



TabulaRasa

HealthCare®

First Quarter 2021 Earnings Call



Calvin H. Knowlton | CEO, Chairman & Founder
Brian W. Adams | CFO
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3 Tabula Rasa HealthCare Q1 2021 Earnings Conference Call Script

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5 **Operator:** Welcome & instructions for call.

6

7 **Kevin Dill:**

8 Thank you and good morning. I'm Kevin Dill, Corporate Counsel for Tabula
9 Rasa Healthcare. The Company intends to avail itself of the safe harbor
10 provisions of the Private Securities Litigation Reform Act of 1995. Certain
11 statements made during this call will be "forward-looking statements" within
12 the meaning of that law. These forward-looking statements are subject to
13 risks, uncertainties and other factors that could cause Tabula Rasa
14 HealthCare's actual results to differ materially from those expressed or
15 implied by the forward-looking statements. These risks and uncertainties
16 include the developing nature of the market for technology-enabled
17 healthcare products and services, and potential changes to laws and
18 regulations that may impact our clients. For additional information on the
19 risks facing Tabula Rasa Healthcare, please refer to our filings with the
20 SEC, including the "Risk Factors" section of our 10-K filed on February 26,
21 2021." A recording of this call is accessible through a link on the Investor
22 Relations page of our website and it will be available for 90 days. I'll turn
23 the call over to Dr. Calvin Knowlton, CEO, Chairman and Founder of
24 Tabula Rasa HealthCare.

25

26 **Dr. Calvin Knowlton:**

27 Greetings, investors, and analysts. Thanks for joining our earnings call for
28 the first quarter of 2021. After my opening remarks, you will hear updates

29 from Dr. Orsula Knowlton covering important PACE industry developments,
30 Dr. Kevin Boesen on sales, and Mr. Brian Adams will cover our financial
31 results. Also, with us today and available to take questions is our newest
32 leadership addition, Dr. Celynda Tadlock, who is our Chief Client Officer
33 and EVP of Pharmacy Benefits Solutions.

34 As a reminder, this conference call and webcast is accompanied by a
35 PowerPoint presentation available at the IR section of our website and I
36 would encourage you to download the slides to follow along with our
37 prepared remarks.

38

39 Let me begin by thanking our team members for an incredible first quarter
40 of recovery as we emerge from the COVID-19 pandemic. Thank you team.

41

42 In this section, I want to underscore the fact that we are passionately
43 pioneering a new digital frontier – The Safe Use of Medication -- with
44 MedWise®. We are taking the drug disposition sciences from academic
45 research to real-world application for people with chronic conditions who
46 take multiple medications. Today, I will cover three points.

47

48 First, our quality outcomes persist. We continue to publish in peer-reviewed
49 journals evidence that interventions driven by MedWise® and the derivative
50 MedWise® Risk Score reduce healthcare costs. We have consistently
51 demonstrated, in PACE, in Enhanced Medication Therapy Management,
52 and in an array of payor groups, that using MedWise® dramatically reduces
53 adverse drug events, which manifest materially as life-enhancing decrease

54 in falls, ER visits, hospitalizations, re-hospitalizations, and now, reduced
55 risk of premature death.

56

57 The latest research regarding the value of MedWise® was published three
58 weeks ago in the *Journal of Patient Safety*. Researchers at DARTNet, a
59 non-for-profit research institute at the University of Colorado, demonstrated
60 that a higher MedWise® Risk Score was independently associated with an
61 increased risk of death, further underscoring the value of MedWise® to
62 improve the safe use of medication. The study concluded that interventions
63 for patients with a high MedWise® Risk Score can lessen the risk of
64 premature death. On average, Certified MedWise® Advisor pharmacists
65 reduce the MedWise® Risk Score by 5 to 7 units, which translates to
66 improved patient safety and reduced premature mortality. Please read the
67 article in the *Journal of Patient Safety* for specific information – you will find
68 the study, along with our other published research at www.TRHC.com,
69 R&D Pillar, Publications and Reports.

70

71 Second, while our quality outcomes continue, we now have a tailwind
72 catalyzing precision pharmacotherapy. Though TRHC has been using
73 pharmacogenomic insights for a decade now, it has not been considered
74 customary medical practice. That mindset may be quickly changing, thanks
75 in part to a \$834 million judicial judgement in Hawaii against Bristol-Myers
76 and Sanofi. The court essentially emphasized that ignoring patient specific
77 pharmacogenomic (PGx) data, especially when an FDA Black Box warning
78 is disregarded, can evoke serious liability.

79

80 We have seen a huge uptick in inquiries about our PGx-based services and
81 have plans to offer them more broadly. MedWise® is the only system
82 available that simultaneously analyzes drug-gene pairing as well as
83 competitive inhibition. Competitive inhibition occurs when a person is taking
84 a combination of medications that happen to go through the same
85 metabolic pathway. The effected drugs metabolically collide causing higher
86 or lower blood levels than expected, which leads to adverse drug events.
87 Many of our peer-reviewed papers attest to MedWise®'s impact reducing
88 and/or eliminating competitive inhibition, thus enhancing healthcare quality
89 and reducing total medical cost. These papers can be found on our TRHC
90 website under R&D, then Publications. Ameliorating competitive inhibition
91 is our most common pharmacotherapy intervention via MedWise®, almost
92 50% of our interventions.

93

94 Third, in addition to our tome of quality outcomes and broadening our
95 pharmacogenomic precision focus, we are enhancing our efforts of
96 stimulating pertinent regulatory advances. We are working diligently to
97 ensure that the new administration has a solid understanding regarding
98 TRHC's Medication Risk Reduction focus and solid outcomes. There are
99 exciting developments related to our federal and state endeavors. In
100 addition to the pending state Medicaid Medication Risk Reduction
101 Legislation, we met with CMS' Center for Medicare and Medicaid
102 Innovation last week to show them the clinical and financial impact we have
103 made in the Enhanced Medication Therapy Management (EMTM) program
104 - specifically with the members assigned to us who had MedWise® Risk

105 Scores of 14 or higher. Our statistically significant outcomes reduced all the
106 Economic, Clinical and Humanistic metrics mentioned above, including
107 lessening premature death, in the 40,000-member subset that had a
108 MedWise® Risk Score of 14 or above. In other words, while we have been
109 provided full information from CMMI on 305,000 total members – that is
110 Part A, B & D data, we only intervened on the 40,000 with MedWise® Risk
111 Scores of 14 or higher. For those whom we intervene upon, the clinical and
112 economic results were material. We have engaged a notable DC
113 CMS/CMMI consulting firm to assure that the leaders of regulatory
114 agencies understand our novel results. We also have three papers in peer-
115 review which document our clinical and ROI success in EMTM.

116

117 In addition to the possible expansion and adoption of our EMTM model, we
118 have positioned our Safe Use of Opioids initiative in the forefront of the
119 regulators. There continues to be a significant opportunity to improve the
120 opioid epidemic, with initiatives such as ours that proactively predict what
121 multi-drug combinations interfere with metabolic disposition, in particular
122 triggering unintended overdosing, and that can be mitigated by altering
123 concurrent time-of-day administration. This is, again, the pharmacokinetic
124 science of competitive inhibition, which is an innovation and application that
125 only TRHC has mastered.

126

127 Furthermore, we recently published two papers using MedWise®
128 simulation demonstrating that the repurposed drugs used in COVID raise
129 the MedWise® Risk Score significantly when added to real-world current

130 medication regimens, to the combined 540,000 patients in the two studies.
131 We are now formally approaching both pharma companies and the FDA
132 with the unique opportunity to use TRHC's real-world MedWise® simulation
133 model both in clinical trials and in regulatory review.

134 In summary, we are seeing tremendous positive synergy for the broad
135 application of MedWise® for three new reasons:

- 136 ○ Economic, clinical and humanistic outcomes, resulting from our
137 novel application of drug disposition science, are becoming
138 public knowledge, and the rationale of reducing premature
139 death is compelling.
- 140 ○ Precision pharmacotherapy, whereby TRHC is the only
141 comprehensive PGx drug/gene pair and competitive inhibition
142 knowledgeable provider, is heightened by judicial judgements.
- 143 ○ Regulatory tailwinds are gaining traction on the federal and
144 state levels, recognizing an optimized and safe medication
145 regimen is an ethical right for every person, as well as being
146 clinically and economically beneficial to society.

147 One last point to remember for you and your family. Adverse drug events
148 are an unnatural disaster. Adverse drug events are caused by humans who
149 lack the tools to make better decisions. MedWise® can remedy this
150 ubiquitous trial and error-based medication problem. TRHC is the first
151 company focused solely on the personal and precision application of
152 medicinal science, and by doing so, TRHC is making a huge impact
153 reducing morbidity, mortality, medical expenditures, and premature deaths.
154 And all of our outcomes are documented in peer-reviewed publications.

155

156 **Dr. Orsula Knowlton:**

157 Thank you, Cal. I'd like to thank our clients for their amazing efforts to
158 vaccinate in some cases, up to 90% of their participants along with a good
159 percent of their staff. It's incredible to witness their unwavering leadership
160 and focus on the future.

161 At TRHC, we believe that elders deserve to lead fulfilling lives on their own
162 terms. Our mission and our passion is to help the elderly age in place with
163 dignity and independence. That's why we created the most comprehensive
164 and integrated suite of PACE solutions and services available. We provide
165 the support PACE administrators need to operate their programs effectively,
166 compassionately, and successfully and we are seeing positive signs,
167 through our PACE census, of a return to pre-COVID organic growth or
168 better.

169

170 Turning to catalyzing policy, the first four months of 2021 have been
171 extremely active and encouraging from a federal policy perspective as the
172 new administration has placed an emphasis on seniors aging in place.
173 Industry sources estimate there are 2.2 million PACE-eligible individuals
174 across the country today, but current market penetration is less than 3%.

175

176 I want to highlight several important developments referenced on slide 3
177 and 4, each of which have the potential to significantly accelerate the
178 growth and size of the PACE market, starting with the American Rescue
179 Plan Act (ARPA), signed into law in March. The ARPA includes a 10%

180 increase to the Federal Medicaid Assistance Percentage for home- and
181 community-based services. This targeted increase of \$13 billion in federal
182 matching funds is intended for states to intensify their HCBS efforts, which
183 are defined to include PACE, for the 12-month period starting April 1, 2021.

184

185 Also, in March of this year, the Home and Community Based Services
186 (HCBS) Access Act of 2021 was introduced. This proposed bill added
187 HCBS as a mandatory Medicaid service. HCBS waivers were first
188 authorized in 1981 and allow older adults and individuals with intellectual
189 and development disabilities eligible for Medicaid to receive services and
190 supports in the home or community setting versus, as opposed to an
191 institutional setting such as a nursing home. With demand for HCBS far
192 outpacing access, waiting list enrollment has increased each year since
193 2010 and now exceeds 800,000 people, according to industry sources.

194

195 In April, the President unveiled The American Jobs Plans, which includes
196 \$400 billion aimed at expanding access to HCBS and extending the
197 longstanding Money Follows the Person program. To put the \$400 billion
198 figure into perspective, for the most recent fiscal year reported, 2018,
199 national spending accounted for 56% of total Medicaid LTSS or \$72 billion.

200

201 On Thursday, April 15, U.S. Senator Bob Casey of Pennsylvania, Chairman
202 of the Special Committee on Aging, introduced The PACE Plus Act to help
203 medically complex, low-income seniors and people with disabilities age in
204 their home and communities. The PACE Plus Act would strengthen and

205 expand access to the program and help relieve pressure on the growing
206 Medicaid HCBS waitlists. Slide 4 in our presentation covers the important
207 elements of this bill.

208

209 Supporting these exciting legislative efforts most favorable to PACE, is an
210 April publication by the Milken Institute Center for the Future of Aging and
211 Financial Innovation Labs. The report titled “New Approaches to Long-Term
212 Care Access for Middle-Income Americans” highlights that by 2029, 54% of
213 middle-income seniors will not be able to afford the care they need. As
214 slide 5 highlights, PACE is one of two integrated care programs that can be
215 scaled with the aim of aging at home independently and reducing the
216 overall cost of care.

217 On Friday April 30th, the Executive Director of the National PACE
218 Association, Shawn Bloom, wrote that “The Milken study cited PACE as an
219 effective program for caring for seniors in the community. In my view, we
220 are only at the beginning of this long overdue and very positive discussion
221 about the future of older adults—I have never been more optimistic about
222 the future of PACE as I am today.”

223

224 A few weeks ago, the National PACE Association hosted its 24th Annual
225 Spring Policy Forum. The recurring theme was changing the default
226 mindset that exists across healthcare for seniors and high-risk, high-need
227 individuals to emphasize home-based care over institutional care.

228

229 One example of where this bias exists is the Department of Veterans
230 Affairs, which participated in the two-day event and highlighted the need for
231 the federal government to reallocate more dollars to HCBS and PACE vs.
232 the traditional default, nursing homes. In short, we are excited about the
233 future to scale the PACE program to exponentially more Americans.

234

235 TRHC is ready, with its full suite of solutions to expand PACE for current
236 clients, help new PACE organizations as they start, and to support those
237 interested in exploring and investing in PACE. PACE should be considered
238 THE solution for aging in place and long-term care in the U.S. as opposed
239 to facility-based care.

240

241 **Dr. Kevin Boesen:**

242 I would like to provide an update on our sales activities to date, the
243 continued growth of the sales team and pipeline, and progress towards our
244 2021 revenue growth target.

245

246 I'm happy to report that first quarter sales were on target with our internal
247 expectations. Our payer sales were up 41% compared to Q1 of last year
248 and accounted for 62% of first quarter bookings. Additionally, our payer
249 pipeline as of the end of April is up 14% since the start of the year.

250

251 As we publish more outcome data, like the studies presented by Dr. Cal
252 Knowlton, interest in MedWise® continues to expand to new models of

253 care. One example is a new contract signed this year with Signify Health.
254 Beginning in the Q3, Signify Health pharmacists will utilize our MedWise®
255 platform to prevent hospital readmissions in support their Episodes of Care
256 solutions. Signify Health recognized MedWise® as the only technology
257 proven to predict and prevent re-hospitalizations caused by adverse drug
258 events.

259

260 Before I address our community pharmacy sales, I would like to say that we
261 are inspired by community pharmacists across the United States during the
262 COVID-19 pandemic. Our 15,000-plus community pharmacy partners play
263 a critical role in managing COVID-19 and TRHC is proud to have supported
264 their efforts by providing COVID-19 test kits, state and federal vaccination
265 database integrations, contactless vaccine registration and MedWise®
266 medication risk mitigation solutions for COVID-19 treatments.

267

268 Community pharmacy sales have grown significantly after COVID-related
269 reductions in 2020. Community pharmacy bookings during Q1 were up
270 20% compared to Q4 2020 and up 66% compared to Q3 2020. In addition
271 to the solutions mentioned, sales growth is being fueled by the launch of
272 MedWise® for community pharmacies as well as our partnership with
273 eHealth to support enrollment for the millions of Medicare patients that use
274 PrescribeWellness pharmacies. We are optimistic about continued growth
275 throughout 2021 with the pending launch of a suite of solutions for 5,000
276 McKesson HealthMart pharmacies.

277

278 In the PACE market, as Dr. Orsula Knowlton discussed, we are also seeing
279 signs of recovery with multiple service offerings. Additionally, our pharmacy
280 benefit services solution, Pharmastar, acquired in 2020, is driving new
281 cross-sale opportunities in both PACE and non-PACE markets. Pharmastar
282 and our PeakTPA offering now support three Medicare Advantage start-ups
283 with two of the plans also using our MedWise® MTM solutions.

284

285 Last, I'll address our progress towards our 2021 revenue target. Our
286 revenue target for new sales is unchanged at effectively \$21 million. As of
287 the first quarter, we have closed approximately one quarter of this target,
288 which is consistent with our internal projections. We expect to close a large
289 part of this remaining gap during the second and third quarter of 2021 and
290 my confidence remains high based on our pipeline and record number of
291 requests for proposals in the first quarter. The increase in pipeline and
292 RFPs is directly linked to the growth of the sales team that is on schedule
293 for 2021. We have continued to hire experienced and seasoned sales
294 representatives growing the business development team by 40% to a total
295 of 40.

296

297 **Brian Adams:**

298 As you can tell from Cal, Orsula and Kevin's comments, we remain very
299 bullish on the potential for Tabula Rasa this year. In addition to guidance,
300 I'm going to focus my commentary around two key areas influencing our
301 growth prospects for 2021: PACE census trends and MedWise® sales
302 progress.

303

304 First, as we have been disclosing throughout the year, PACE enrollment
305 has continued to improve each month as more participants get vaccinated
306 and PACE centers begin to reopen. In addition, PACE operators have
307 adapted well to serving more people in their homes since the pandemic
308 began and are now shifting their focus to growth. While our census during
309 the first quarter was essentially flat with Q4 2020 in our PACE pharmacy
310 services business, we saw approximately 1% net enrollment in both March
311 and April on a sequential basis, the strongest consecutive two-month
312 period since the pandemic began. In addition, our preliminary enrollment
313 numbers for May 2021 suggest a continuation of this positive trend with 1%
314 sequential growth. These growth rates are slightly ahead of our
315 expectations at this point in the year, an encouraging sign that PACE
316 growth rates may return quicker than we have forecasted.

317

318 Second, our MedWise® win rate continues to accelerate with much of the
319 success in the payor market, where we are concentrating our investment
320 from a sales and marketing perspective.

321

322 I'll remind you that we have adjusted our approach to our MTM business
323 this year, which was reflected in our guidance. Rather than having the end
324 of Q1 and Q2 as the strongest periods during the year as we have
325 experienced in the past, we have taken a more balanced approach to
326 delivering clinical interventions to better manage staffing and enhance
327 profitability. On the surface, during Q1 and Q2 this year the progress

328 Kevin's team has made on the sales front may not be evident as we are
329 rebalancing MTM workload and successfully backfilling the previously
330 disclosed client attrition from last year.

331

332 We have multi-million-dollar contract expansions with several national
333 payors, new clients beginning services, and an unexpected increase in
334 demand for our support from payors and pharmacies due to the continued
335 focus from pharmacies on the vaccine rollout. We believe all these factors
336 will drive quarterly sequential revenue growth in the MedWise® division this
337 year.

338

339 In addition to the growth in bookings, payor programs that experienced
340 COVID-related delays in 2020 are off to a promising start. Revenue
341 contribution from new agreements signed in 2020 with United HealthCare,
342 Humana and WellCare increased 10x in the first quarter of 2021 vs. a year
343 ago, placing us in a potentially favorable position vs. our initial projections.

344

345 Last, our full year guidance remains unchanged, and we are introducing
346 second quarter guidance as follows:

- 347 ○ Revenue in the range of \$80.5 million to \$82.5 million, which
348 represents growth of 5% to 7% compared to a year ago and
349 sequential growth of 5% to 8%, which is consistent with the quarterly
350 revenue progression we projected with our full year guidance.

351 ○ Adjusted EBITDA in the range of \$5.5 million to \$6.5 million, which
352 represents a margin of 6.8% to 7.9% and a significant improvement
353 as compared to the first quarter of 2021 due to higher revenue across
354 our two major operating segments and disciplined cost management.

355

356 **Dr. Calvin Knowlton:**

357 To close, we are encouraged by the early signs of 2021 across our key end
358 markets, all bolstered by the tailwind of our unique MedWise® applications,
359 which are yielding solid outcomes and are aligned with our novel value-
360 based contracting.

361 Operator, please open the call for Q&A.