InnovAge
Life on Your Terms

# J.P. Morgan Presentation

January 2023

# Disclaimer

## Cautionary Note Regarding Forward-Looking Statements:

These presentation materials contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements descript future expectations, including, without limitation, estimates of and goals for future operating, financial and tax performance and results, as well as forward-looking statements concerning estimates of and goals for future operating, financial performance and results, the expected execution and effect of our business strategies, the potential impacts on our business of the spread and effects of the COVID-19 pandemic, our growth initiatives and strategic collaborations and initiatives. Forward-looking statements can often be identified by the use of terminology such as “expect,” “likely,” “outlook,” “forecast,” “would,” “could,” “should,” “project,” “intend,” “plan,” “opportunity,” “goal,” “target,” “aim,” “continue,” “believe,” “seek,” “estimate,” “anticipate,” “may,” “possible,” and variations of such words and similar expressions. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, known or unknown, that could cause actual results to vary materially from those indicated or anticipated. Examples of forward-looking statements include, among others, statements we may make regarding our expectations to increase the number of participants we serve, to grow enrollment and capacity within existing centers, to build de novo centers, to expand into new geographies, to execute on tuck-in acquisitions, to recruit new participants and directly contract with government payors, quarterly or annual guidance, our financial outlook, including future revenues and future earnings, expectation regarding legal proceedings or ongoing audits, reimbursement and regulatory developments, market developments, new products and growth strategies, integration activities and the effects of any of the foregoing on our future results of operations or financial conditions. For a detailed discussion of the risks and uncertainties that could affect our actual results, please refer to the risk factors identified in our periodic reports filed with the SEC, including, but not limited to our most recent Annual Report on Form 10-K, and Quarterly Report on Form 10-Q, as may be supplemented or amended. We do not undertake, and expressly disclaim, any duty or obligation to update publicly any forward-looking statement after the date of this presentation, except as required by law.

## Non-GAAP Financial Measures:

This presentation includes certain non-GAAP financial measures, including all measures whose label includes the words “adjusted” or variations of such words and similar expressions, and we refer you to the Appendix to the presentation materials available on our investor relations website for reconciliations to the most directly comparable U.S. GAAP financial measures and related information. We believe the non-GAAP numbers included in these presentation materials are helpful to understand the company’s operating performance, but has limitations, and you should not consider non-GAAP numbers in isolation or as a substitute for analysis of the company’s financial measures determined in accordance with GAAP. These presentation materials, the Appendix hereto and the related management presentation are integrally related and are intended to be presented, considered and understood together.

# Introduction to InnovAge

**We are**

a value-based provider serving high-cost seniors with complex medical needs who meet a nursing home level of care

**We deliver**

comprehensive, personalized care which includes all Medicare and Medicaid services

**We create**

better health outcomes, improved quality, and increased satisfaction while lowering costs

**We leverage**

a comprehensive care model, integrating multiple streams of resources, to enable individuals to remain in the community

**Program of All-Inclusive Care for the Elderly (PACE)**

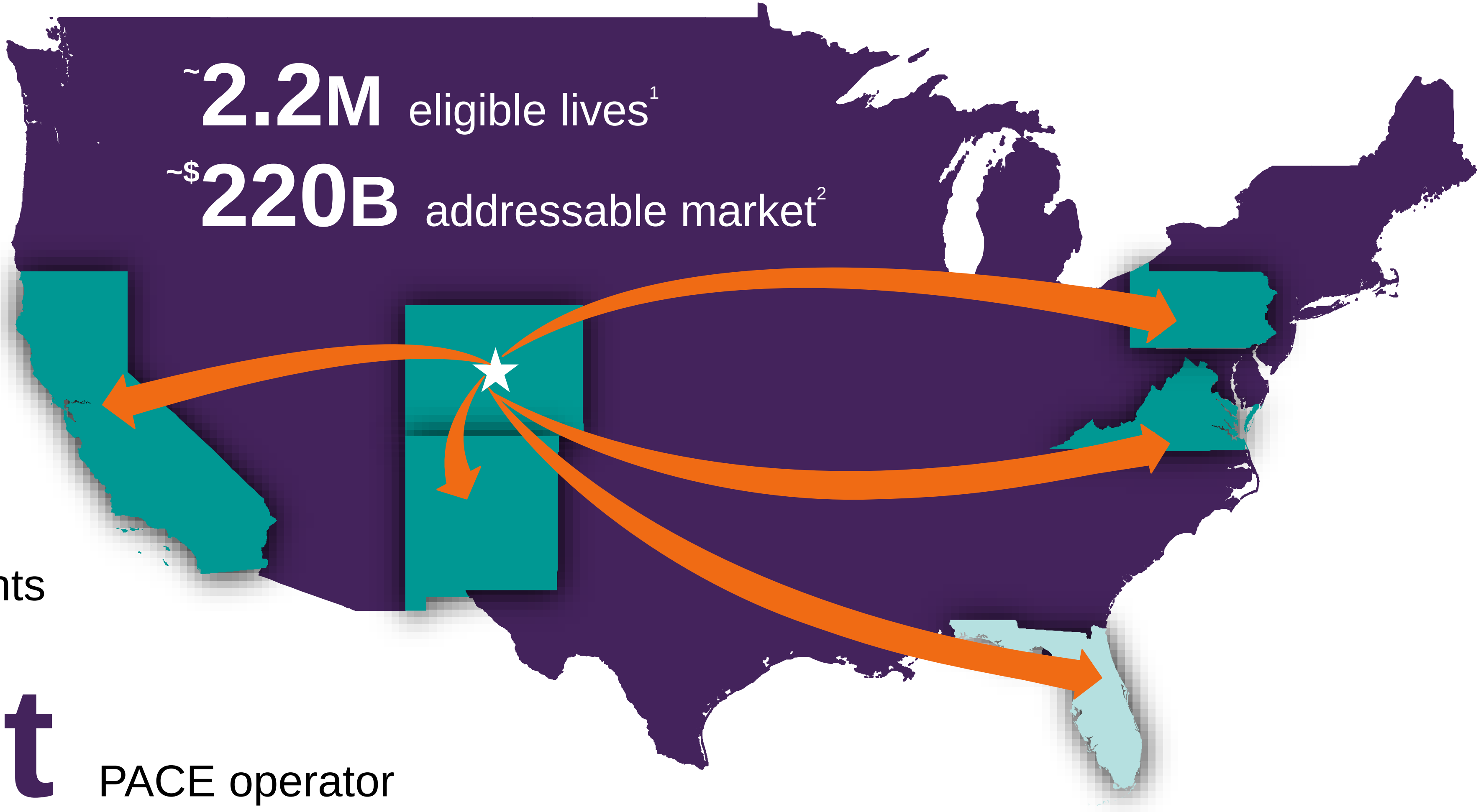
# InnovAge at a glance

**5** States

**18** care centers

**~6.5K** participants

**Largest** PACE operator




Notes: Statistics as of September 30, 2022. Size comparison based on the number of participants. 1. InnovAge estimate for 2021 based on US Census data from 2018, CMS enrollment data, representing seniors who we believe are dually eligible for Medicare and Medicaid and meet the nursing home eligibility criteria for PACE in 2021; 2. Approximate InnovAge capitation revenue based on our historical PMPM results for the year ended June 30, 2022

# InnovAge operates and coordinates a comprehensive system of care that creates **value for all stakeholders**

Participants **age in their community**[2], not nursing facilities

Families enjoy greater **peace of mind**

Government payors **create access to care** and **save money**

Providers spend **more time with participants**



Notes: 1. Based on the number of participants served; 2. Including assisted living facilities.

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# PACE participants are complex; requiring coordinated, personalized, interdisciplinary care

## 55+ years old

primarily with **both Medicare and Medicaid** benefits

## Nursing home-eligible

over 90% of our participants are able to live safely in their **homes and communities**[1]

## High-acuity

healthcare needs and **correspondingly high medical costs**

- Average age of 77
- Suffer from 8 chronic conditions[2]
- Require assistance with 2+ activities of daily living[3]
- Have a RAF score of 2.35[4]

We leverage our care delivery model to address the complex medical and social needs of our participants, which enables their independence and results in improved healthcare outcomes

Note: 1. As of June 30, 2022; 2. Based on InnovAge data as of June 30, 2022; 3. Based on our most recently available data from a 2018 health outcomes survey, required, on average, assistance with two or more ADLs; 4. Average InnovAge participant Medicare RAF score as of September 30, 2022



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# We drive superior health outcomes, resulting in lower healthcare costs

**73%** low-to-medium severity emergency department visits[1]

**23%** lower 30-day hospital readmission rate[2]

**16%** reduction in hospital admissions[1]

**15%** lower cost to Medicaid[3]

## Through our community-based, comprehensive care model, we:

- Improve participant experience, drive better health outcomes, and enable seniors to remain in their homes and communities longer
- Reduce the burden of care to families as we provide "peace of mind"
- Empower providers and enable them to focus on improving the lives of their participants
- Help to address the health inequities that exist in low-income communities
- Lower costs and provide fiscal certainty for State and Federal payors

Note: 1. Average low- to medium-severity emergency department visits and hospital admissions relative to a comparable Medicare fee-for-service population with similar risk scores based on most recently available data from 2018. Based on InnovAge estimates as of June 30, 2022; 2. As of June 30, 2022 compared to a frail, dual-eligible or disabled waiver population; 3. Based on an analysis by the National PACE Association comparing estimates of PACE program costs and certain available data for comparable dual-eligibles aged 65 and over under Medicaid, as of November 2022.

# How PACE differs from Medicare Advantage

| | Medicare Advantage | PACE |
|---|---|---|
| **Eligibles** | 51,000,000[1] | 2,200,000+[2] |
| **Risk score (frailty)** | 1.1[3] | ~2.35[4] |
| **Assistance with ADLs** | ~20% ≥1 ADL[1] | 2+ ADLs on average |
| **Nursing home eligible?** | No | Yes |
| **Average annual premium revenue** | ~$11,500[5] | ~$98,000 |
| **Covered benefits** | • Hospital care<br>• Physician Care<br>• Ancillary services<br>• Rx Benefits<br>• Supplemental benefits (e.g., dental & vision) | • All MA benefits plus:<br>    • Support and services coordination<br>    • Personal care<br>    • Home health aid<br>    • Adult day health<br>    • Assisted living<br>    • Permanent nursing home |

Note: 1. Based on a February 2022 report by MACPAC; 2. InnovAge estimate based on US Census data from 2018, CMS enrollment data, representing seniors who we believe are dually eligible for Medicare and Medicaid and meet the nursing home eligibility criteria for PACE in 2021; 3. Risk score based on an analysis by Avalere Health in June 2020 of a cohort of individuals enrolled in Medicare Fee-for-Service in 2019; 4. PACE RAF score based on average InnovAge participant as of September 30, 2022; 5. Based on a 2019 Report by the Kaiser Family Fund for Medicare Advantage beneficiaries.

# We are uniquely positioned as a provider of care to seniors at risk of institutionalization and as a payor for the full continuum of care

## Provider Capabilities

Fully integrated, comprehensive care delivered by an interdisciplinary care team in the center, community, and virtually


## Payor Capabilities

At full risk for all Medicare and Medicaid services, including supportive housing (e.g., ALF, Nursing facility)




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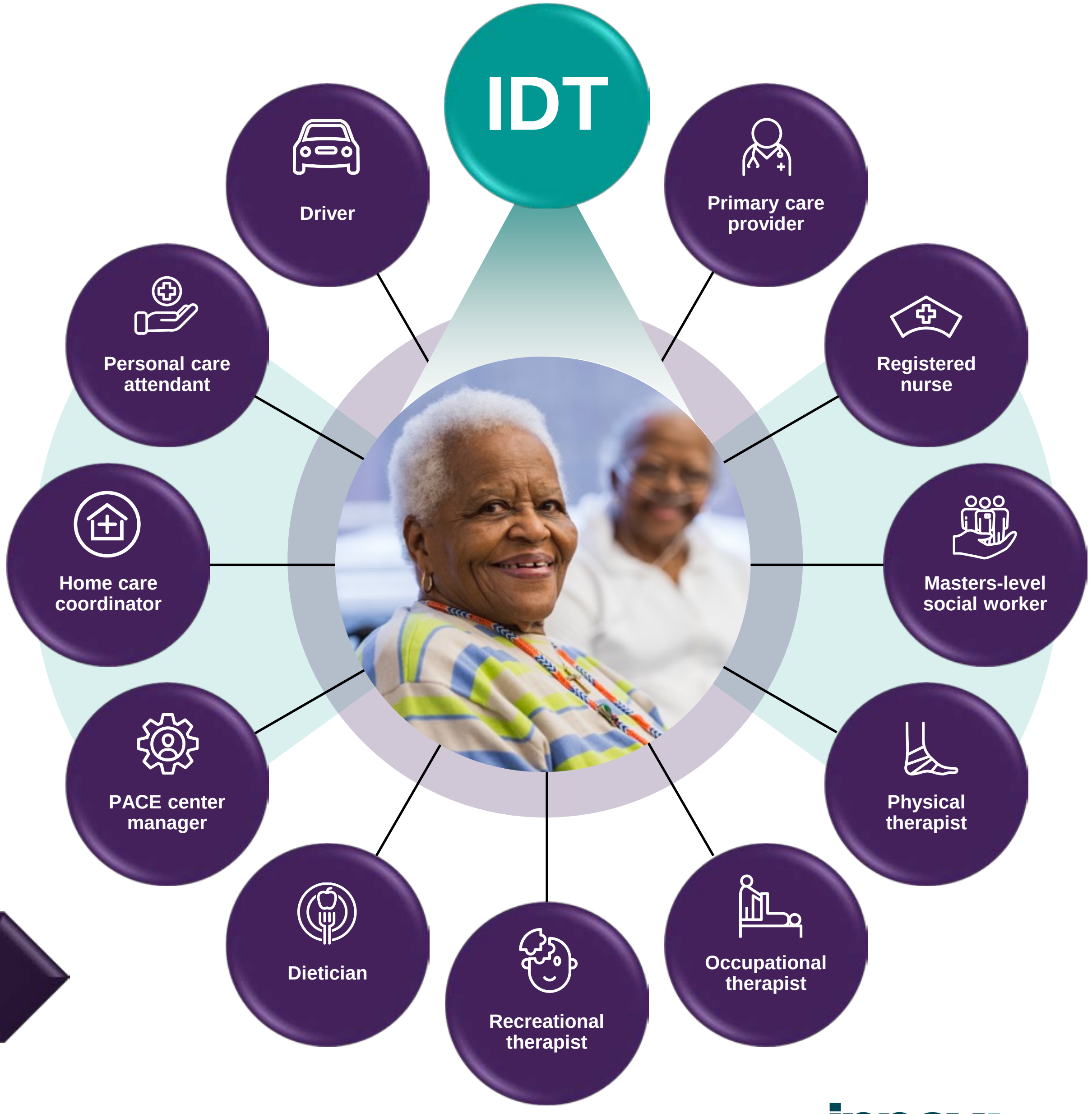
# We deliver integrated, personalized care

## Our **Interdisciplinary Care Team (IDT)** manages and coordinates all aspects of each participant's unique care plan

- 11-discipline IDT, collectively responsible for each participant's customized care plan
- Teams designed to enhance access to care and eliminate information gaps
- Leverages technology to build a comprehensive view of each participant and effectively manage care across settings
- Our care plans seek to mitigate challenges presented by participants' social determinants of health




**We have expanded our capabilities as a coordinated provider of longitudinal care over the last twelve months**



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# We drive clinical value, improve outcomes and mange cost trends as a payor

Upgrade provider network with higher quality & lower cost providers

Standardize/optimize contracts


Improve claims payment process & accuracy

Improve the management of high-cost episodes of care

Reduce readmission rates

Choosing the optimal care setting

Accurately capture / recapture participant acuity

We are **investing to increase the sophistication of our payor capabilities**



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# CY 2022 was a year of internal transformation to create a stronger, more durable foundation for scalable growth

| | |
|---|---|
| **Enterprise and Governance** | Significant focus on talent, culture, and alignment<br>Appointed Independent Board Chairman (Jim Carlson) |
| **Compliance** | Augmented compliance / self-audit capabilities (people, process, tools)<br>Strengthened operational processes, cross functional collaboration and end-to-end accountability |
| **Operations and Clinical** | Standardized Interdisciplinary Care Team processes<br>Implemented “Triad” center-level leadership model (center director, medical director, nursing director)<br>Invested in tools and non-clinician FTEs to support care delivery |
| **Technology** | Partnered with EPIC to co-develop the first PACE-specific EMR<br>Investing in new systems across core functional areas |
| **Human Resources** | Added ~250 new employees<br>Invested in higher wage rates to ensure we remain competitive |
| **Access** | Redesigned participant enrollment process and expanded referral channels<br>Invested ~$30M in 2 de novo centers in Florida |

CMS Audit remediation required us to reevaluate and make investments in all aspects of the business

CY2022 investments are **driving sustainable improvement in participant and employee experience** across the Company



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# Regulatory Update

## Sacramento

Today

May 2021
**Audit initiated**

September 2021
**Sanction Notification**

October 2021
**Corrective Action Plan Submitted**

November 2022
**Validation Audit (CMS / State)**

November 2022
**CMS Sanction Release**

**State Sanction Release TBD[1]**

## Colorado

May 2021
**Audit initiated**

December 2021
**Sanction Notification**

January-February 2022
**Corrective Action Plan Submitted**

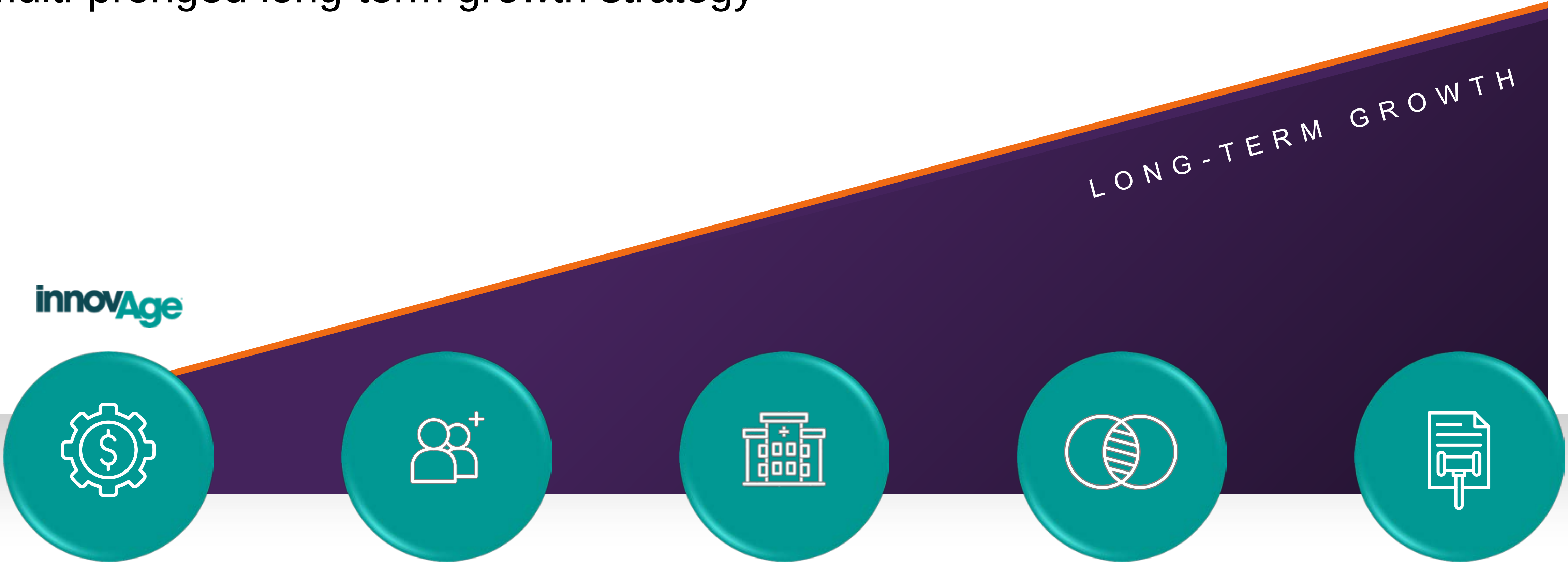
December 2022
**Validation Audit (CMS / State)**

**CMS and State Sanction Release TBD[1]**



Note: 1. Sanction release timing and determination will be made independently and at the sole discretion of our federal and state regulators.

# Multi-pronged long-term growth strategy




Reinvest in **compliance, operational excellence and payor capabilities**

**Grow enrollment responsibly** within existing centers

Add **De Novo centers**

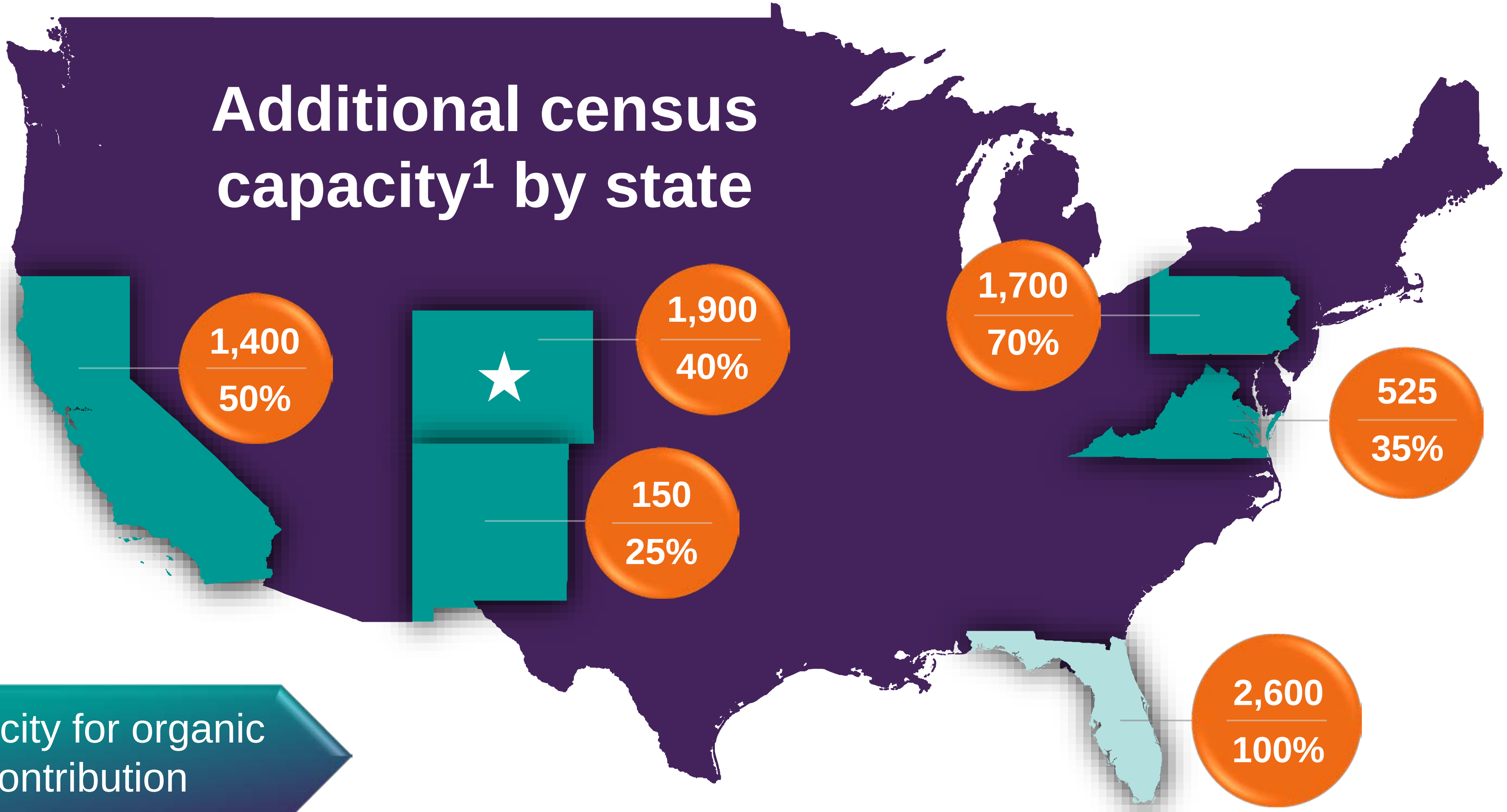
**Partnerships** to deepen footprint in existing markets and expand into new markets

**Acquisitions** to supplement organic growth

# Organic growth spotlight: ~15k participant capacity in existing centers (2x+ current census)

To accelerate responsible growth going forward and to leverage existing capacity, we have:

- Increased talent across enrollment organization
- Optimized digital lead generation to increase leads and lower costs
- New referral and marketing channels




Significant embedded capacity for organic growth at a high marginal contribution

Notes: Size comparison based on the number of participants. 1. Capacity is defined as the additional number of participants that can be added in each state based on the existing census in each center.



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# Investment highlights

## 1 Large market opportunity with significant white space

- ~$220B core market opportunity[1]
- ~2.2M potential participants[2] ~3% penetrated[3]
- ~20% National PACE enrollment growth outlook over next six years[4]

## 3 Historically attractive unit economic model

- ~20–25% historical Center-level Contribution Margin[8]
- ~low teens adj. EBITDA margin[9]
- Existing profitability reflects near-term impact of sanctions and recent investments

## 2 Market leading, value-based care platform for high-cost, dual-eligible seniors

- >30x larger than the typical PACE provider[5]
- Multimodal care delivery: in-center + in-home + virtual
- 73% reduction[6] in ER visits, 16% reduction[6] in hospital admissions
- 15% savings[7] generated for Medicaid

## 4 Scalable model with multiple drivers of robust long-term growth

- Multi-pronged growth strategy: organic, de novo, and M&A drivers
- Significant capacity in existing centers and de novo pipeline
- Proven acquisition capability with multiple value creation levers

We believe we will **return to an attractive margin** over time:

- We will grow into our existing capacity and current staffing
- New participants will diversify the risk pool
- Payor capability investments will optimize revenue and reduce medical costs on annual basis

However, these will take **time, focus and execution**

Note: 1. Approximate InnovAge capitation revenue based on our historical PMPM results annualized for the year ended June 30, 2022, multiplied by the number of potential participants; 2. InnovAge estimate for 2021 based on US Census data from 2018, CMS enrollment data, representing seniors who we believe are dually eligible for Medicare and Medicaid and meet the nursing home eligibility criteria for PACE in 2021; 3. Based on lives; 4. Based on an August 2021 report from the National PACE Association based on a compound annual growth rate; 5. Based on number of participants. 6. Average low- to medium-severity emergency department visits and hospital admissions relative to a comparable Medicare fee-for-service population with similar risk scores for which data is available. Based on InnovAge estimates as of June 30, 2021; 7. Based on an analysis by the National PACE Association comparing estimates of PACE program costs and certain available data for comparable dual-eligibles aged 65 and over under Medicaid, as of November 2022. 8. Historical Consolidated Center-level Contribution Margin Ratio and Adjusted EBITDA Margin based on fiscal year 2020 and 2021, prior to CMS sanctions. 9. Non-GAAP measure; see Appendix for reconciliation to comparable GAAP measure


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Thank you!

# Appendix

# Fiscal Year End Non-GAAP Center-level Contribution Margin ($ Millions)

**Center-level Contribution Margin**

| | FYE 2021 | FYE 2022 |
|---|---|---|
| Total revenues | $637.8 | $698.6 |
| External provider costs | 309.3 | 383.0 |
| Cost of care, excl. depreciation and amortization | 154.4 | 180.2 |
| **Center-level Contribution Margin** | **$174.1** | **$135.4** |
| **Center-level Contribution Margin %** | **27.3%** | **19.4%** |

Note: Center-level Contribution Margin and Center-level Contribution Margin Ratio are non-GAAP measures. Center-level Contribution Margin is defined as total revenues less external provider costs and costs of care, excluding depreciation and amortization, which includes all medical and pharmacy costs.

# Fiscal Year End Non-GAAP Adjusted EBITDA ($ Millions)

**Adjusted EBITDA**

| | FYE 2021 | FYE 2022 |
|---|---|---|
| Net income (loss) | ($44.7) | ($8.0) |
| Interest expense, net | 16.8 | 2.5 |
| Depreciation and amortization | 12.3 | 13.9 |
| Provision for income tax | 9.8 | 0.7 |
| Stock-based compensation | 1.7 | 3.7 |
| Rate determination[1] | (2.2) | - |
| Executive severance and recruitment[2] | - | 4.1 |
| Class action litigation3 | - | 0.4 |
| M&A diligence, transaction and integration[4] | 67.6 | 1.8 |
| Business optimization[5] | 1.8 | 13.0 |
| EMR transition[6] | 0.5 | 2.0 |
| Gain on consolidation of equity investee[7] | (10.9) | - |
| Financing-related[8] | 14.5 | - |
| Contingent consideration[9] | 18.2 | - |
| **Adjusted EBITDA** | **$85.3** | **$34.3** |
| **Adjusted EBITDA Margin %** | **13.4%** | **4.9%** |

1. For the year ended June 30, 2021, reflects the CMS settlement payment of approximately $2.2 million related to end-stage renal disease beneficiaries for calendar years 2010 through 2020; 2. Reflects charges related to executive severance and recruiting; 3. Reflects charges related to litigation by shareholders. See Item 3, “Legal Proceedings” included in the Annual Report on Form 10-K; 4. For the year ended June 30, 2021, this primarily represents (i) $45.4 million related to the cancellation of options and the redemption of shares and (ii) $13.1 million of transaction fees and expenses recognized in connection with the July 27, 2020 transaction between us, Ignite Aggregator LP (an investment vehicle owned by certain funds advised by Apax Partners LLP) and our then existing equity holders entering into a Securities Purchase Agreement (the “Apax Transaction”); 5. Reflects charges related to business optimization initiatives. Such charges relate to one-time investments in projects designed to enhance our technology and compliance systems, improve and support the efficiency and effectiveness of our operations, and for the fiscal year ended June 30, 2022, third party support to address efforts to remediate deficiencies in audits, including (i) $1.8 million paid to consultants and contractors performing audit and other related services at sanctioned centers, (ii) $4.0 million of charges related to government investigations, and (iii) $3.0 million of costs associated with third party consultants to strengthen enterprise capabilities; 6. Reflects non-recurring expenses relating to the implementation of a new electronic medical record vendor; 7. Reflects non-recurring expense related to the gain on consolidation of InnovAge Sacramento; 8. Reflects fees and expenses incurred in connection with amendments to our credit agreements. See Note 8, “Long Term Debt” to the condensed consolidated financial statements included in the Annual Report on Form 10-K; 9. Reflects the contingent consideration fair value adjustment made during fiscal year 2021 associated with our acquisition of NewCourtland.