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HUM.N - Q1 2021 Humana Inc Earnings Call

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OVERVIEW:

Co. reported 1Q21 adjusted common diluted EPS of $7.67. Expects 2021 adjusted common diluted EPS to be $21.25-21.75.

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Humana First Quarter 2021 Earnings Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

With that, I would now like to hand the conference over to your speaker today, Amy Smith, Vice President of Investor Relations. Thank you, and please go ahead.

Amy K. Smith - *Humana Inc. - VP of IR*

Thank you, and good morning. In a moment, Bruce Broussard, Humana's President and Chief Executive Officer; and Brian Kane, Chief Financial Officer, will discuss our first quarter 2021 results and our updated financial outlook for 2021. Following these prepared remarks, we will open up the lines for a question-and-answer session with industry analysts. Joe Ventura, our Chief Legal Officer, will also be joining Bruce and Brian for the Q&A session. We encourage the investing public and media to listen to both management's prepared remarks and the related Q&A with analysts.

Additionally, we have posted supporting materials to our Investor Relations page related to the Kindred at Home transaction announced last night. This call is being recorded for replay purposes. That replay will be available on the Investor Relations page of Humana's website, humana.com, later today.

Before we begin our discussion, I need to advise call participants of our cautionary statement. Certain of the matters discussed in this conference call are forward-looking and involve a number of risks and uncertainties. Actual results could differ materially. Investors are advised to read the detailed risk factors discussed in our latest Form 10-K, our other filings with the Securities and Exchange Commission and our first quarter 2021 earnings press release as they relate to forward-looking statements, and to note in particular, that these forward-looking statements could be impacted by risks related to the spread of and response to the COVID-19 pandemic.

Our forward-looking statements should, therefore, be considered in light of these additional uncertainties and risks, along with other risks discussed in our SEC filings. We undertake no obligation to publicly address or update any forward-looking statements and future filings or communications regarding our business or results.

Today's press release, our historical financial news releases and our filings with the SEC are also available on our Investor Relations site. Call participants should note that today's discussion includes financial measures that are not in accordance with generally accepted accounting principles or GAAP. Management's explanation for the use of these non-GAAP measures and reconciliations of GAAP to non-GAAP financial measures are included in today's press release. Finally, any references to earnings per share, or EPS, made during this conference call refer to diluted earnings per common share.

With that, I'll turn the call over to Bruce Broussard.

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

Thank you, Amy, and good morning, and thank you for joining us. Today, we reported adjusted earnings per share of $7.67 for the first quarter of 2021, and reaffirmed our full year 2021 adjusted EPS guidance of $21.25 to $21.75. Our first quarter results reflect solid performance across each of the company's segments, fueled by strong individual Medicare Advantage and state-based membership growth, and improved profitability in the Group and Specialty and Healthcare Services segments.

As we continue to navigate the pandemic, we also meaningfully advanced our strategy during the quarter. I want to congratulate our Medicaid organization on the significant contract award in Ohio, which when combined with recent additions of Oklahoma, South Carolina and Wisconsin, brings our Medicaid footprint to 7 states. These additions affirm our capital-efficient organic growth strategy and further demonstrates the strength of our Medicaid capabilities built on our Medicare Advantage chassis.

We also continue to deliver compelling dual Special Needs Plan membership growth. These net membership increased approximately 23% in the quarter, and we now serve more than 0.5 million D-SNP members. We remain committed to proactively addressing disparities in health care for underserved populations and recognize that Medicare Advantage and Medicaid plans are uniquely positioned to address the needs of these members.

Data shows that Medicare Advantage is continuing to grow as the preferred option for those who are low income and for racial and ethnic minorities, with more than 28% of Medicare Advantage beneficiaries being racial and ethnic minorities as compared to 21% in traditional Medicare. Currently, 55% of Latino and 39% of African-American beneficiaries have actively chosen to enroll in MA, and there is growing diversity in enrollment because of the value provided to beneficiaries. The ability of MA plans to adapt to change and drive innovation and better clinical outcomes is why today nearly 27 million seniors have chosen MA over original Medicare.

Our ability to drive innovation and improve clinical outcomes is enabled by our strong integrated care delivery platform. And in recent years, we have significantly expanded our Healthcare Services capabilities, from primary care to pharmacy to home care and more, in order to better serve our medical members and to significantly strengthen our payer-agnostic care offerings.

These services help deliver on the promise of better quality and health outcomes, lower cost and a simpler, more personalized experience for the people they touch. These advancements also provide a solid foundation to ultimately serve individuals beyond our MA membership base, including original Medicare fee-for-service members, as we continue to evolve and expand beyond managed care to a broader clinical services orientation with the ability to manage risk and coordinate care outside of MA.

During the quarter, we took the next step in this evolution, introducing CenterWell as the new brand to unite our broad range of payer-agnostic Healthcare Service offerings. The CenterWell brand speaks to how we put our members and patients at the center of everything we do. The first Humana-owned services to adopt the brand are Partners in Primary Care and Family Physician Group, named CenterWell Senior Primary Care. We are also accelerating our strategy around the home. And as I will discuss in a moment, the home will be the next service to adopt the CenterWell brand.

We see the home coupled with our primary care strategy as the mix meaningful opportunity to improve access to quality, proactive care for a broader senior population. As such, we continue to invest in assets that allow us to better manage the holistic needs of our members and patients by expanding care in the home, including primary care, telehealth and emergency room care while also addressing social determinants of health.

The home health industry is among the fastest-growing health care industry in the U.S. as a result of an aging population, the prevalence of chronic disease and growing physician acceptance of care in the home. This need has only been accelerated by COVID-19. However, we recognized for some time that the current volume-based fee-for-service model has limited the innovation in home health.

Accordingly, in 2018, we acquired a 40% interest in Kindred at Home, embarking on a journey to test and learn innovative clinical models in the home with the goal of evolving home health to value-based payment models. Today, Kindred at Home employs approximately 43,000 caregivers providing home health, hospice and community care services to over 550,000 patients annually. They have locations in 40 states, providing extensive geographic coverage, with approximately 65% overlap with Humana's individual Medicare Advantage membership.

Yesterday, we announced that we signed a definitive agreement to acquire the remaining 60% interest in Kindred at Home. As detailed in the press release we issued last night, the Kindred at Home transaction represents an enterprise value of $8.1 billion, including the value of Humana's existing 40% equity interest. This acquisition, which is expected to close in the third quarter of this year, is the largest in Humana's history and comes at a pivotal time in health care, when a worldwide epidemic has exasperated the existing disparities in health care for underserved populations and highlighted the power of telehealth and in-home care and addressing those disparities.

Further, the pandemic has reinforced patients' increasing desire for convenient and personalized delivery channels, requiring innovative home care offerings. The acquisition of Kindred at Home will provide us with an extensive network of nurses, a critical distribution channel for delivering care in the home.

However, we recognize the need for innovative home care offering at scale. Through our successful partnership with Kindred's management team and our private equity partners over the last few years, we have proved that altering the nurses' clinical interaction in the home improves care. We've demonstrated that we can reduce the cost of care and provide value to shareholders through additional referrals to Kindred, advancing effective clinical interventions in the home and supporting higher acuity patients by leveraging other home-based assets we've assembled.

Humana home health episodes served by Kindred at Home has increased from 8% to 19% overall in markets with geographic overlap, reaching penetration as high as 49% in certain key markets. In addition, Kindred at Home continues to demonstrate superior patient outcomes, including reduced hospitalizations, admissions and ER utilization.

Management's successful transition of Kindred at Home to an independent home health and hospice company, the strong and growing core business as reflected in Kindred's solid historical EBITDA compounded annual growth rate of approximately 20% since 2017, our demonstrated ability to deliver savings to health plans through reduced hospitalizations and the ability to drive increased referrals to Kindred at Home provides us the confidence to accelerate our 100% ownership of Kindred. Full ownership allows us to move from market testing to full-scale implementation over time.

We recognize the significant value we can deliver to members and patients by integrating this asset into our holistic approach to care. Fully integrating at home -- Kindred at Home will enable us to more closely align incentives to focus on improving patient outcomes and on reducing the total cost of care. This is critical to deploying at scale a value-based advanced home health model that makes it easier for patients and providers to benefit from our full continuum of home-based capabilities. By leveraging the best channel to deliver the right care needed at the right time, we believe we can deliver outcomes and value beyond what isn't possible in traditional fee-for-service models.

As shown on the slide deck that we posted to our Investor Relations website this morning, home health utilizers are 5x more likely to have an inpatient admission within 120 days of the start of their home health episode as compared to an individual MA member that does not utilize home health. This speaks to the significant opportunity we have to continue to improve outcomes and lower costs for this population. We look forward to sharing additional details about the value creation we plan to drive with our home health strategy at our Investor Day in June.

While the acquisition includes the operations of Kindred's hospice and community care operations, our intent is to ultimately only maintain a minority interest in this portion of the asset. Our experience with hospice demonstrates the integration of palliative and traditional hospice care improves the quality of life for patients transitioning from restorative care to hospice. However, we have been successful delivering the desired patient experience and outcomes through partnership models, demonstrating we do not need to own a majority interest in a hospice asset long term.

Kindred at Home will be integrated into Humana's Home Solutions business under the leadership of Susan Diamond. When combined, our Home Solutions' geographic scale and clinical breadth will provide the opportunity to offer care beyond Humana members. And as a result, we will transition to our CenterWell brand as CenterWell Home Health.

Luckily, Kindred Care services will be integrated and coordinated with other care offerings, including CenterWell's Senior Primary Care and Conviva as well as our primary care and emerging care offerings in the home via our investment in Heal and DispatchHealth.

Before turning the call over to Brian, I want to acknowledge that this will be his last earnings call at Humana and thank him for his invaluable contribution to Humana over the last several years. Among his many contributions, Brian brought rigor to his role in the creation of a strong financial capability, not only through sophisticated fiscal and ongoing operational discipline, but also by developing a deep bench of talent within our financial organization to drive this discipline forward.

We wish Brian the very best in his next chapter. As previously announced, Brian will remain in his current role through June 1 and then serve in an advisory role through the end of the year. On June 1, Susan Diamond will assume the role of interim CFO while we complete our search for a permanent replacement. Given Susan's strong knowledge of our business and financial expertise, I have great confidence in her ability to lead the finance team as we recruit a new CFO. Susan will also continue to lead the Home Solutions business.

With that, I'll turn the call over to Brian.

Brian Andrew Kane - *Humana Inc. - CFO*

Thank you, Bruce, and good morning, everyone. Today, we reported adjusted EPS of $7.67, reflecting a positive start to the year across our segments, particularly in light of the impacts that the pandemic has had on our results, which we outlined on our fourth quarter 2020 earnings call in February. While the first quarter came in modestly ahead of our previous expectations, it is early and we are continuing to work through uncertainty related both to our revenue and claims due to pandemic.

Specifically as it relates to revenue, given our significant exposure to Medicare Advantage, we are disproportionately affected by COVID's impact on Medicare Risk Adjustment, or MRA. Our risk-adjusted revenue is determined by 2020 dates of service, medical utilization and resulting documentation, which as previously discussed, was materially depressed last year. In particular, we are focused on monitoring the impacts on utilization from the late surge of COVID cases in 4Q, which occurred following the communication of high-level 2021 guidance on our third quarter earnings call.

While the extension of sequestration helps mitigate any potential pressure against our estimates, I would remind investors that a critical indicator of 2021 revenue relative to our initial expectations will be the midyear MRA payment, which we expect from CMS anytime in the next 1 to 3 months. The mid-year payment, which effectively rolls forward the dates of service used for 2021 payment to year-end 2020 from mid-year 2020 and incorporates the impact on risk-adjusted revenue of our new members is meaningfully more uncertain this year given the 4Q dynamics I mentioned, as this payment requires significant estimation even in normal times.

As it relates to benefits expense, non-COVID utilization is running largely in line with our previous expectations and, as anticipated, is still depressed relative to baseline. The first 3 months of in-patient admissions were down approximately 20%, 15% and 10% in January, February and March, respectively, relative to baseline, with the first few weeks of April, seeing non-COVID inpatient trends moderate to around 5% depressed.

Separately, non-inpatient spend is also depressed, although it appears to be rebounding a bit faster than previously expected, with the caveat that the completion on non-inpatient claims is much slower, and therefore, there is significantly more uncertainty around these service categories in terms of exactly where we stand.

Finally, COVID admissions, which tend to have higher unit costs than those of non-COVID, came down more quickly than expected in the quarter. The COVID case deceleration moderated in late March and seems to be holding flat in early April, as certain geographic locations have become hotspots. We expect utilization to continue to rebound at par as we move through the second quarter and to slightly exceed baseline towards the end of the year.

Given that we remain in a period of heightened uncertainty, we are reaffirming our full year 2021 adjusted EPS guide of $21.25 to $21.75 as well as the benefit expense and operating cost ratios notwithstanding the favorable first quarter results. This represents adjusted EPS growth of 16% above the 2020 baseline of $18.50 at the midpoint of our guide, nicely above the high end of our long-term EPS growth target of 11% to 15%.

I would note that we have been consistent in our expectation of adjusted EPS growth above our long-term target since we provided our initial 2021 commentary on our third quarter 2020 earnings call in November. Additionally, we expect our second quarter adjusted EPS to reflect a low 30s percentage of our full year adjusted EPS.

As we look ahead to 2022, we are pleased that our members appear to be engaging in more routine interactions with their providers, which we anticipate will result in more normalized Medicare Advantage revenue next year as providers are able to ensure that our members are receiving an appropriate level of care and that their conditions are being documented.

While it is, of course, too early to provide 2022 guidance, I would note that as we think about our Medicare Advantage bids for 2022, our intention is to reflect the continued uncertainty associated with COVID-19 in our premium and claims assumptions. In addition, I would like to reiterate that the appropriate baseline for calculating 2022 adjusted EPS growth is $21.50, the midpoint of our 2021 guidance range.

I will now briefly discuss each of our segment's performance in the quarter. In the Retail segment, in addition to the revenue and claims dynamics I discussed, our Medicare Advantage growth remains comfortably on track and consistent with our previous expectations, with individual MA growing solidly above the market at an expected 11% to 12% increase.

As Bruce indicated in his remarks, we experienced robust growth in D-SNP membership, adding 95,000 members in the first quarter, with an additional 12,400 added effective April 1. I also want to echo Bruce's congratulations to our Medicaid team on their state contract awards in Ohio and Oklahoma, along with our application approval in South Carolina during the quarter. An incredible achievement, demonstrating the strength of our Medicaid capabilities.

In our Group and Specialty segment, consistent with our commentary on our last earnings call in February, medical membership declines on account of COVID were less severe than initially expected coming into the year. The segment performance continues to improve, and we continue to execute on the first phase of a multiyear plan to grow our group commercial and specialty products, bringing in strong new talent, increasing our local presence in certain key markets and deepening our partnerships with innovative companies.

Our dental network expansion is proceeding ahead of plan. Our small group commercial medical pipeline volume is back in line with pre-COVID levels. And our Net Promoter Scores for our large group medical accounts were at a record high for first quarter performance.

Finally, our Healthcare Services operations remain on track with our previous expectations. In our pharmacy operations, we continue to pursue pharmacy initiatives that we expect to further increase mail order penetration as the year progresses. I would note that this anticipated spend to accelerate growth, coupled with labor-related overtime and shipping costs due to weather-related disruptions in February, did modestly impact the pharmacy business results in the quarter. CenterWell's Senior Primary Care and Conviva are performing well and we continue to execute on our clinic expansion with Welsh, Carson.

Kindred at Home is also delivering solid results. And as Bruce indicated in his remarks, we are accelerating our full acquisition of Kindred at Home. With respect to Kindred, last night we announced that we signed a definitive agreement to acquire the remaining 60% interest in Kindred at Home for a total enterprise value of $8.1 billion, including $2.4 billion associated with our current 40% equity interest. We do not anticipate a material impact to non-GAAP or adjusted earnings in 2021.

We expect the transaction to provide modest additional financial flexibility as we set targets for 2022 earnings, although I would note that buying in Kindred has long been a part of our financial planning process, which has included providing capability to build out our clinical capabilities and value-based care model. In addition, we intend to exclude onetime transaction and integrated costs related to the acquisition from non-GAAP earnings. Key financial terms are outlined in the slides available on our website accompanying today's earnings call.

The innovative partnership we created with Welsh, Carson and TPG will deliver significant strategic and financial value to Humana. Executing on the Kindred at Home transaction now versus waiting for the contracted sponsor put option that would likely not be exercised until mid-2022, given the asset's strong EBITDA growth, not only accelerates the strategic benefits as Bruce described, but importantly, allows us to acquire the nation's largest home health and hospice company for a multiple meaningfully lower than where comparable public companies are trading today.

Additionally, we expect that we will be able to capitalize on a robust market for hospice assets by divesting a majority stake in that portion of the business at what we anticipate will be an attractive valuation.

As to the EBITDA multiple we are paying for Kindred at Home, investors should consider the $5.7 billion purchase price for the remaining 60% interest, plus our initial investment of $1.1 billion for our 40% stake in 2018, which when grown at a reasonable 8% weighted average cost of capital for a present value of $1.4 billion, equates to a total cash purchase price of approximately $7.1 billion all in. When using a normalized full year 2021 estimated EBITDA for Kindred at Home, inclusive of hospice and community care, the transaction EBITDA multiple is approximately 11x.

It is important to note that the normalized EBITDA excludes expected home care and hospice investments in clinical capabilities and value-based care models, onetime costs including transaction and integration expenses and any potential synergies. The expected synergies will primarily result from the meaningfully enhanced clinical capabilities Bruce has described, which will materialize over time, in addition to the EBITDA benefit of in-sourcing further home health episodes from other home health providers.

One other important note regarding the financial value created that I would mention, after adjusting for our intended divestiture of a majority interest in the hospice and community care assets at a reasonable market valuation, the implied transaction EBITDA multiple for acquiring the nation's largest home health business would be in the mid- to high-single digits, based on the roughly 50-50 split of the EBITDA between the home and hospice community care segments.

As far as the transaction financing is concerned, we expect to fund the $5.7 billion purchase price, which again is net of our existing equity interest, with a mix of parent company cash and debt financing. The transaction is expected to close in the third quarter of 2021 subject to customary state and federal regulatory approvals.

Immediately following the closing of the transaction, we expect our consolidated debt-to-capital ratio to be in the low 40s, with significant deleveraging expected post divestiture of the majority stake in hospice and community care. We expect the debt-to-capital ratio, including assuming a customary level of share repurchase, to return to a more normalized target leverage level during 2022, freeing up the balance sheet for further capital deployment. We anticipate maintaining our investment-grade credit rating as a result of this transaction.

Before we open the line up for questions, I want to take a moment to thank our associates, shareholders and sell-side analysts for their support over the last 7 years, as this will be my final Humana earnings call. I'm very proud of what the company has accomplished in a period of rapid transformation. And I know that under Bruce's leadership and with the support of the outstanding team across the organization, the company is well positioned to continue to execute on its strategic plan and deliver significant shareholder value in the years ahead.

It's been a true honor to serve the millions of Humana members, and I'm grateful to have worked with so many talented colleagues. I remain fully committed to a seamless transition in the coming weeks and months. And I'm very excited that Susan Diamond will serve as interim CFO. Susan is someone I've worked with extensively over the last 7 years and is one of the most talented people I know.

With that, we will open the lines up for your questions. (Operator Instructions). Operator, please introduce the first caller.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have our first question comes from the line of Matthew Borsch from BMO Capital Markets.

Matthew Richard Borsch - *BMO Capital Markets Equity Research - Research Analyst*

I was hoping maybe you could elaborate a bit on the increased competition that you're seeing in the group Medicare Advantage area, what you think is driving that and how you think that might settle out.

Brian Andrew Kane - *Humana Inc. - CFO*

Sure. I'll take that. Well, just as we mentioned really on several calls, the group M&A market, particularly on the large-scale accounts, has continually become more competitive. There are several players who you know well, who are pursuing these accounts. And they're obviously attractive pieces of business. They're large membership, significant revenue. And there are positive knock-on effects as well to winning these accounts in the local markets in which we operate with respect to providers, et cetera, and visibility.

And so there's a lot of competition for these accounts. We remain very well positioned there. Our group MA team has really been very smart about how they've underwritten these accounts. We're not going to chase accounts down to profitability levels that we don't think are sustainable. And so we're being prudent and thoughtful as we pursue these opportunities. But again, feel very good about how we're positioned in group MA, notwithstanding the competition there.

I would note one thing, though, that at the sort of smaller group account size, sort of mid- level accounts and small-level accounts, the profit margins are better and more attractive from a pure profitability perspective.

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

We are trying to -- just to add to Brian's comment, we are trying to differentiate through the service component of that. And we do find as a result of employers being responsible for the selection of this, that's an important differentiation. It's not always going to win over price, but we found on a number of accounts that has won over price.

Operator

We have our next question, it comes from the line of Robert Jones from Goldman Sachs.

Robert Patrick Jones - *Goldman Sachs Group, Inc., Research Division - VP*

I guess maybe just one on the headwinds and tailwinds, and I appreciate the qualitative commentary around utilization and COVID testing and treatment. Just wanted to see if those ranges you had laid out last quarter around those headwinds are still kind of how you're seeing the world 1 quarter in. And then on the tailwinds side, I know you were looking at sequestration relief of, I think, just 1 quarter last quarter and now with it being pushed out to the end of the year. Just wanted to get your latest thoughts on how that's being contemplated within the updated guidance.

Brian Andrew Kane - *Humana Inc. - CFO*

Sure. Well, I would say that the ranges that we laid out in the fourth quarter call are consistent with what we're seeing today. And so we remain within those ranges. And again, that's, I think why we're comfortable, obviously, reiterating the guide that we put forth today. The sequestration clearly is positive from an earnings perspective. But I think we have to consider that in the context of the overall headwinds and tailwinds that we see over the coming 9 months. And so while that certainly, as we mentioned in our remarks, is a positive tailwind to offset any potential pressure that we might see over the coming months, it's still very early. And so that's why we reaffirm today.

Robert Patrick Jones - *Goldman Sachs Group, Inc., Research Division - VP*

Got it. Best of luck, Brian.

Brian Andrew Kane - *Humana Inc. - CFO*

You bet.

Operator

We have our next question, it comes from the line of Justin Lake from Wolfe Research.

Justin Lake - *Wolfe Research, LLC - MD & Senior Healthcare Services Analyst*

First, let me wish Brian good luck as he moves on, and thanks for everything over the last 7 years, Brian, it's been a pleasure.

And then my -- I wanted to follow-up, based on Bob's question here, just kind of to narrow it down a little bit. My read of kind of your updated view on 2021 is that you feel more comfortable about offsetting the headwinds that you kind of lined out in January given where trends are coming in plus that benefit of sequestration, and that the remaining swing factor here is that risk adjustment true-up in June. Am I thinking about that correctly, first? And then if so, any thoughts on how wide the outcome could be on that true-up? And then lastly, can you tell us how you're doing with recapturing risk scores for 2022?

Brian Andrew Kane - *Humana Inc. - CFO*

Well, first of all, Justin, thank you for the comments. With respect to -- let's start with risk adjustment. Obviously, there are ranges of outcomes and they could be material. And so I would say as we think about the potential headwinds and tailwinds, that is one that we're very mindful of and it's something that, as I said to the last question, the sequestration is helpful, but it's still early.

And so I would say that we're sort of in a similar posture as we were last quarter at this time. There are headwinds and tailwinds that we look at. And we want to be, I think, pretty cautious as we head into the last 9 months of the year because there's still a lot of uncertainty. And clearly, MRA is an important element of that, but there's also the claims side which we have to see unfold over the next 9 months.

And we obviously have assumptions about how claims are reverting to baseline levels, which they seem to be doing sort of in line with -- largely as we expected. I would say non-inpatient maybe a little bit faster but sort of in the range, and inpatient in line, with COVID coming down faster.

So that's obviously a positive. So there are a few puts and takes in those numbers. But I think there's a bit of a ways to go before, obviously, we're fully comfortable there.

As it relates to the documentation for 2022, as I mentioned, we are feeling reasonably good about what we're seeing so far. It still is early, but the documentation codes do seem to be coming in, in a way that makes us feel good about 2022. We've been effective in getting into the home through our in-home assessments program. We ramped those up pretty meaningfully. And so that I think is a positive side for 2022. But we also will be cautious as we price 2022 and run a range of scenarios to understand what the various eventualities may be on both revenue and claims as a result of the pandemic.

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

Yes. Just -- maybe I can just reiterate what Brian is saying. We obviously had a good quarter. And -- but I would say that we -- as Brian has said, is we're early into this, we are looking at the assumptions we made and setting out the year. And this is -- this is a good growth year for us. It's going to be in excess of 15%. And we just want to make sure that we see how the rest of the year plays out more before we adjust any of our estimates there. And I think that's probably the best thing that investors should take away from is that we still are confident in what we've put out there as an assumption side, but it's the first quarter of 4 quarters here.

Operator

We have our next question, it comes from the line of A.J. Rice from Crédit Suisse.

Albert J. William Rice - *Crédit Suisse AG, Research Division - Research Analyst*

Best wishes, Brian, as well. It's been great working with you. Just maybe I'll go and ask about the Kindred asset. As you described the way you're calculating that 11x purchase price, I may not be thinking about it rightly. But if it's $3.2 billion of revenues and it's an 11 multiple that you've paid given your purchase price, it would imply a sort of operating -- an EBITDA of about $645 million. I wondered if that was the right way to think about it.

And then have you got clarity on how you're going to get rid of the hospice business? Is it open for sale? Is it a spin-off? And will that hospice business then be able to get back into adult home care and compete with Kindred? Or is there limitations on that hospice business?

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

A.J., I'll take the latter question and then Brian can [talk about] the multiple side. We are in the early stages of spinning it off. So there is definitely a commitment of us to spin it off. Our intentions would be to move down the road of possibly an IPO. But there's a long ways between here and there, and we understand that this is a great asset. It's an asset -- it's a leading hospice asset in the marketplace. It is the -- it's got great operations from an operating point of view. Strong management team. And so I think it is going to be an asset that is going to have a lot of interest from multiple different buyers, so to speak.

We haven't worked out the contractual terms of can they reenter into the home business, I think, even if they were to do that. It is a fragmented industry. But it is also an industry that, as you all know, because of legalities of licensure issues and being able to get home health license isn't the easiest thing in the world, especially both in CON states and to get a Medicare reimbursement side. So we do believe that there's barriers to entry in just getting into the business. So we're less worried about that.

Brian Andrew Kane - *Humana Inc. - CFO*

Yes. And I would say, A.J., on the EBITDA, that's -- you're broadly thinking about it right in terms of the numbers.

Operator

We have our next question, comes from the line of Kevin Fischbeck from Bank of America.

Kevin Mark Fischbeck - *BofA Securities, Research Division - MD in Equity Research*

Okay. Great. And thanks, Brian, for all your help over the years. But I guess -- I'm still struggling a little bit with this guidance number. The -- we were coming up with the sequestration benefit being maybe as much as $1.50 or so. And so I guess this lower visibility, I guess, today than when you had last year or when you provided guidance for Q4, is a little bit surprising me.

It's not necessarily something that I'm hearing from the other managed care companies. I just want to hear a little bit more about why you think there is still so much lack of visibility in that number at this point, even though Q1 came in better. Like there was good PPD, and now you've got a big sequestration tailwind. It seems like that uncertainty would have to be significant. And then if it is significant, you're still reaffirming this number as your base for thinking about 2022. How can you feel comfortable that you would be able to fully reprice that into next year?

Brian Andrew Kane - *Humana Inc. - CFO*

Well, I guess -- there's a lot in that question. I would say, first off, in terms of our confidence for pricing next year, I mean we -- as I said in my remarks, we're going to reflect any uncertainty that we see in our bids to ensure that there are any issues that we can contemplate here with respect to various scenarios that may play out, we would have considered in our bid. So I think that's the first thing. So $21.50, from a pricing perspective, we feel very good about.

We also feel good about the reiterated guidance that we provided today. I would say relative to perhaps some of our peers, we have a much higher concentration of Medicare revenue and Medicare claims, which I think in many respects, particularly on the revenue side, have more volatility. But on the claims side as well, you're making assumptions about how seniors who have not used the health care system for a long time, how they're going to respond in the next, call it, back half of the year.

And in that regard, we just want to -- and we think it's appropriate to be cautious about how they might use the system in the back half of the year. Especially as we saw, again, the depressed utilization in the fourth quarter, how does that all play through. And so that's, I think, appropriate caution. As we said, the sequester benefit is beneficial for obvious reasons. So that is clearly a tailwind.

But I think understanding how impactful on our revenue numbers the last -- the fourth quarter was, is still out there, in particular, because the way the midyear payment works as it rolls forward to the last 6 months of the year in terms of how we get paid and understanding the documentation codes that were collected is something that we really need to understand both on existing members as well as, frankly, new members. We get a lot of new members every year.

Remember, it's not just the net growth, but it's just the number of new sales that we have. And so from that perspective, there's uncertainty there. Again, I feel pretty good about where we are today. But we don't think it would be appropriate to change our guide.

The last point I'd make is we came into the year committed to our 16% growth rate, which was above our target. And that's where we continue to be. We -- versus perhaps some of our other peers, those numbers have not modified. And we actually obviously put out a number of ranges on a number of variables here, which are -- there was a reasonable amount of uncertainty starting from the fourth quarter. And as I mentioned, that continues. But again, I think the first quarter is a good quarter, but there's still a ways to go.

Kevin Mark Fischbeck - *BofA Securities, Research Division - MD in Equity Research*

Okay. Great. Actually, just real quickly, you say that you'll know the number when you get the payment from CMS midyear. Does that mean with Q2 results, we should kind of have the answer? The coding benefit will be known and then sequestration would come in and we would expect an updated guidance for Q2 then. Is that how to think about it?

Brian Andrew Kane - *Humana Inc. - CFO*

Well, it depends. I mean, possibly. I mean CMS changes each year, exactly when they give them the midyear payment. My guess is we will have visibility by the second quarter call. But there's no guarantees. But I would say, most likely by the second quarter call, we will have some visibility into our midyear MRA payment, yes.

Operator

We have our next question, it comes from the line of Josh Raskin from Nephron.

Joshua Richard Raskin - *Nephron Research LLC - Research Analyst*

I'll let go of the congratulations as well, so thanks to Brian as well. So my question is just on the segmentation and what does it look like. What is the segments for Humana look like if we think sort of 3 years out? I'm interested in both sort of organizational or operational structure of the company. But also reporting. And I'm really concentrating on kind of what businesses are going to be included in, I don't know what you'll call, sort of the non-insurance segment. It sounds like most of the branding is going towards [CareWell]. And sort of what sort of disclosures and thoughts you guys have on that.

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

Let me start and then ask Brian to add. As we -- we are building a Healthcare Services division, and I think of it as the simplest component, which we'll now have. Start out with our pharmacy business, which is the largest part of the business. Our primary care business will be part of that. And our home health business will be part of that. And then we'll have some other Healthcare Services here and there over time.

But those would be the 3 primarily large driving profitable arms of the organization there. They will serve multiple different markets. They will serve our existing members and be integrated with our existing members through technology and the service component of that. They will also serve when -- in the appropriate area, Medicare fee-for-service areas such as direct contracting would be an example of that. And they will serve other providers -- I mean, other payers as we do today in value-based payment models and will take full risk.

And so the opportunity we have is to take advantage of the organic growth of each of those markets to be able to then integrate those together and take advantage of offering a value-based offering to different payment mechanisms, whether it's within MA to other payers or within a direct contracting area. And then in addition, it's also the opportunity for us to serve our existing members there. And so I think you'll see the CenterWell segment be just evolving to be the -- our Healthcare Services segment.

Joshua Richard Raskin - *Nephron Research LLC - Research Analyst*

And are there short-term thoughts on increased disclosures or rebranding or resegmentation?

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

I think with the entry on to with Kindred, I think we'll have to bring in other discussions there. And I think that probably, as we close on Kindred, you'll probably see -- enter the 2022, you'll probably see more enhanced statistical side of the operational aspects of our Healthcare Services division.

Brian Andrew Kane - *Humana Inc. - CFO*

Yes. And I would just add that just in terms of what we disclosed today on the Healthcare Services, as Bruce said, a lot of our revenue today is in our company because of the pharmacy segment. And obviously, CenterWell primary care is a payer-agnostic business and has external revenue.

What you'll see in Kindred though, because it's not only payer-agnostic but also obviously serves the fee-for-service program, there will be a lot of about $3.2 billion of revenue. A good portion of that is obviously not Humana. So you'll see more disclosures there. And we'll provide more operating metrics around that as well. So I think you will get enhanced disclosure. We try to be very transparent with investors on our various businesses, and I think you'll continue to see that going forward.

Operator

We have our next question, it comes from the line of Dave Windley from Jefferies.

David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

Question I wanted to focus on, utilization. Looking specifically in the Retail segment, we're estimating that maybe the impact of the HIF and the net increase in PYD this year are maybe about the same size. And so if I neutralize those out, your MLR on kind of apples-to-apples basis for the first quarter would have also been up about 100 basis points. Is that right?

And then as you think across the balance of the year, how are you thinking about utilization coming back in terms of acuity? And then any permanency in terms of site of service shifts and things like that, that would impact intensity and medical costs as the year progresses.

Brian Andrew Kane - *Humana Inc. - CFO*

Yes. So let me start with the MER question. The way I would think about it year-over-year is we're about 110 basis points above last year. The difference in PYD was about 110 -- coincidentally, also 110 basis points, so call that 220. The HIF -- and remember, you have to tax effect it, because we did give some of that back to members, encompasses a good portion of that 220. And I would say the group phenomena that we called out and the PDP mix, is not insignificant in terms of impacting the MER.

So I would -- if you want to do on an apples-to-apples incurred basis, I would actually say the MER got better year-over-year if you exclude prior periods and you just do it on an incurred basis. Other than, like I said, the group MER, as we expected and as we as we priced for it, I think that does have an impact on the overall margin in the Retail segment, as I think we discussed on the last call.

With respect to utilization bouncing back, we do assume, as we mentioned, that there will be -- we expect a bounce back in utilization. We are starting to see that again in line with what we what we've expected, particularly on the inpatient side as more people are using the hospital facilities in particular, but they're still below par.

We do expect the utilization of the systems run at or perhaps a little bit above par as the year continues. We are not seeing increased acuity as yet, although as I mentioned with respect to both 2021 but also 2022, we just want to be mindful of how acuity or "long haulers" might play into our cost base, particularly for later this year and next year. And so we are definitely mindful of that as well as any just general bounce back in utilization in the system.

And then on the site of service side, we'll see where it goes. We have seen a decline in SNF usage, and that's moved into the home, which I think also, frankly, helps validate the thesis behind the Kindred transaction just as more and more care is taking place into the home. And as Bruce outlined in his remarks, doing everything we can to make the home a much more comprehensive setting where care can be delivered. And so I think our belief is that, that will continue.

Whether members are more shy -- shy away from the institutional setting. We're (inaudible). I would say that

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David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

Still with you.

(technical difficulty)

Brian Andrew Kane - *Humana Inc. - CFO*

David, are you still there? Are we on the call?

David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

I was on, yes, I am still here.

Brian Andrew Kane - *Humana Inc. - CFO*

Sorry about that. We're in a conference room here, and something just happened. We don't know what it is. So I'm not sure where I got cut off. I hear a little beep. I think it was right around where, we're talking about site of service, site of care. Is that where we got cut off?

David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

On site of service. Yes, you were.

Brian Andrew Kane - *Humana Inc. - CFO*

Okay. All right. I tell you what I said was actually very profound. So I'm going to see if I can repeat it again, this time with feeling. So...

David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

You were on a roll.

Brian Andrew Kane - *Humana Inc. - CFO*

Okay. I'm going out with a bang here. So on the site of service side, it's -- we'll see what happens in terms of whether seniors are less comfortable about using the institutional setting. We think it's possible that, that could happen. It's certainly not something that we're going to underwrite in our either assumptions this year or bid assumptions next year, but it's possible.

Amy K. Smith - *Humana Inc. - VP of IR*

Did you hear the SNF comment? I just wanted to make sure that wasn't cut off.

Brian Andrew Kane - *Humana Inc. - CFO*

Yes. What I said was about -- we are seeing -- I think you would have heard the SNF comment. Again, I was talking about we are seeing lower skilled nursing claims and that people are using the home in that regard. That validated -- I think one of the validation points of the Kindred transaction. Hopefully, you heard that part as well.

David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

Got it. Very good. Best of luck, Brian.

Brian Andrew Kane - *Humana Inc. - CFO*

Thanks, Dave. Appreciate it.

Operator

Your next question comes from the line of Scott Fidel from Stephens.

Scott J. Fidel - *Stephens Inc., Research Division - MD & Analyst*

And I'll just echo my best wishes and thanks to Brian as well. And a question, and I know it's been a theme throughout the call, just around some of the trends that you saw in the first quarter and then keeping the guidance unchanged. But did want to just drill in a bit to Group and Specialty, since it looks like you actually achieved considerably more earnings in the segment in the first quarter relative to the full year, reaffirmed guidance for that segment. So I think that, in particular, looks just pretty conservative right now.

So -- and obviously, that's a segment that's not really exposed to this uncertainty around the risk-adjusted dynamic in Medicare. So just maybe a little insight into that in terms of if it's still just wanted to see how utilization ultimately develops? Or are you planning on sort of leading into that tailwind to increase your investments within that segment?

Brian Andrew Kane - *Humana Inc. - CFO*

Well, thanks for the question, Scott. Thanks for the comments. I mean, I think you're reading it right. I mean we're very -- we're pretty bullish on how Group and Specialty is growing this year. It is early. They do not have the same types of headwinds that Medicare does, certainly on the revenue side.

But it is early. The prior year development was a positive note. The incurred results that we've seen, we feel good about. The Specialty results are also doing well, Specialty meaning dental. And I think the military business is having a good start to the year. So really, all elements of our strategy are on course. And the financial performance, I think, is showing. But as you rightly point out, it's still very, very early and so we want to see a few more quarters develop.

Scott J. Fidel - *Stephens Inc., Research Division - MD & Analyst*

Got it. And Brian, just are there targeted investments that you would look to lean in on that? Or is this an area where the trends continue to look like that's where you could ultimately revise the guidance around that for the year?

Brian Andrew Kane - *Humana Inc. - CFO*

I would say that we're probably more leaning towards more earnings in this segment than investments. We've built in investments into the -- into our guide already. I mean there are things around the edges that we would always do in a good year, just to shore up the segment for future success.

And it's something that we really want to do, because we think there's really a lot of growth in this segment, potential, and really an opportunity to disrupt the current market as it exists. There's a lot of appetite to do that among our customer base. And so we will be prudent as we look to make investments. But I think to the extent there are meaningful outperformance in the earnings side, we would imagine that, that would flow through.

Operator

We have our next question, comes from the line of Ralph Giacobbe from Citi.

Ralph Giacobbe - *Citigroup Inc. Exchange Research - Research Analyst*

I was hoping to just flesh out the group MA commentary a little bit more, hoping you could frame the magnitude of the pressure from that alone. Because if I heard right, Brian, I think you said that core MLR was actually better year-over-year. So a pretty sizable jump in group MA. And then it sounds like that's more of a premium issue than a cost issue. So I guess, how does that get fixed at this point?

Brian Andrew Kane - *Humana Inc. - CFO*

Okay. I wouldn't characterize it as a problem. I would just say, to Matt's initial question, that the market is more competitive at the high end of the range and these are large accounts. So -- and just given the high PMPM premiums, you could have a pretty significant revenue dollars here at lower margins.

And so I wouldn't call it a problem. I would just say, when you look at the over Retail -- overall Retail segment MER, I think it's important to normalize for some of the impacts there. And so if you sort of strip that out and you look at sort of year-over-year, I think we're -- from an MER perspective, in a pretty good position.

And so I wouldn't want to quantify it specifically. Other than to say I think anything not made up by the sort of HIF, including the tax benefit, some of which we passed through with the group MER impact because of the lower -- bidding on the lower margin levels for these large accounts. As well as frankly, the continued decline of PDP, which also as we've talked about has -- the way the MER dynamics works would, I think, impact the first quarter in a way that would also effectively more [equilibrate] the 2 year-over-year.

So we feel good about the year-over-year MER comparison. But again, I wouldn't get too caught up in the group MA MER specifically, but rather just an overall commentary on the competitiveness in that one segment of the market. And so it's just something that we're mindful of, and we continue to be very thoughtful about how we price there.

Operator

We have our next question, comes from the line of Ricky Goldwasser from Morgan Stanley.

Rivka Regina Goldwasser - *Morgan Stanley, Research Division - MD*

So question around sort of how you think about build versus partner. At home is clearly closely aligned with telehealth and remote monitoring. So when you step back and you think about the investment that you need to make in that area, do you think the telehealth is an asset that you should buy? Or that's, sort of, something that you can partner with someone on?

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

Yes. On the telehealth side, we -- first, we won't buy or -- technology. I think the technology side, we would be leasing it or be it someone would vend it to us. We feel that, that technology is, frankly, will be a commodity over time. So I just want to sort of break down the different parts of telehealth.

The second aspect is from who the providers are in that. And we really see there's different channels there, one, the partners and our provider value-based relationships that we have. Most of them already have telehealth, and so we don't need to provide that to them. In our clinics, we today have telehealth, and we are utilizing a few different technology platforms. And so we are offering that. And that's -- so we're in that business, but it's through our provider-based businesses.

And then providers that are needing telehealth we will partner on a vended basis with some technology company to offer that. That's probably less than a minority part of our telehealth business. The first 2 will be the majority. And so I would answer the question that we don't need to partner, it would be more of a vended solution to offer the technology where we will offer or our partners will offer through our contractual relationships, the provider side.

Rivka Regina Goldwasser - *Morgan Stanley, Research Division - MD*

And my second follow-up question is on the synergies for the acquisition. I think you talked in one of the areas as the in-sourcing, the home health episodes from other providers. I note that in the deck, you talked about $1.1 billion in spend for Humana MA members. And that overall, kind of 19% of episodes are currently managed by Kindred and then 45% in some select market. So should we think about the opportunity of in-sourcing kind of like going from kind of like 19% overall to 45%? Is that sort of a good proxy to think about?

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

That could be a proxy. I would say that we're not putting any estimates out there, but our intention is to continue to penetrate in the markets that we operate. And the nice thing about the Kindred asset is that it has 65% overlap with the organization. So we have a lot of markets that we can go into. But your math is an estimate, but I would also just look at the -- our capacity to cover that because we're not in 100% of our markets.

Operator

We have our next question, comes from the line of George Hill from Deutsche Bank.

George Robert Hill - *Deutsche Bank AG, Research Division - MD & Equity Research Analyst*

Brian, I'm excited to see where you pop up in your next endeavor and I want to wish you well. I guess just as we think about the Kindred and CenterWell initiatives stepping back, can you guys talk about your outlook for the regulatory environment and provider with caring? And simplistically speaking, it seems to be a more benevolent regulatory environment than the core MA business and should create a better opportunity for returns in the near or medium term? Am I thinking about that right?

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

I would say from a customer point of view, the regulatory side, because just there's a significant amount of regulation around how we approach the customer, and certain rules and compliance around how we service the customer. So I would say from the insurance component, you would be right.

But within each of the care models, there is regulatory. I mean there's compliance regulatory. There's obviously licensure requirements, billing and et cetera. So I would say it follows a more traditional provider-oriented fashion regulatory environment. But I would say that -- I wouldn't say it's a free rein here, I would say that it has the proper caveats around it.

Operator

Our next question comes from the line of Lance Wilkes from Bernstein.

Lance Arthur Wilkes - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Yes. I certainly wanted to thank Brian as well. And on the home health business, could you just talk a little bit about how you're looking at the home care delivery models with physicians like the Heal and Dispatch sorts of models? And would that be the sort of thing if you expanded into that, they would be integrated into that business? Or would it be separate? And I guess similarly, is frail elderly and programs like PACE, kind of something you contemplate within this home health segment? Or are those other sorts of business lines?

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

Well, the nice thing about the home channel that we're developing, they have multiple different markets to go into. They're just -- so if at the appropriate time, PACE makes sense and we can make that market, I think I'd go into that market. Our big focus was how do we get geographic coverage. And obviously, the Kindred distribution of nurses really provides us that opportunity in certain -- in different markets.

Where they reside in the organization today, Heal and Dispatch relationship, relies within our Home Solution group. But it is closely aligned with both the plan and closely aligned with our primary care strategy. Because what we find is the best solution are the ones that are integrated together, where the plan is integrated with the provider side, the provider or the primary care is integrated with both going into the home, the clinics and the home care offerings that we have. So I would say that it does reside in the Home Solutions area. But the way we operate it is really, and the goal, is to have it integrated in the markets that we serve.

Operator

Our next question comes from the line of Frank Morgan from RBC.

Frank George Morgan - *RBC Capital Markets, Research Division - MD of Healthcare Services Equity Research & Analyst*

Just curious as part of your capital strategy around this spinoff, would you contemplate placing leverage on the spin? I mean it looks like if you're $300-and-some-odd million of EBITDA in the hospice side of the business, you could put quite a bit of debt on a couple turns of debt. So just curious your philosophy about how you would capitalize the spinco.

And then secondly, what is it about the hospice and personal care business that makes it more suitable for a partnership arrangement as opposed to ownership? Is it just geographic overlap? Is it just valuation? Just what specifically could you say about the reason for that?

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

Why don't I take the first one and Brian can talk about the capitalization side. What we find is the palliative -- the integration of palliative in hospice is very powerful. And being able to offer both of those in an integrated fashion, really creates the opportunity for us to partner across the hospice business as opposed to having one vendor, so to speak, in that.

The second thing, hospice is much more fragmented than home health. Although home health is quite fragmented, hospice is much more fragmented. So our ability to offer hospice in multiple markets, you're going to have to partner anyway. And so what we've -- I think we found a very [dainty] solution here where we can still be -- have a significant relationship with Kindred hospice through a minority ownership and be able to then utilize that as an opportunity to integrate in the markets that they're at and integrate palliative as part of that, but still have the flexibility to offer it in a broader fashion.

Obviously, as we think about where our priorities of capital and where we put capital, we were going to put it in the areas that have the most impact and where we can have the most opportunity for growth. And we see home having a platform that has multiple different platforms to grow. And so when we think about capital deployment and efficiency of capital -- I know, Frank, you've been following us a long time, I think you can see that, that is an area that we're constantly looking at, not only the businesses that we're in but also how do we continue to generate above-average returns. And the way where we deploy that capital is important to that.

Brian Andrew Kane - *Humana Inc. - CFO*

Yes. And just to add on the capital question, there's no doubt that hospice is a company that we can leverage. And so it's not something we'll disclose today. But we do intend to put that on the hospice co before we spin it. And so stay tuned for that. But you are correct.

Operator

And there are no further questions at this time. I'll turn back the call over to Bruce Broussard. Sir, please continue.

Bruce Dale Broussard - *Humana Inc. - President, CEO & Director*

Thank you. Just to conclude the call, I'd like to just make a few comments.

I think, first, there's been a consistent question around basically why didn't we raise earnings, to be completely honest with you, to be direct here. We have had a strong first quarter, but we are early in the year. I just want to reemphasize that we continue to see the trends that we put in the first quarter as being -- continuing, but we want to make sure that we are able to see those trends through a longer time frame before we make any kind of adjustments in our estimates there. And I hope the investors take that away. It's much more around it's just earlier. As Brian has said, early in the game here.

The second thing, as many of you have said, I thank Brian for just his wonderful contribution over the 7 years he's been here. And I know he'll show up some place in health care. And I think you'll -- I'm sure that each one of you will invest in what he does on his next goal there, so -- because he has delivered a lot of value to our shareholders and to our members and to our associates there.

And then third, the quality of our earnings, our strategic advancement this quarter and over many quarters previous to this couldn't have been accomplished without our 50,000 associates that are working every day on behalf of each one of you and our providers and our customers there, and I want to thank them for that.

So thank you, and I hope everyone has a great day.

Operator

This concludes today's conference call. Thank you all for participating and you may now disconnect. Have a great day.
