAL PLANNING FATHERS BROUGHT FORTH ON THIS CYCLE, A NEW PLAN, CONCEIVED IN ACADEMIA AND DEDICATED TO THE PROPOSITION THAT ALL ECONOMIC GRAVITY CAN, IN FACT, BE SMOOTHED.



DATA SOURCE: BLOOMBERG, NBER, BEA

#PROFITCYCLE: A FRIENDLY REMINDER

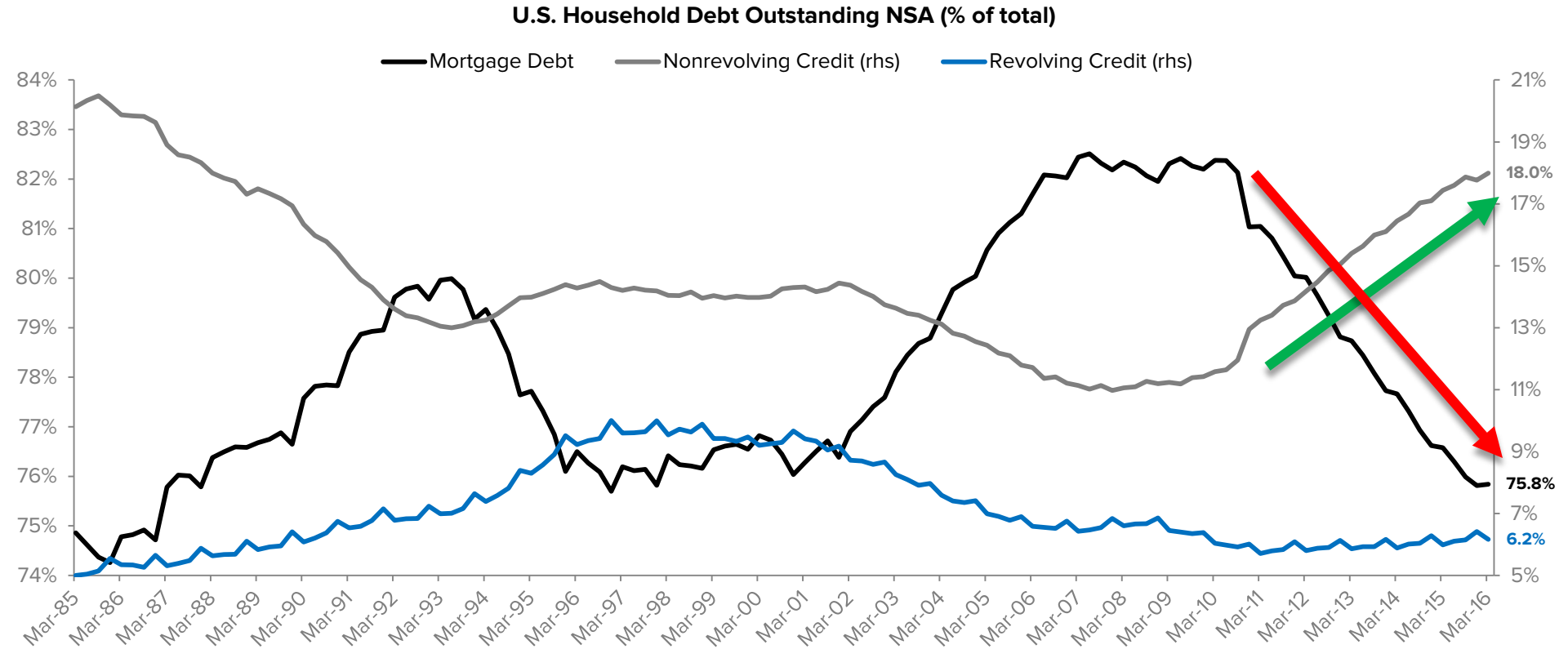
DOMESTIC CORPORATE PROFITS PEAKED IN 2H14 ALONGSIDE SPX OPERATING MARGINS AND THE RESPECTIVE DOWNTURNS REMAIN ONGOING.



DATA SOURCE: BEA; BLOOMBERG

REVIEWING THE SETUP: MIX-SHIFT

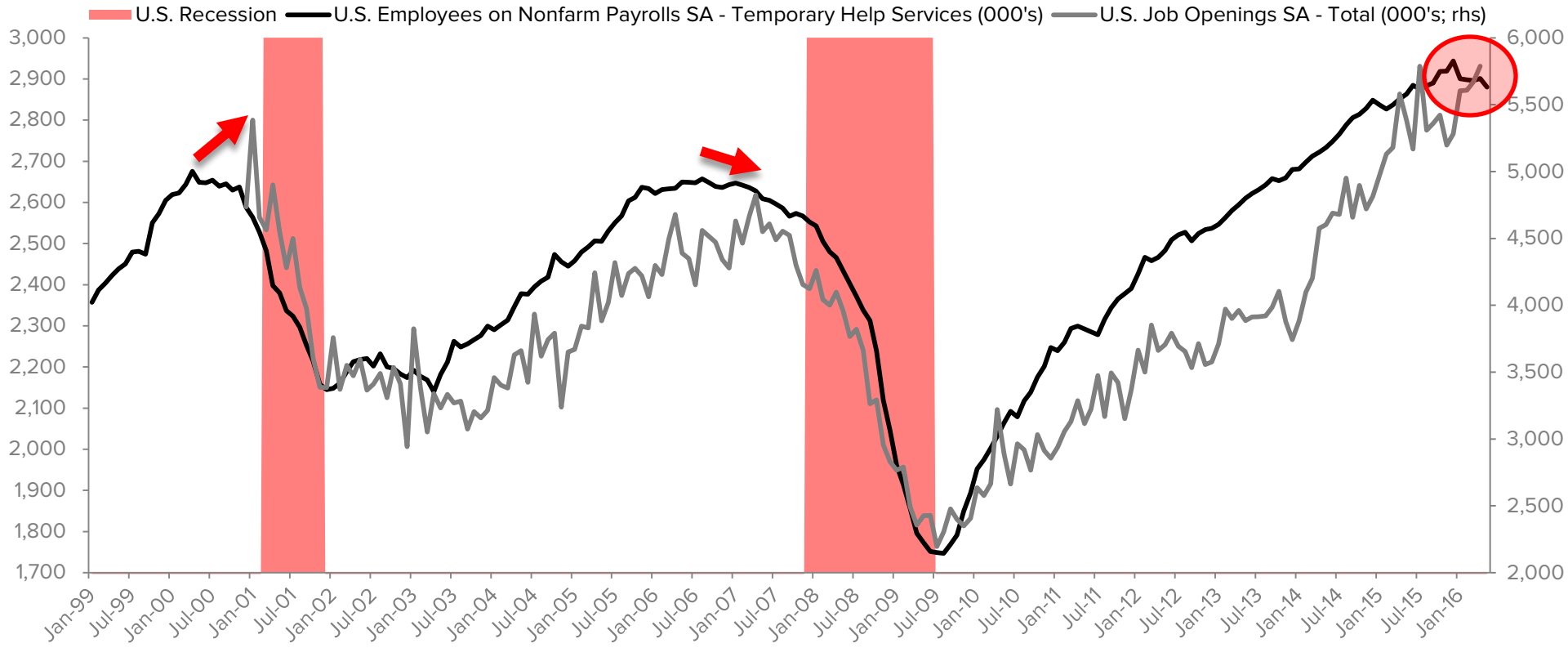
AT JUST OVER $11 TRILLION OUTSTANDING, MORTGAGE DEBT REMAINS THE LION SHARE OF U.S. CONSUMER'S DEBT BURDENS. NONREVOLVING CREDIT (E.G. AUTOS AND STUDENT LOANS) HAS GAINED A TREMENDOUS AMOUNT OF SHARE IN THE POST-CRISIS ERA, HOWEVER.



DATA SOURCE: FEDERAL RESERVE

SLOWING JOBS GROWTH WON'T HELP

WITH TEMP HELP TRENDING LOWER OFF ITS DECEMBER 2015 CYCLE PEAK, INVESTORS SHOULD BE WARY OF A NEAR-TERM PEAK IN JOB OPENINGS. SPECIFICALLY, TEMP HELP HAS LEAD THE PEAK IN JOLTS BY 9 AND 8 MONTHS, RESPECTIVELY, OVER THE PREVIOUS TWO CYCLES.



DATA SOURCE: BLOOMBERG

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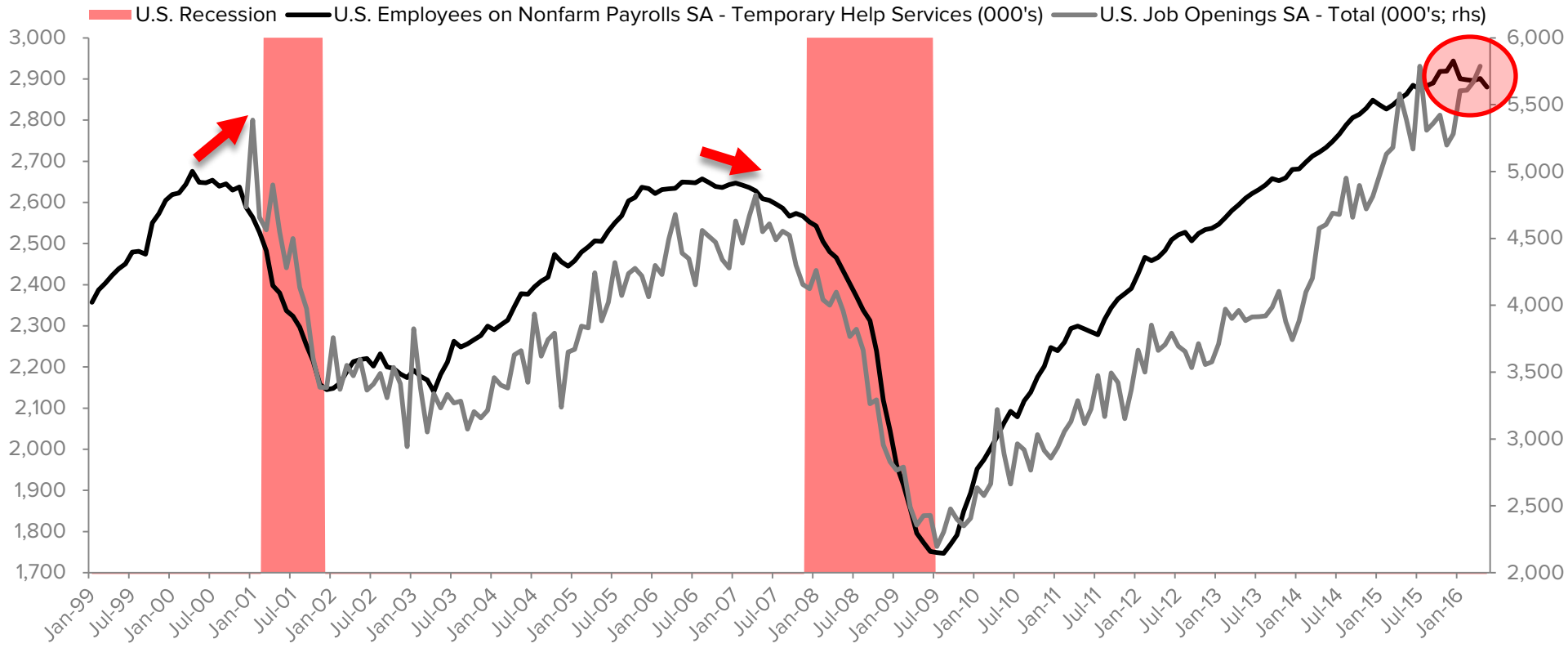
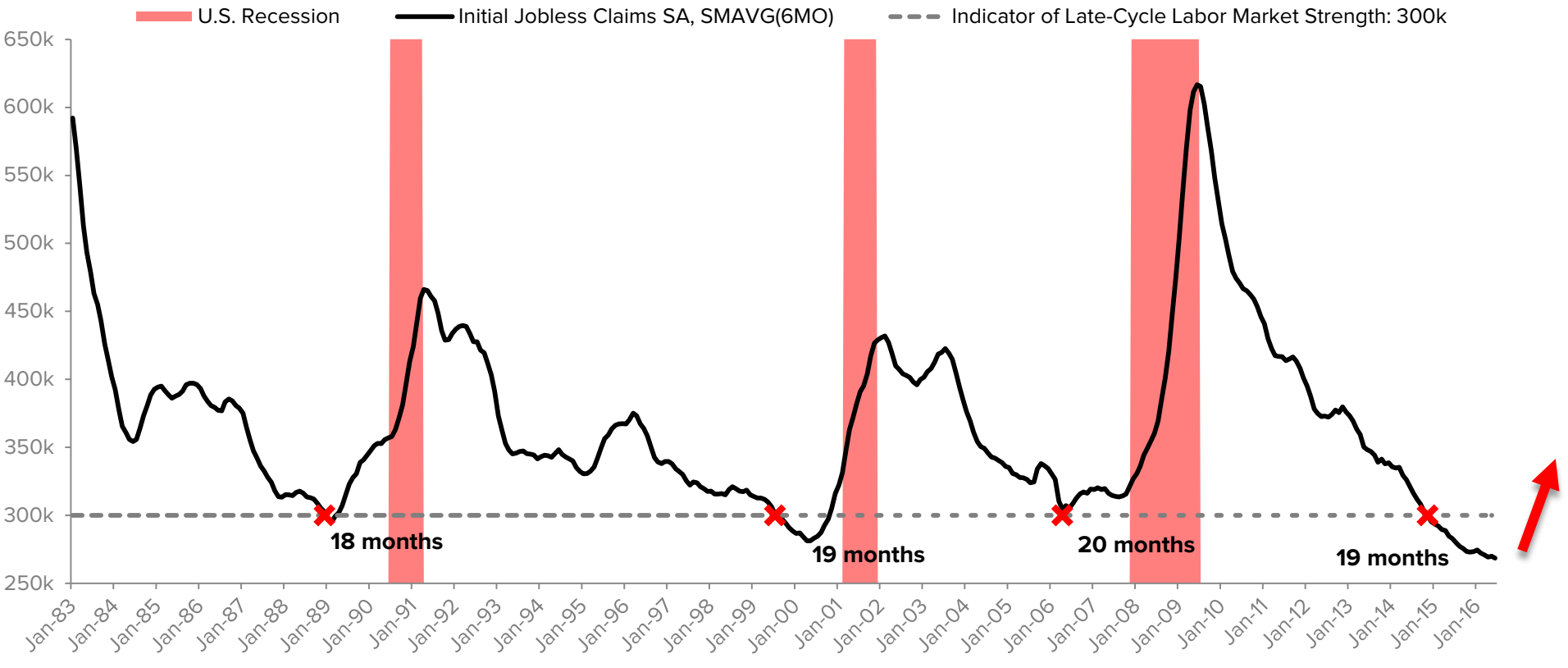


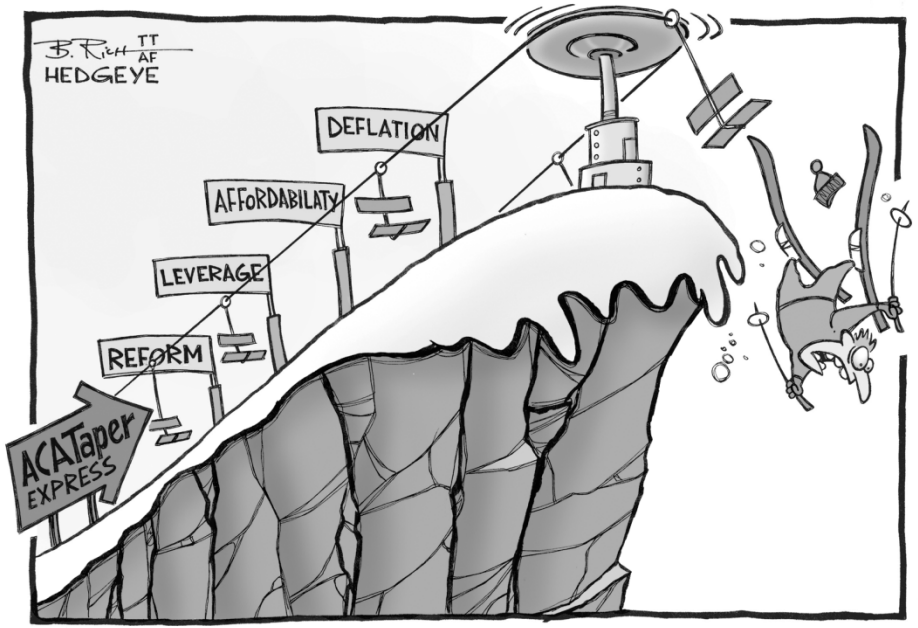
DATA SOURCE: BLOOMBERG

UNEMPLOYMENT SET TO RISE?

ANALYZING THE TREND IN INITIAL JOBLESS CLAIMS RELATIVE TO PREVIOUS LABOR CYCLES IMPLIES FIRINGS ARE MORE THAN LIKELY SET TO RISE MEANINGFULLY OVER THE NTM.

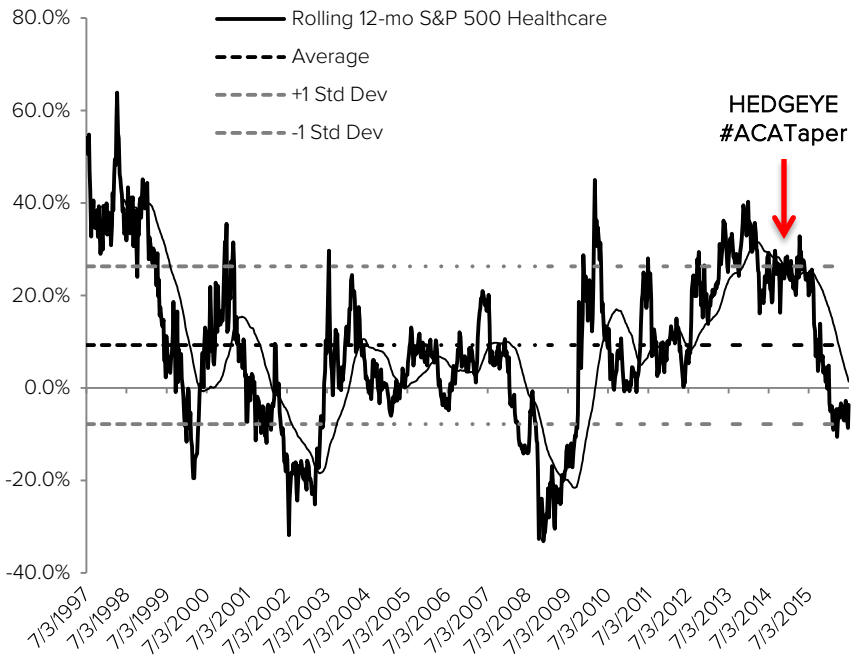


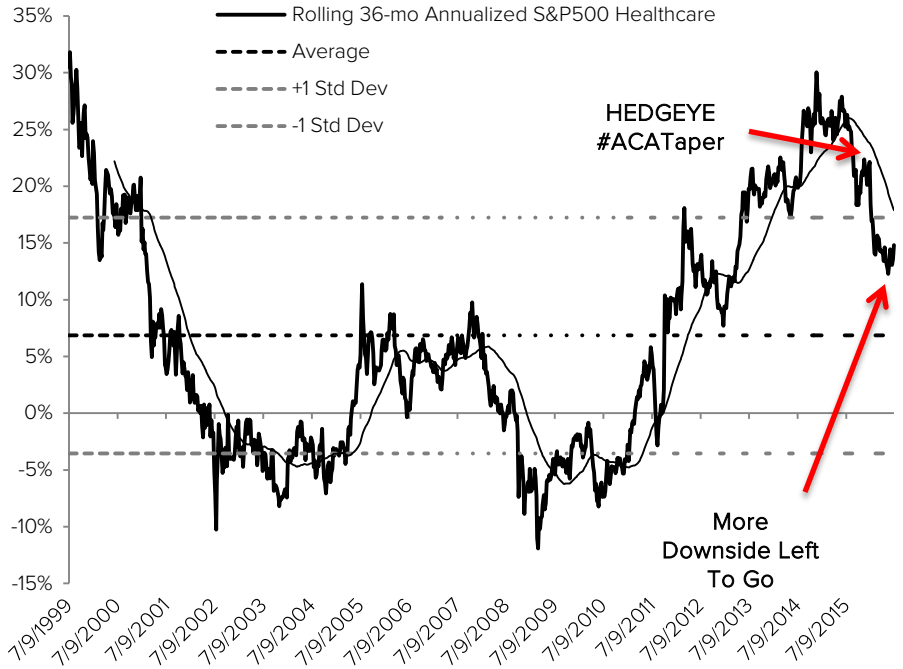
DATA SOURCE: BLOOMBERG



VALUATION, SENTIMENT AND PRICE

HISTORICAL PERFORMANCE





HEALTHCARE UNDERPERFORMANCE TO CONTINUE

We expect Healthcare to continue to underperform due to the factors we addressed previously and that we remain extended on a 3-yr absolute basis.

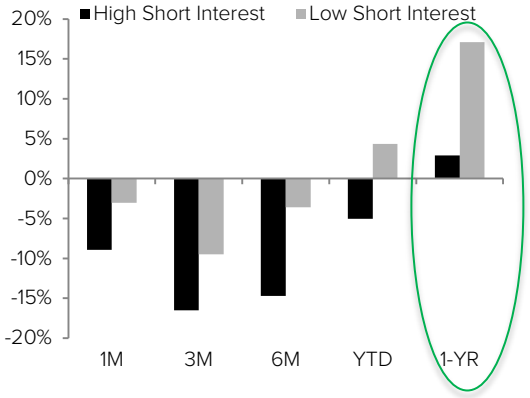
DATA SOURCE: FACTSET

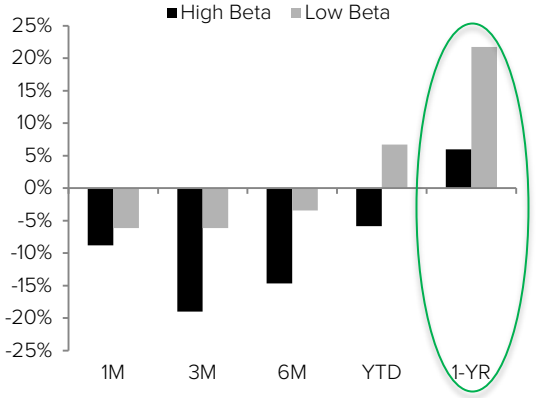
STYLE FACTOR PERFORMANCE (10/8/15)

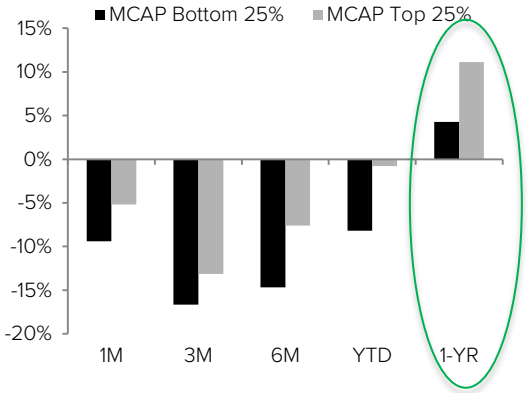
	FACTOR	1M	3M	6M	YTD	1-YR
DEBT	High Debt/EV	-7.8%	-13.5%	-8.7%	2.2%	10.9%
	Low Debt/EV	-6.9%	-13.2%	-11.4%	0.5%	13.4%
SI	High Short Interest	-8.9%	-16.5%	-14.7%	-5.1%	2.9%
	Low Short Interest	-3.0%	-9.5%	-3.6%	4.3%	17.1%
BETA	High Beta	-8.8%	-19.0%	-14.7%	-5.9%	6.0%
	Low Beta	-6.2%	-6.1%	-3.4%	6.7%	21.7%
YIELD	High Yield	-3.9%	-11.1%	-8.8%	-3.6%	7.0%
	Low Yield	-7.2%	-11.6%	-7.1%	5.0%	19.8%
VALUE	High EV/Sales	-9.3%	-18.0%	-13.9%	-0.6%	12.6%
	Low EV/Sales	-5.8%	-11.1%	-5.9%	5.2%	20.8%
MKT CAP	MCAP Bottom 25%	-9.4%	-16.6%	-14.7%	-8.2%	4.3%
	MCAP Top 25%	-5.2%	-13.2%	-7.6%	-0.8%	11.1%
Sales Growth	Top 25% Sales Growth	-9.7%	-17.3%	-11.2%	3.1%	16.5%
	Bottom 25% Sales Growth	-6.2%	-12.2%	-8.0%	-1.6%	8.4%
EPS Growth	Top 25% EPS Growth	-7.2%	-11.4%	-8.6%	5.3%	20.7%
	Bottom 25% EPS Growth	-6.9%	-13.2%	-7.3%	1.8%	13.3%

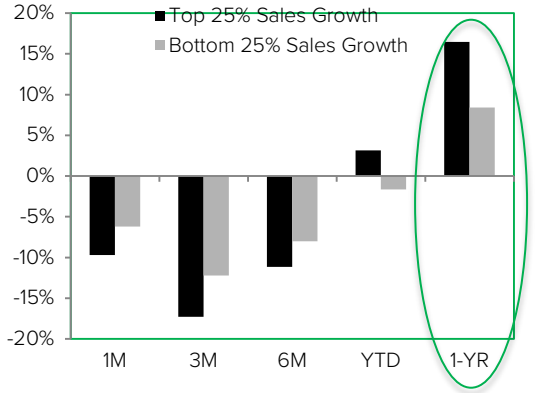
GREEN = Relative Outperformance Over Given Duration

**Percentage change reflects performance for top & bottom quartile of companies in the Universe (n=195) for the given style factor*









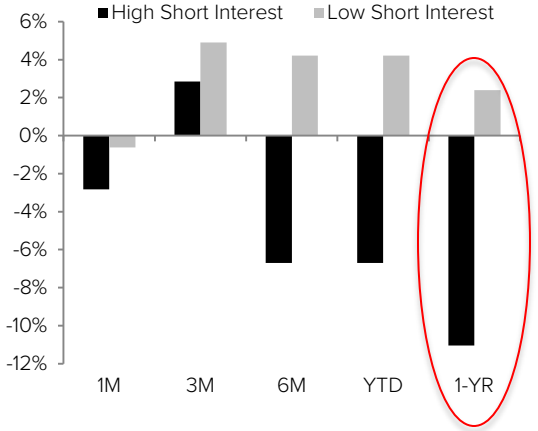
DATA SOURCE: FACTSET

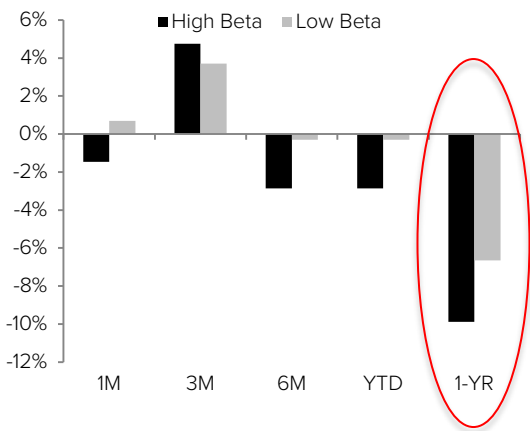
STYLE FACTOR PERFORMANCE (7/1/16)

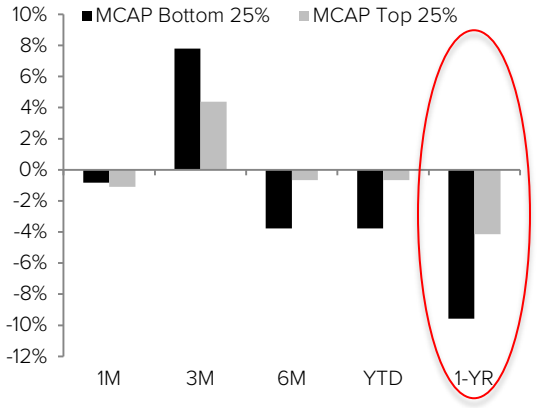
	FACTOR	1M	3M	6M	YTD	1-YR
DEBT	High Debt/EV	-2.3%	1.1%	-2.8%	-2.8%	-11.1%
	Low Debt/EV	1.2%	10.7%	-0.1%	-0.1%	-2.2%
SI	High Short Interest	-2.8%	2.9%	-6.7%	-6.7%	-11.0%
	Low Short Interest	-0.6%	4.9%	4.2%	4.2%	2.4%
BETA	High Beta	-1.5%	4.8%	-2.9%	-2.9%	-9.9%
	Low Beta	0.7%	3.7%	-0.3%	-0.3%	-6.6%
YIELD	High Yield	1.7%	5.1%	5.3%	5.3%	1.3%
	Low Yield	-0.8%	5.8%	-2.7%	-2.7%	-6.1%
VALUE	High EV/Sales	0.3%	8.1%	3.8%	3.8%	4.5%
	Low EV/Sales	-0.1%	2.8%	-1.4%	-1.4%	-7.6%
MKT CAP	MCAP Bottom 25%	-0.8%	7.8%	-3.8%	-3.8%	-9.6%
	MCAP Top 25%	-1.1%	4.4%	-0.7%	-0.7%	-4.1%
Sales Growth	Top 25% Sales Growth	-0.6%	8.8%	-2.4%	-2.4%	-8.3%
	Bottom 25% Sales Growth	0.5%	4.1%	0.5%	0.5%	-7.2%
EPS Growth	Top 25% EPS Growth	-2.0%	4.2%	-3.3%	-3.3%	-5.3%
	Bottom 25% EPS Growth	-0.6%	7.7%	-3.2%	-3.2%	-9.0%

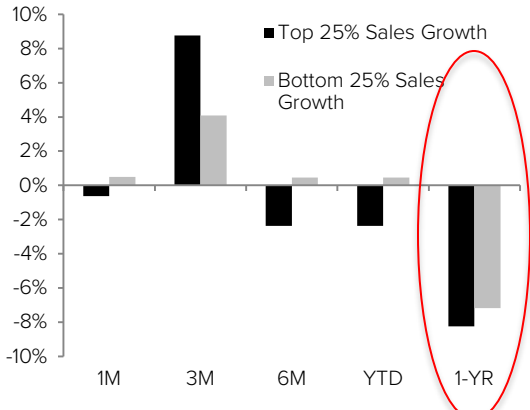
GREEN = Relative Outperformance Over Given Duration

**Percentage change reflects performance for top & bottom quartile of companies in the Universe (n=195) for the given style factor*

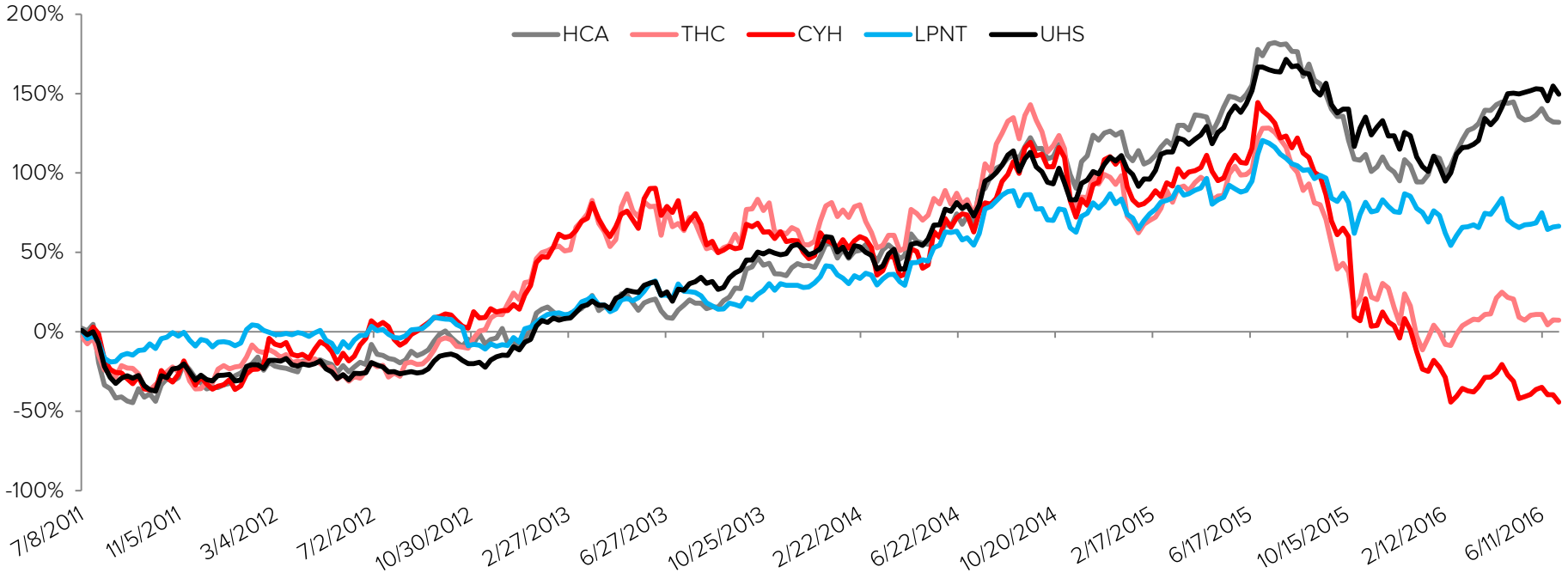








SLOWING GROWTH + LEVERAGE =

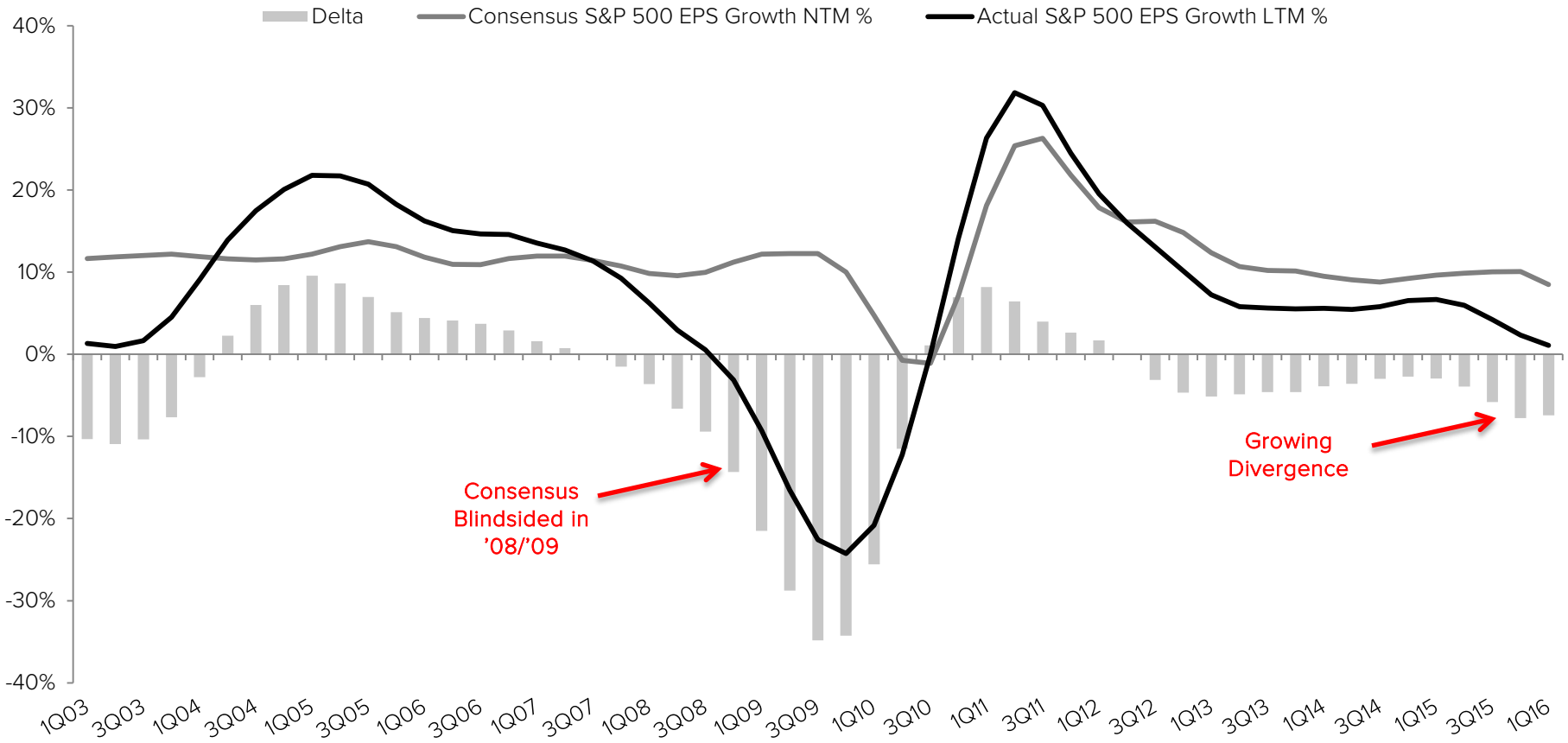


HOSPITALS GIVE UP 5-YEARS OF OUTPERFORMANCE

HCA and UHS hold in while highly levered CYH and THC give up all of their outperformance since 2011 due to a combination of operational issues, slowing growth and leverage.

DATA SOURCE: FACTSET

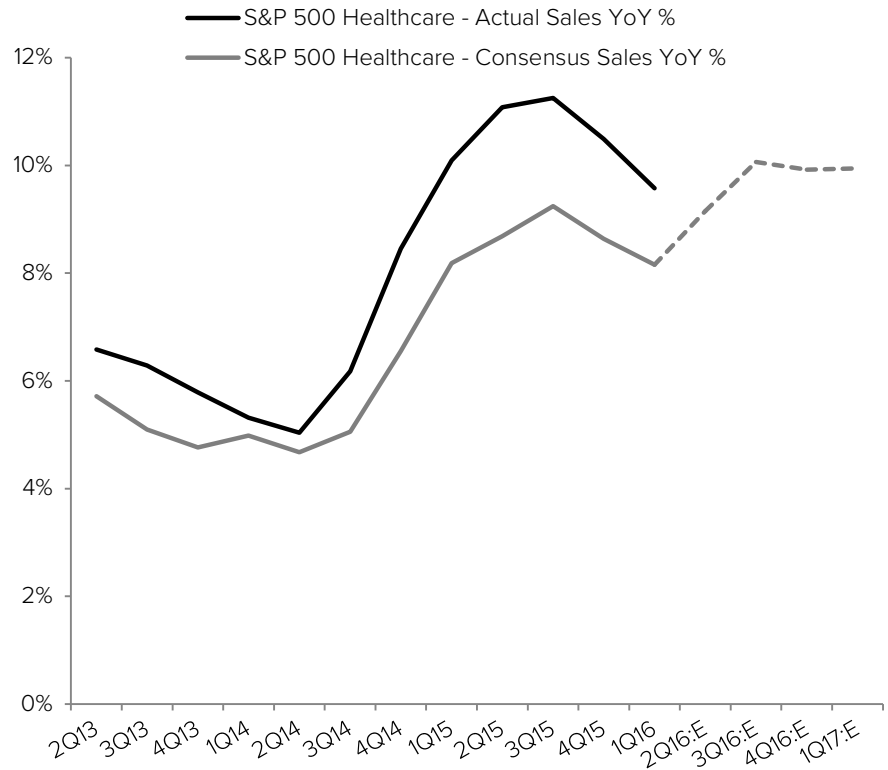
S&P 500 GROWTH EXPECTATIONS

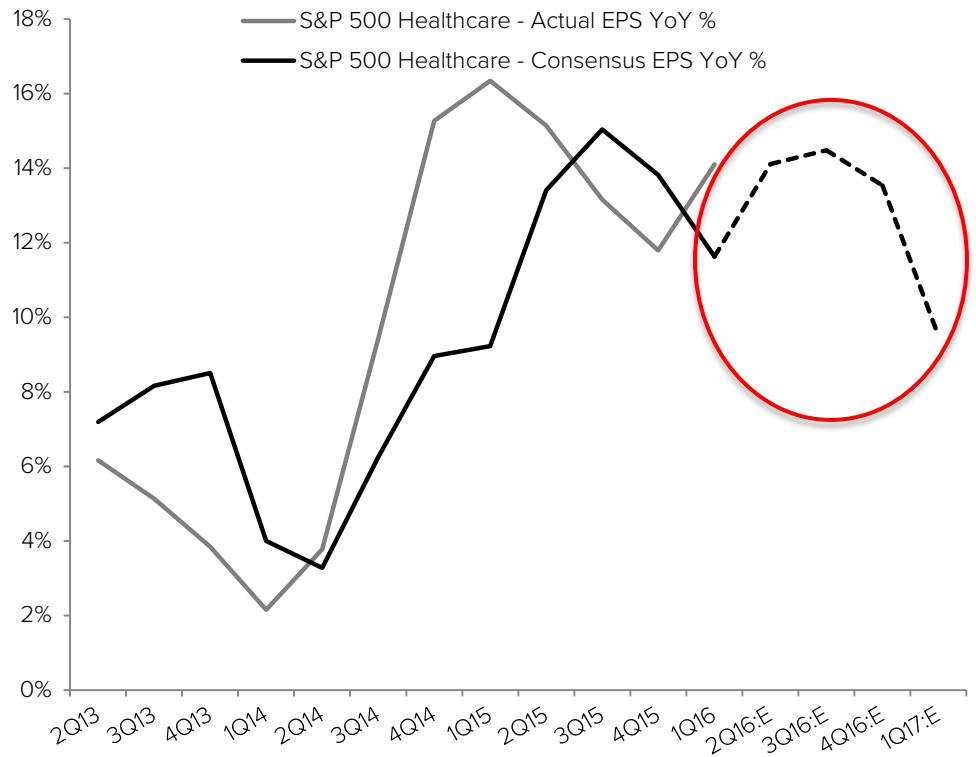


DATA SOURCE: FACTSET

HEALTHCARE GROWTH EXPECTATIONS

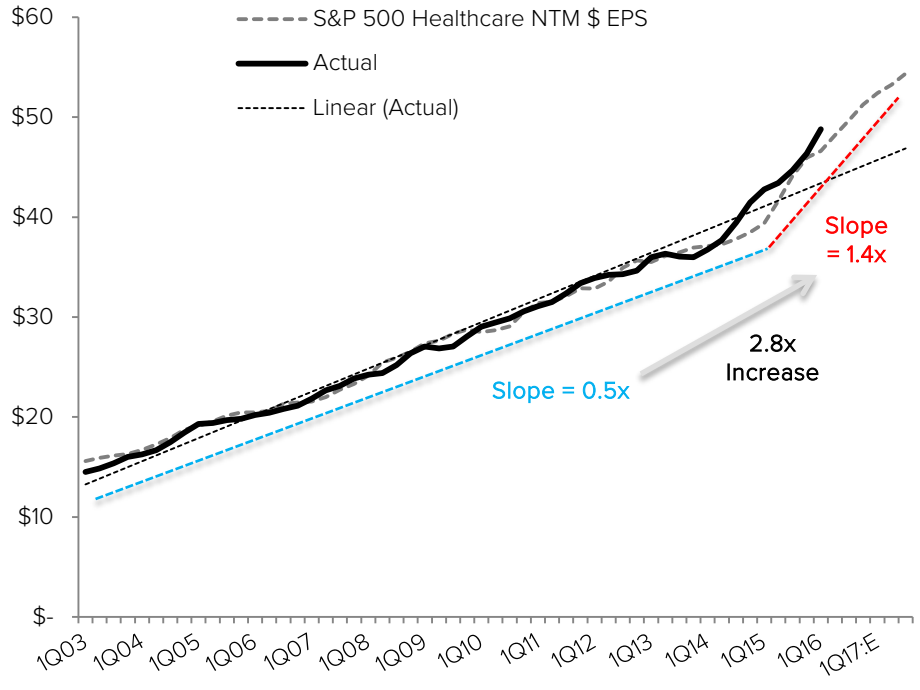
CONSENSUS FORECASTING RE-ACCELERATION IN SALES

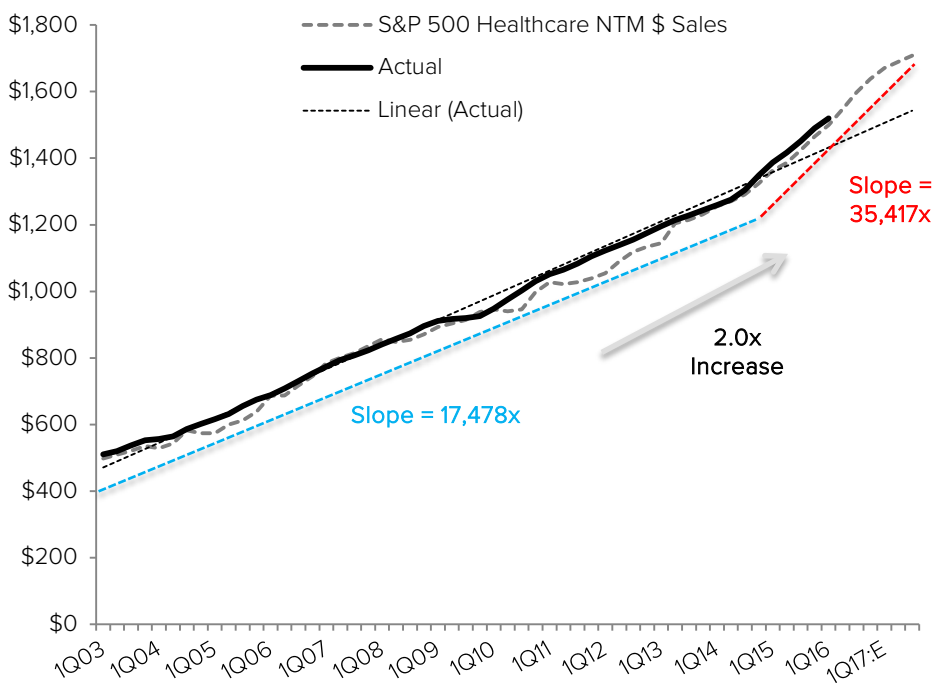




DATA SOURCE: FACTSET

ABSOLUTE SALES AND EPS ESTIMATES





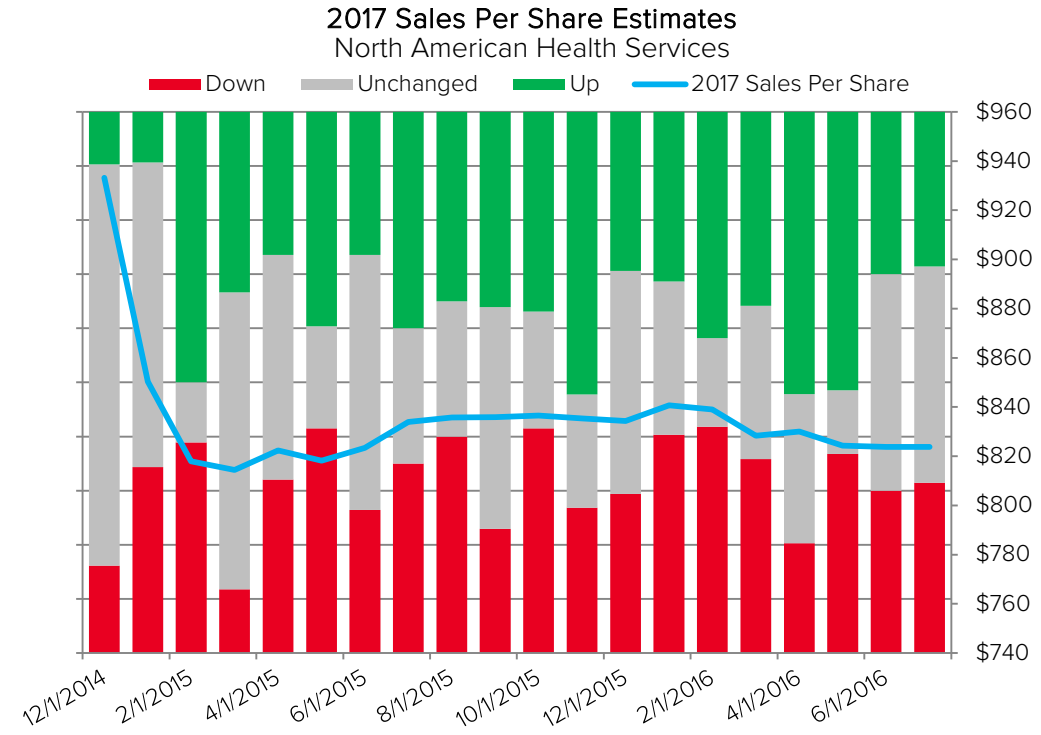
CONSENSUS DEVIATING FROM LONG-TERM TREND

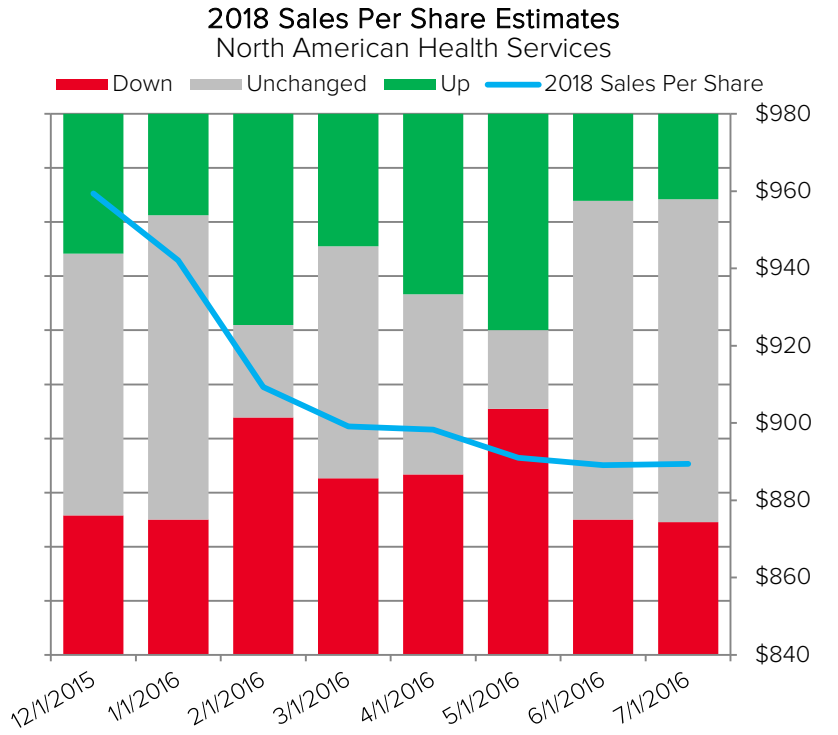
Reasonable given level of M&A and Stimulus.... but likely to mean revert amid slowing growth. Rate of change significant with slope increase 2.0x for Sales and 2.8x for EPS (> Sales due to operating leverage).

DATA SOURCE: FACTSET

CONSENSUS ESTIMATE REVISIONS

2017/2018 SALES ESTIMATES TRENDING LOWER

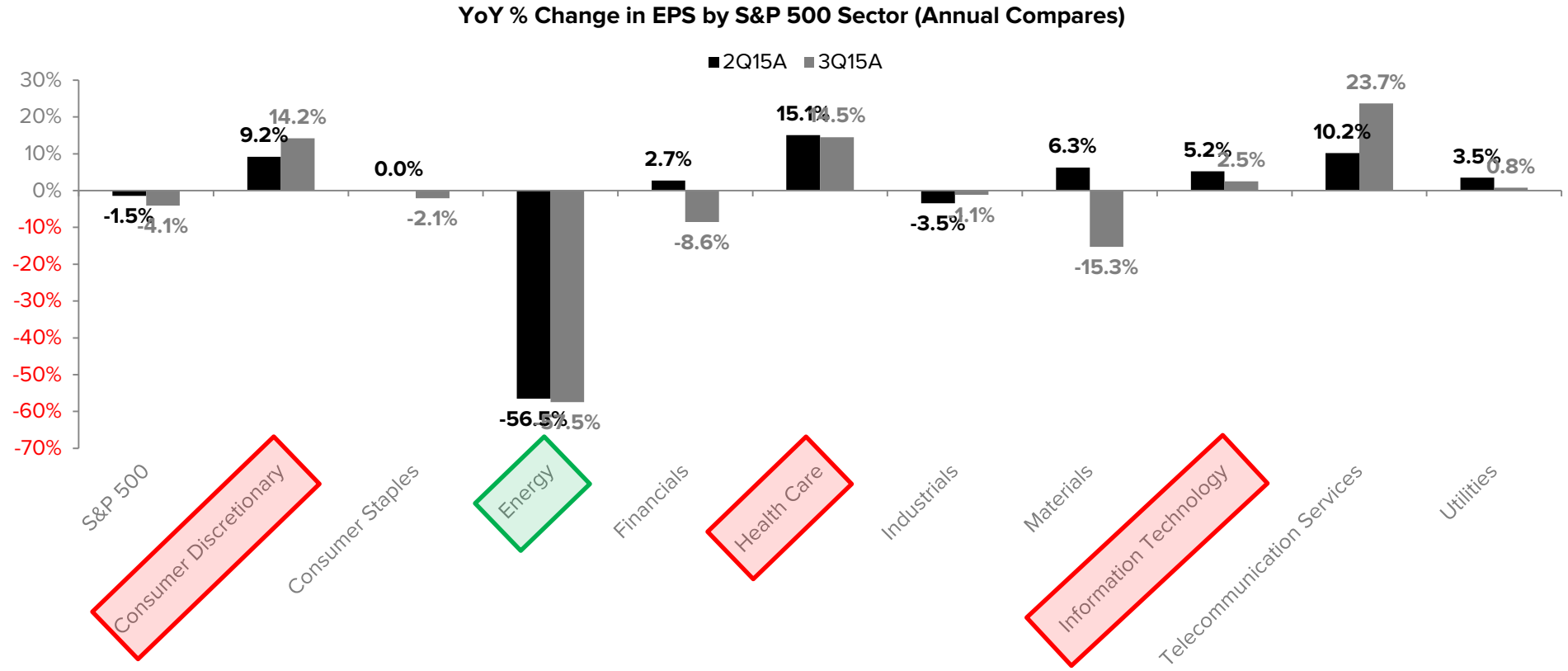




DATA SOURCE: FACTSET

BASE EFFECTS FOR EPS GROWTH

COMPARES ARE DIFFICULT FOR #LATECYCLE CONSUMPTION-ORIENTED SECTORS SUCH AS CONSUMER DISCRETIONARY, HEALTH CARE AND, TO A LESSER EXTENT, TECH. ENERGY COMPARES ARE A LAYUP TO THE EXTENT CRUDE OIL PRICES CAN STAY AROUND/ABOVE CURRENT LEVELS.

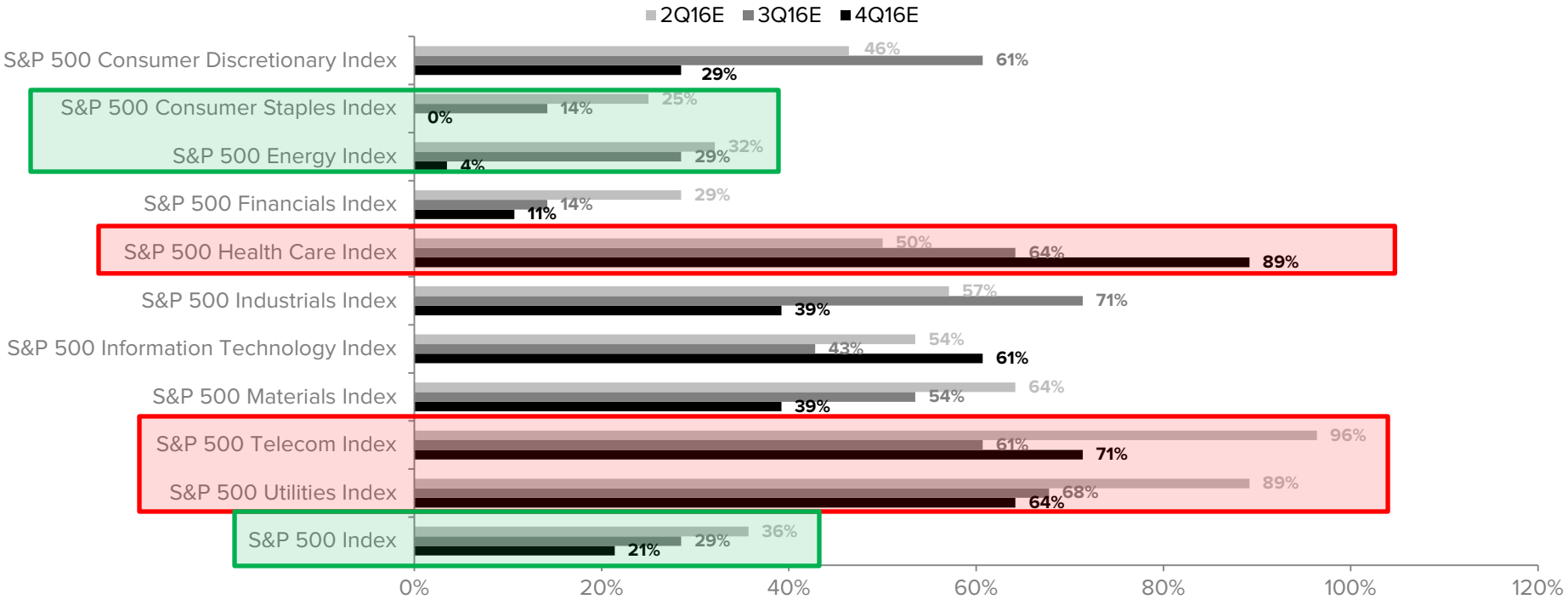


DATA SOURCE: BLOOMBERG

EPS COMPARES: HISTORICAL CONTEXT

HEALTH CARE, TELECOM AND UTILITIES FACE THE MOST DIFFICULT EPS GROWTH COMPARES THROUGH YEAR-END, WHILE CONSUMER STAPLES AND ENERGY EXPERIENCE THE GREATEST TAILWINDS. BASE EFFECTS FOR THE INDEX AS A WHOLE ARE ACTUALLY QUITE MANAGEABLE.

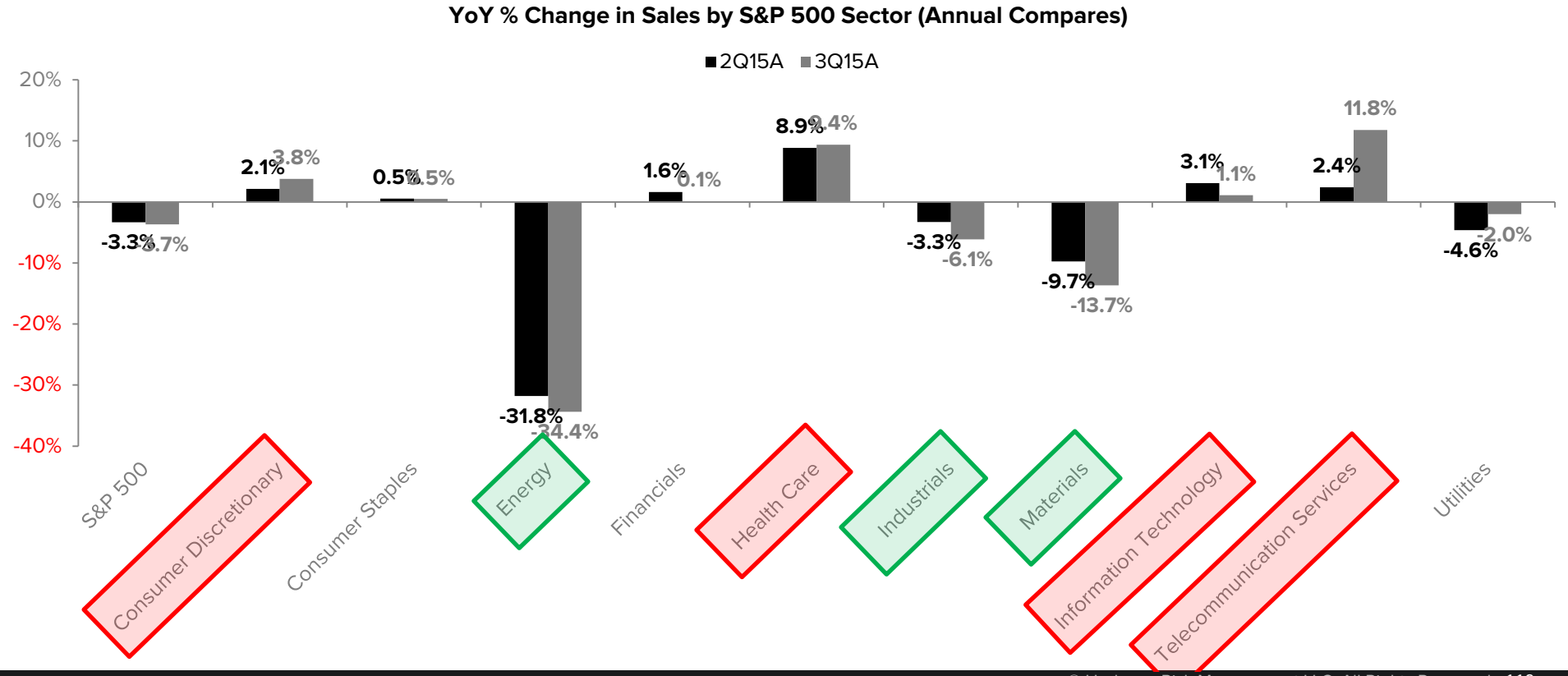
2Y Average EPS Growth Rate in the Respective Comparative Base Period
(Values Shown as a Percentile of the Respective Trailing 10Y Sample)



DATA SOURCE: BLOOMBERG

BASE EFFECTS FOR REVENUE GROWTH

CONSUMER DISCRETIONARY, HEALTH CARE, TECH AND TELECOM HAVE THE MOST DIFFICULT COMPARES ACROSS SECTORS, WHILE ENERGY, MATERIALS AND INDUSTRIALS HAVE EASY COMPARES.



DATA SOURCE: BLOOMBERG

VALUATION MONITOR

Friday, July 08, 2016

Absolute

	EV/EBITDA					EV/Sales					P/E				
	Multiple	Z-Score				Multiple	Z-Score				Multiple	Z-Score			
Index	Current	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Current	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Current	1 Yr.	3 Yr.	5 Yr.	10 Yr.
S&P 500	10.5x	1.7	1.7	1.6	2.0	2.4x	1.4	1.4	1.4	1.8	16.9x	1.3	1.4	1.3	1.8
S&P 500 Health Care	11.5x	0.6	0.7	1.0	1.4	1.9x	0.4	0.5	1.0	1.4	15.7x	0.0	-0.7	0.4	0.7
Industry															
Equipment & Supplies	14.0x	2.5	2.0	1.9	2.5	3.9x	2.5	2.1	2.1	2.6	20.0x	2.2	2.1	1.9	1.7
Providers & Services	9.1x	0.2	0.3	0.8	1.2	0.6x	0.2	0.1	0.7	1.0	14.5x	-0.3	-0.2	0.6	0.8
Technology	11.6x	-0.2	-1.3	-1.4	-0.1	4.0x	-0.2	-1.2	-1.2	0.2	24.1x	-0.2	-1.3	-1.6	-0.7
Biotechnology	10.0x	-0.6	-1.4	-1.0	-0.8	5.4x	-0.8	-1.7	-0.3	0.0	12.4x	-0.8	-1.5	-1.5	-1.4
Pharmaceuticals	12.7x	1.3	1.2	1.3	1.7	4.7x	1.6	1.3	1.4	1.9	16.5x	0.5	0.0	0.7	1.2
Life Sciences	16.5x	0.5	0.7	1.1	1.7	4.3x	0.4	0.8	1.2	1.9	20.8x	0.2	0.2	0.8	1.0

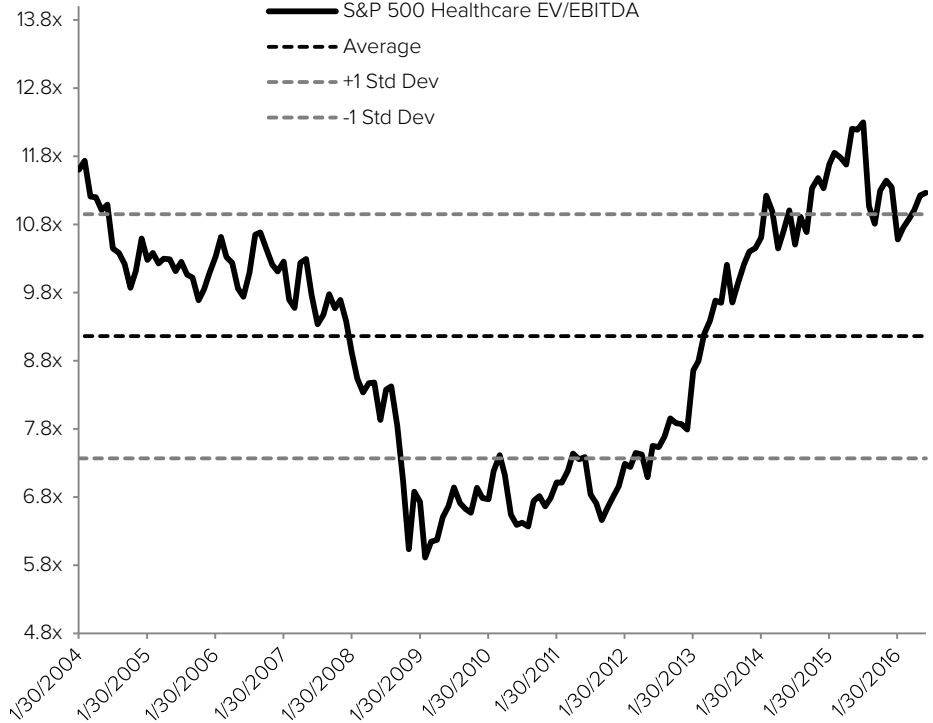
Relative to S&P 500

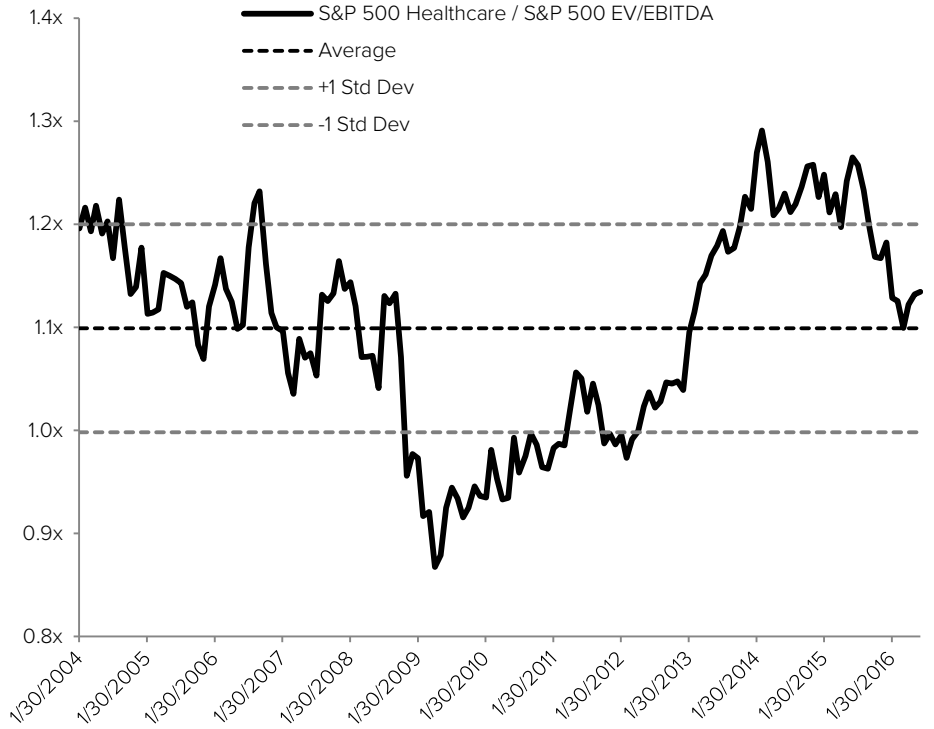
	EV/EBITDA					EV/Sales					P/E				
	Multiple	Z-Score				Multiple	Z-Score				Multiple	Z-Score			
Index	Current	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Current	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Current	1 Yr.	3 Yr.	5 Yr.	10 Yr.
S&P 500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
S&P 500 Health Care	1.1x	-0.5	-1.4	0.0	0.5	0.8x	-0.4	-1.2	0.0	0.7	0.9x	-0.7	-1.8	-1.6	-0.6
Industry															
Equipment & Supplies	1.3x	2.2	1.9	1.8	2.2	1.7x	2.6	2.2	2.3	2.6	1.2x	1.9	2.4	2.7	0.7
Providers & Services	0.9x	-0.9	-1.8	-1.6	-1.0	0.2x	-0.6	-1.6	-1.9	0.0	0.9x	-0.9	-1.5	-1.0	-0.5
Technology	1.1x	-0.6	-1.5	-1.9	-1.0	1.7x	-0.5	-1.3	-1.8	-0.3	1.4x	-0.6	-1.5	-1.8	-1.6
Biotechnology	1.0x	-1.0	-1.5	-1.9	-2.1	2.3x	-1.1	-1.9	-1.7	-1.3	0.7x	-1.1	-1.5	-2.0	-2.2
Pharmaceuticals	1.2x	-0.2	0.1	0.8	1.3	2.0x	0.6	1.1	1.2	1.6	1.0x	-0.5	-1.5	-0.5	0.4
Life Sciences	1.6x	-0.6	-0.3	0.6	1.1	1.8x	-0.3	0.4	0.9	1.6	1.2x	-0.7	-1.4	0.0	-0.1

DATA SOURCE: FACTSET

HEALTHCARE NTM EV/EBITDA

EXTENDED ABSOLUTE / IN-LINE RELATIVE

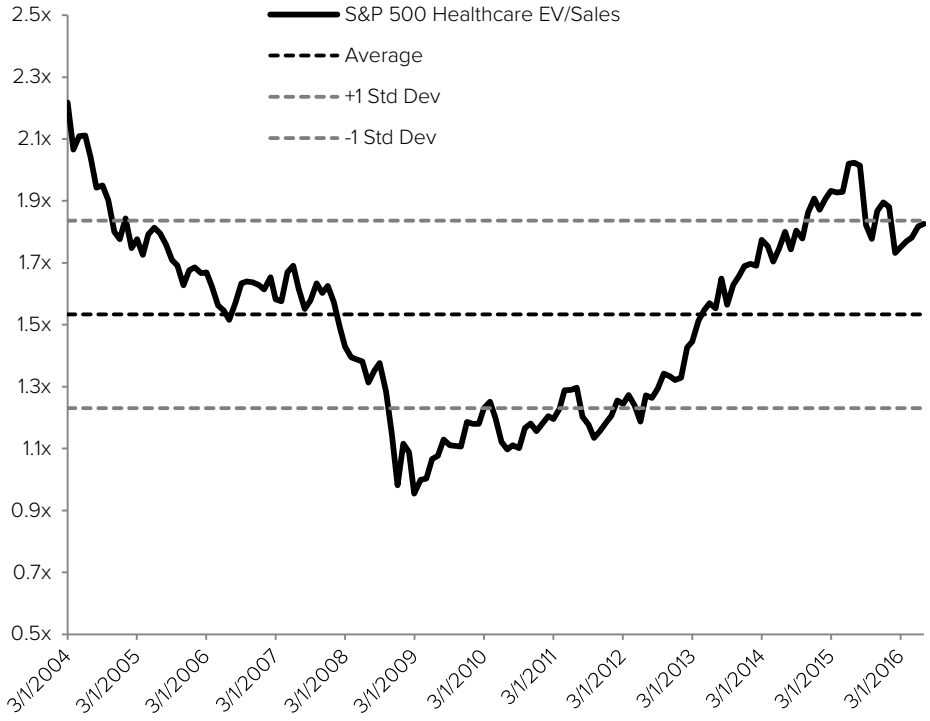


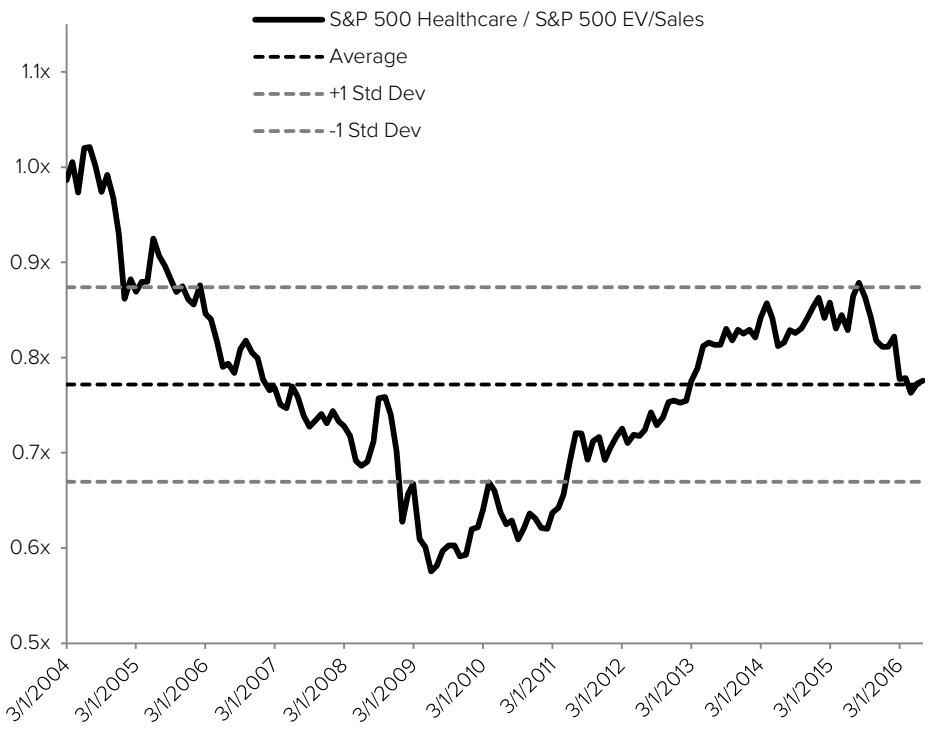


DATA SOURCE: FACTSET

HEALTHCARE NTM EV/SALES

EXTENDED ABSOLUTE / IN-LINE RELATIVE

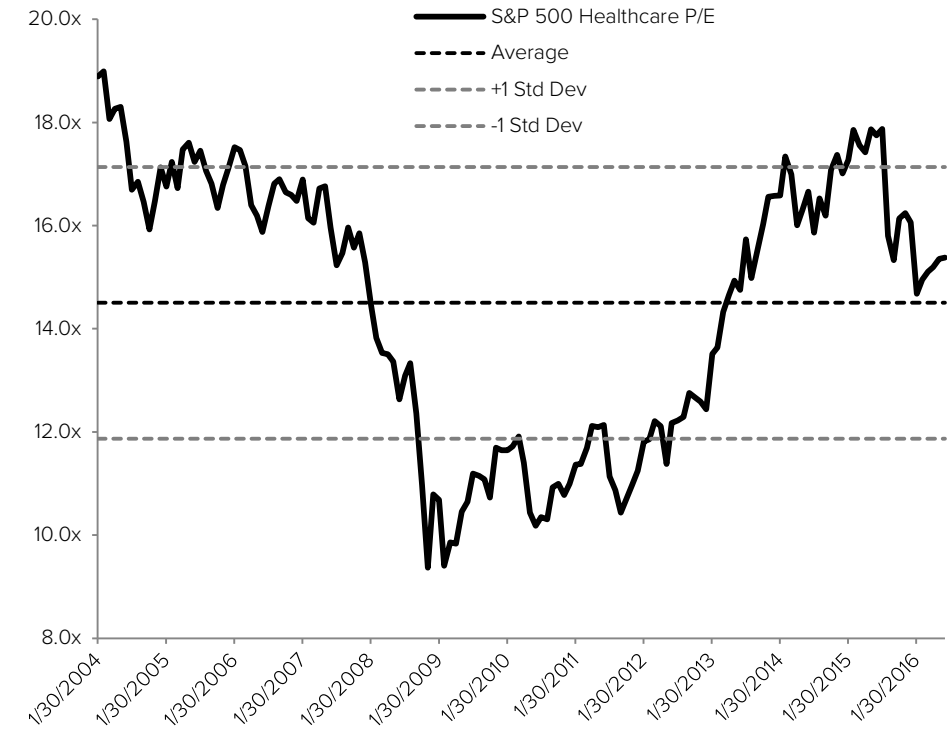


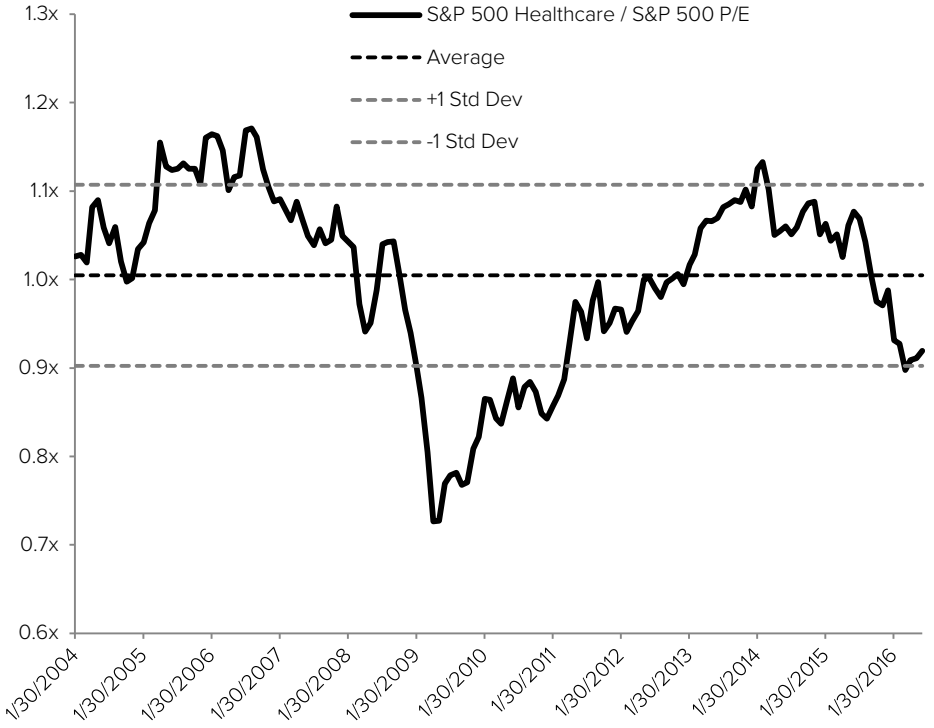


DATA SOURCE: FACTSET

HEALTHCARE NTM P/E

IN-LINE ABSOLUTE / BELOW RELATIVE <- LEVERAGE HIGH





DATA SOURCE: FACTSET

HEALTHCARE POSITION MONITOR

Sentiment Score[1]	Investment Ideas - Longs LONG		Trade	Trend	Tail
6	ATHN	athenahealth, Inc.	---	✓	✓
41	ILMN	Illumina, Inc.	---	✓	✓

Sentiment Score[1]	Investment Ideas - Shorts SHORT		Trade	Trend	Tail
81	HOLX	Hologic, Inc.	×	×	×
59	AHS	AMN Healthcare Services, Inc.	---	×	×
53	ZBH	Zimmer Biomet Holdings, Inc.	---	×	×
33	MD	MEDNAX, Inc.	×	×	×
17	MDRX	Allscripts Healthcare Solutions, Inc.	×	×	×

Sentiment Score[1]	Long Bench LONG		Trade	Trend	Tail
6	EXAS	Exact Sciences Corporation	---	---	---
56	EVH	Evolent Health Inc Class A	---	---	---
72	CSLT	Castlight Health, Inc. Class B	---	---	---
89	CERN	Cerner Corporation	---	---	---

Sentiment Score[1]	Short Bench SHORT		Trade	Trend	Tail
97	WOOF	VCA Inc.	---	---	---
79	LH	Laboratory Corporation of America Holdings	---	---	---
71	ICLR	ICON Plc	---	---	---
62	DVA	DaVita HealthCare Partners Inc.	---	---	---
53	CRL	Charles River Laboratories International, Inc.	---	---	---
44	MDSO	Medidata Solutions, Inc.	---	---	---
41	HCA	HCA Holdings, Inc.	---	---	---
36	LPNT	LifePoint Health, Inc.	---	---	---
24	PRXL	PAREXEL International Corporation	---	---	---
22	QSII	Quality Systems, Inc.	---	---	---
18	Q	Quintiles Transnational Holdings, Inc.	---	---	---
5	DGX	Quest Diagnostics Incorporated	---	---	---
1	CYH	Community Health Systems, Inc.	---	---	---
1	CPSI	Computer Programs and Systems, Inc.	---	---	---

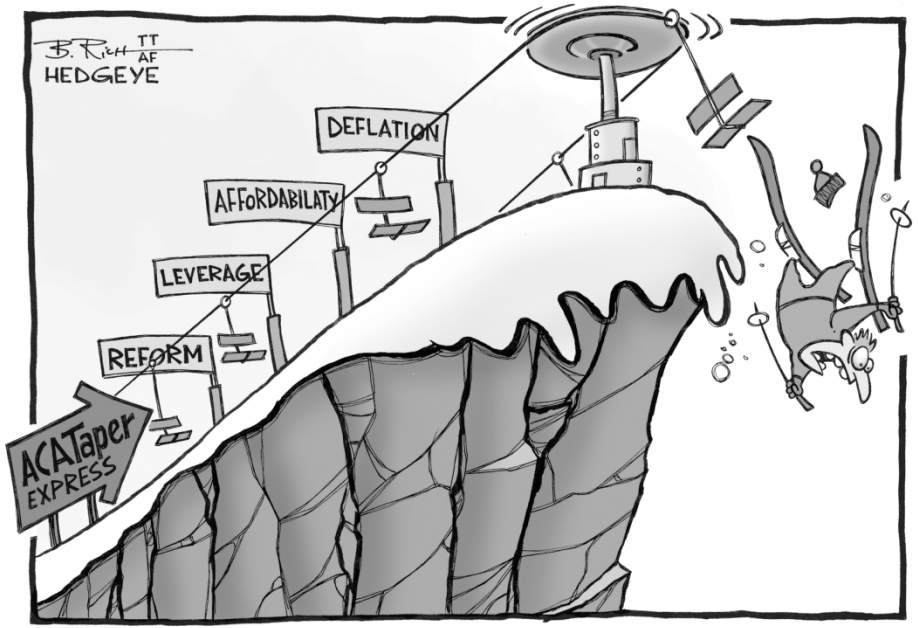
[1]Percentile rank within sub-sector (1 = High Short Interest, Negative Sell Side / 100 = Low Short Interest, Positive Sell Side)

Bench = Timing is not right, or research in progress.

DATA SOURCE: FACTSET

qa@hedgeye.com

Q&A



APPENDIX

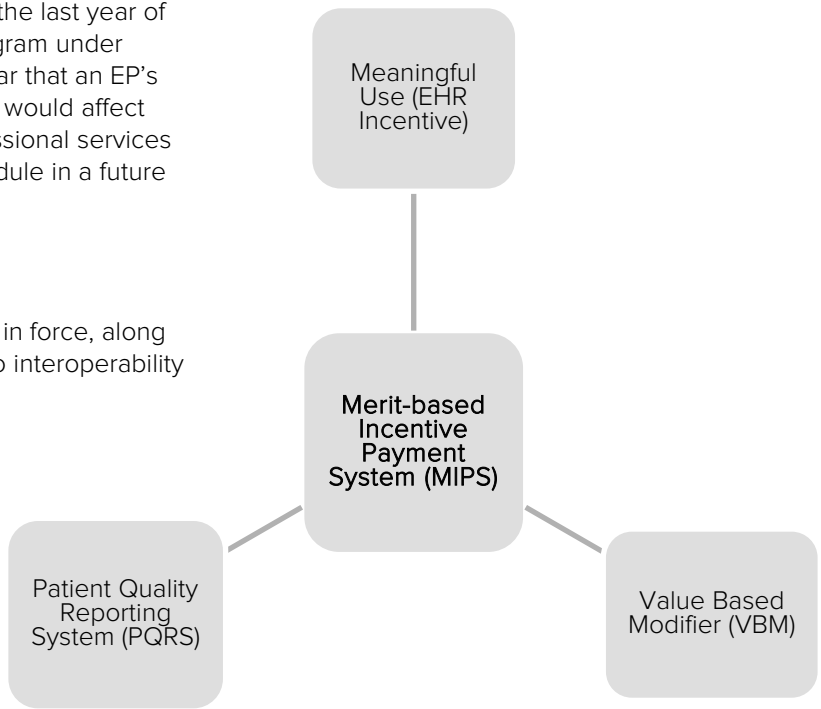
MERIT-BASED INCENTIVE PROGRAM

IMPACT ON ELIGBIBLE PROFESSIONALS

- For EPs, 2016 will stand to be the last year of MU as a distinct incentive program under Medicare, and also the last year that an EP's ability to be a meaningful user would affect payment adjustment for professional services under the Physician Fee Schedule in a future calendar year (2018).

VENDOR IMPACT

- Meaningful Use Stage 3 is still in force, along with CHIT guidelines related to interoperability and API use.



All three programs merged beginning in 2019.

Payment adjustments will be determined by four performance categories:

1. Resource Use
2. Quality
3. Clinical Practice Improvement Activities
4. Meaningful Use of EHR System

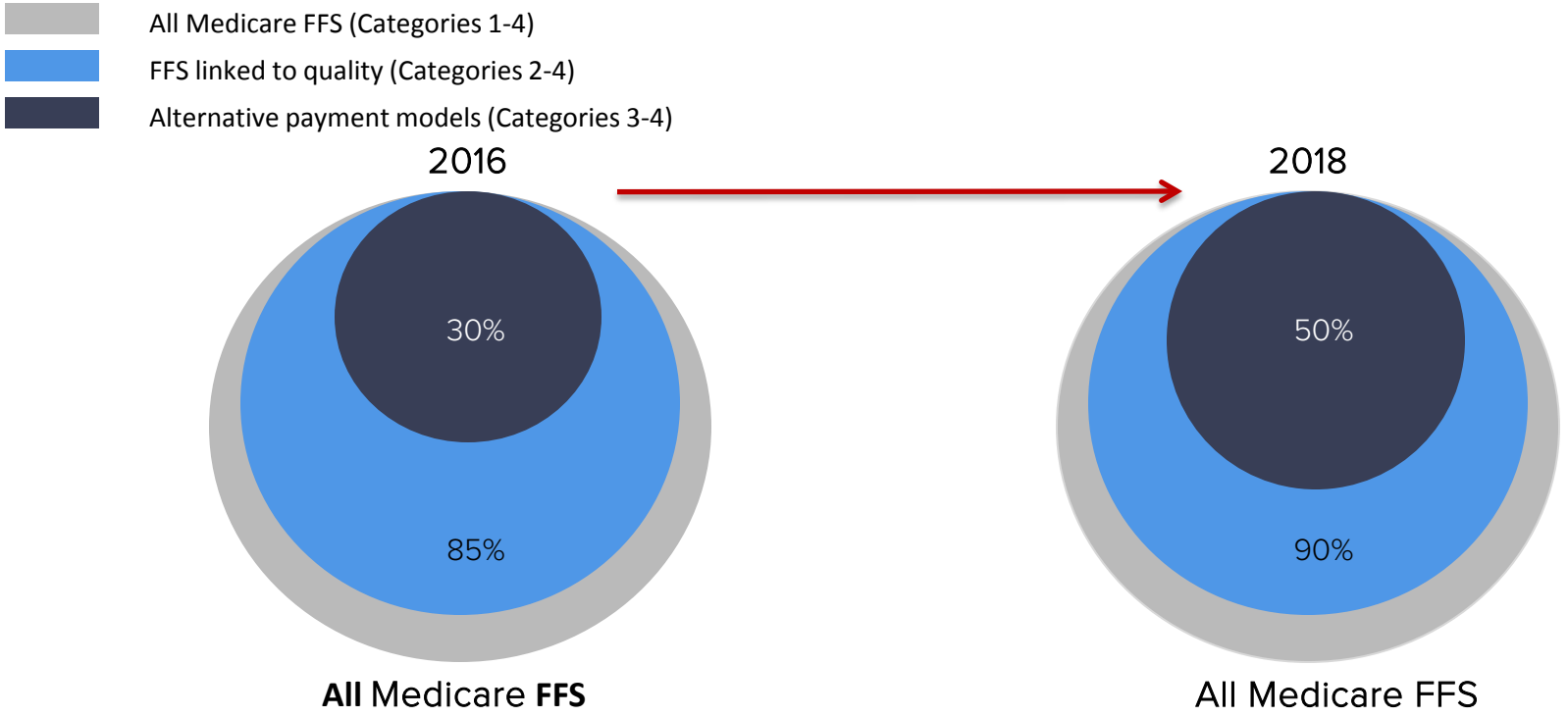
Physicians participating in the in program will receive a performance score of 0-100 based on their performance in each category.

Baseline will be determined and payment adjustments will be made accordingly.

DATA SOURCE: HTTPS://BLOGS.CERNER.COM/BLOG/MEANINGFUL_USE_WHATS_CHANGING

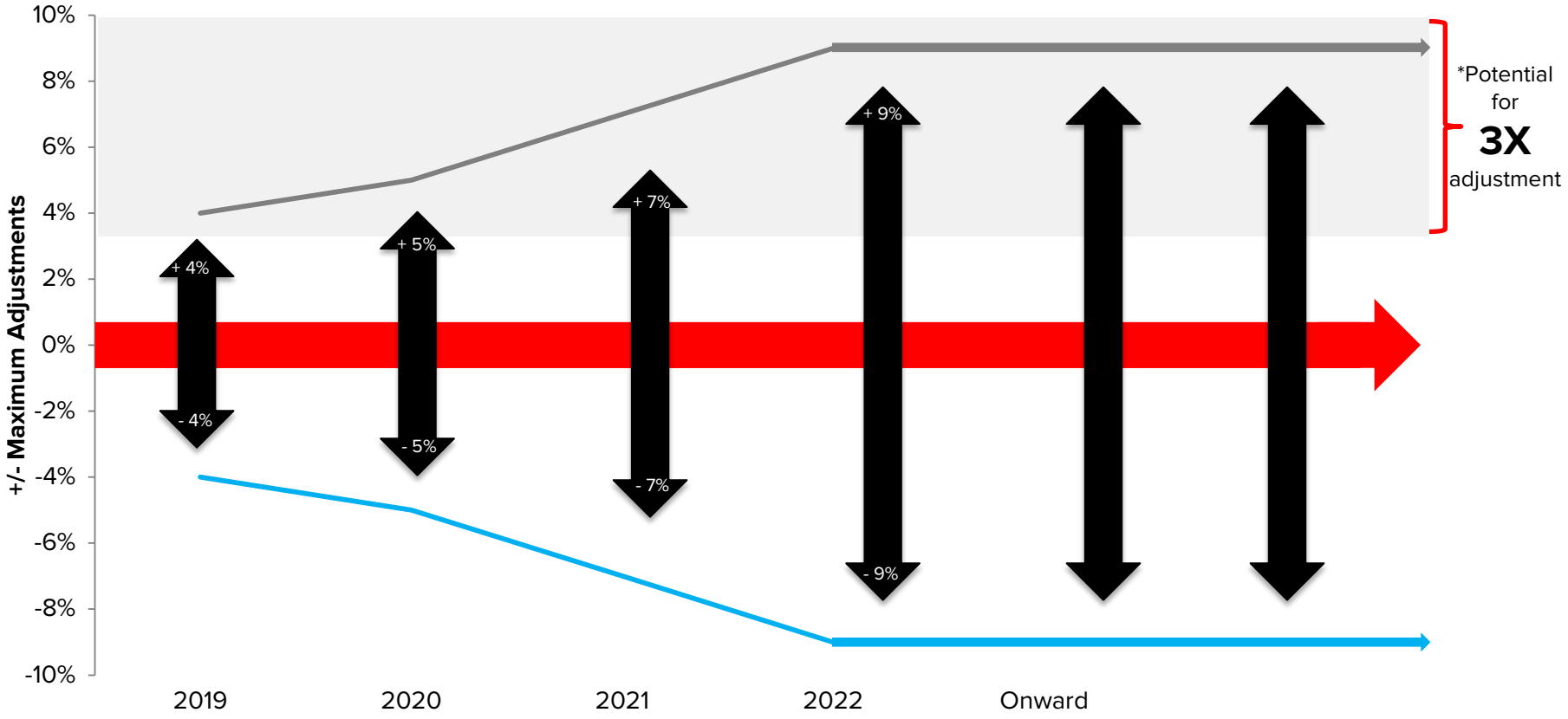
CMS QUALITY AND VALUE TARGETS

Target percentage of Medicare FFS payments linked to quality and alternative payment models in 2016 and 2018



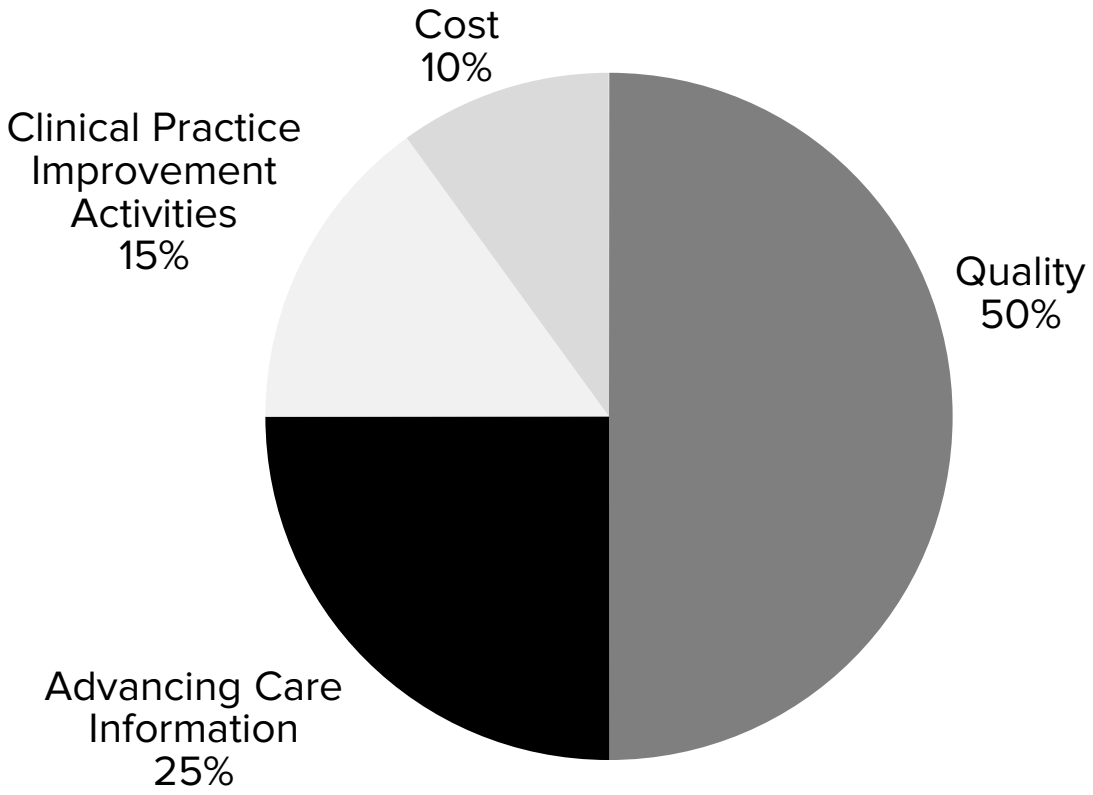
DATA SOURCE: HTTP://WWW.CMS.GOV/NEWSROOM/MEDIARELEASEDATABASE/FACT-SHEETS/2015-FACT-SHEETS-ITEMS/2015-07-21.HTML

BUDGET NEUTRAL ADJUSTMENTS



DATA SOURCE: CMS

YEAR 1 PERFORMANCE FOR MIPS



ALTERNATIVE PAYMENT MODELS

Payment Taxonomy Framework

	Category 1: *Fee for Service—No Link to Quality*	Category 2: *Fee for Service—Link to Quality*	Category 3: *Alternative Payment Models Built on Fee for Service Architecture*	Category 4: *Population-Based Payment*
Description	*Payments are based on volume of services and not lined to quality or efficiency*	*At least a portion of payments vary based on the quality or efficiency of healthcare delivery*	*Some payment is linked to effective management of a population or an episode of care. Payments still triggered by delivery of services, but opportunities for shared savings or 2-sided risk*	*Payment is not directly triggered by service delivery so volume is not linked to payment. Clinicians and organizations are paid and responsible for the care of a beneficiary for a long period (e.g. ≥ 1 yr)*
Medicare FFS	•Limited in Medicare fee-for-service •Majority of Medicare payments now are linked to quality	•Hospital based value purchasing •Physician Value-Based Modifier •Readmissions/Hospital Acquired Condition Reduction Program	•Accountable care organizations •Medical homes •Bundles payments •Comprehensive primary care initiative •Comprehensive ESRD •Medicare-Medicaid Financial Alignment Initiative Fee-For-Service Model	•Eligible Pioneer accountable care organizations in years 3-5

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