CareMax Inc.
Third Quarter 2021 Financial Results Conference Call
November 15, 2021

Presenters
Devin Sullivan, Senior Vice President of The Equity Group
Carlos de Solo, Chief Executive Officer
Kevin Wirges, Chief Financial Officer

Q&A Participants
Josh Raskin – Nephron Research
Jack Slevin – Jefferies
Jessica Tassan – Piper Sandler
Gary Taylor – Cowen and Company

Operator
Greetings and welcome to the CareMax Inc. Third Quarter 2021 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A brief con — question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press "*" "0" on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Devin Sullivan, Senior Vice President of The Equity Group. Thank you, Mr. Sullivan. You may begin.

Devin Sullivan
Thank you, Operator. Good morning and thank you all for joining us for CareMax's third quarter earnings call. During the call, we will be discussing certain forward-looking information. These forward-looking statements are based on assumptions and assessments made by CareMax's management in light of their experience and assessment of historical trends, current conditions, expected future developments, and other factors they believe to be appropriate.

And forward-looking statements made during this call are made as of today and CareMax undertakes no duty to update or revise such statements, whether as a result of new information, future events, or otherwise. Important factors that could cause actual results, developments, and business decisions to differ materially from the forward-looking statements are described in the company's filings with the SEC, including the section entitled Risk Factors.

In today's remarks by management, we will be discussing non-GAAP financial metrics. A reconciliation of these non-GAAP financial metrics to the most comparable GAAP measures can be found in this morning's earnings press release. With that said, I'd now like to turn the call over to Carlos de Solo, CEO of CareMax. Carlos, please go ahead.

Carlos de Solo
Thank you, Devin. Good morning, and thank you all for joining us. I am proud to report that we had a solid third quarter of continued revenue growth, sequential MER reduction, operational developments, and overall progress towards 2022 new de novo goal. We believe our strong growth, while still maintaining a best-in-class MER, is a testament to our team and our model.

By utilizing our whole person health clinical program, and our deeply integrated proprietary built point-of-care technology platform, CareOptimize, our physicians and care teams truly partner with our members to improve health outcomes and overall well-being. We do this by working in some of the most challenged neighborhoods, many of which are otherwise healthcare deserts with patients with significant barriers to care. Our model truly does well by doing good.

I would like to thank each and every one of our team members for their dedication to improving our patients' lives. For the third quarter of 2021, we achieved GAAP revenue of $105 million, up 330% from the third quarter of 2020. Pro forma for the acquisition of DNF from the beginning of the period, our revenue for the third quarter would have been $115 million or $460 million on an annualized basis.

Our third quarter GAAP net loss was $2.9 million, bringing our year-to-date GAAP net loss to $8.9 million. Our adjusted EBITDA was $1.2 million for the third quarter and $9.1 million year-to-date pro forma for the business combination.

Total membership as of September 30, 2021 was about 68,500 and Medicare advantage membership was approximately 26,500, up over 10 times and 3 times respectively compared to September 30, 2020. We are on track for our previously guided run rate performance metrics that Kevin will discuss.

In September, we finalized the acquisition of DNF Medical Centers in Central Florida. DNF brought to the CareMax family approximately 4,000 Medicare advantage patients across 6 high-end medical centers. We are well underway with unifying the brand, services, and operating model across all of our medical centers to continue to drive maximum outcomes and shareholder returns on these investments.
Like many, we experience a rise in COVID admissions among our Medicare patients base in the third quarter, which peaked in August, fell in September, and showed continued reduction in October. However, as you can see on Page 10 of our posted slide presentation, the peak in August was lower than in prior waves, a testament to our ability to vaccinate our members and still good preventative practices and identify cases early to prevent hospitalizations.

We are encouraged that we are reaching the end of the Delta wave variant of COVID-19. And based on the publicly available data, our core market of Florida has now among the lowest case

and positivity rates in the country. Despite the continued impact from COVID during the third quarter, our clinical model continues to perform well.

For the quarter we reported a healthy 75.4% Medical Expense Ratio, or MER. Normalizing for direct impacts from COVID, our MER would have been in line with historical levels. We also have line of sight to bringing newly acquired assets to this level of performance as well.

In addition, our internal results show that the third quarter external provider costs in absolute dollars PMPM were in line with Q3 2020 and ex-COVID would have been down year-over-year and sequentially. If you recall from our Investor Day, we showed our ability to drive MER by a patient cohort down by 47 percentage points over three to four years.

On Page 6 of today's presentation, you can see that's not just a percentage of MER reduction, but also a roughly 40% medical cost PMPM reduction over that period or a 14% average decline per year. We think these results are a powerful validation of our technology-enabled care delivery platform, which provides the ability to control dollar cost in the phase of a pandemic by improving patient outcomes and speaks to where we are — where our priorities are as a company.

Fundamental to our clinical success is our whole person healthcare value-based care system and our home grown and deeply integrated technology platform CareOptimize. As I have discussed previously, our whole person health model goes beyond just the clinical needs of our members to solve problems arising from social determinants of health such as education and access, isolation, and medication adherence.

We do this through our highly coordinated care management program that uses data from across our members and counters with our providers and provides our care teams with the tools to effectively coordinate the care and needs of our members in a truly differentiated manner, improving the well-being of our members and preventing highly acute hospital admissions. It is worth noting CareOptimize has been successfully commercialized outside of CareMax and is used by over 2,000 clients and more than 20,000 providers across the U.S. This broad market adoption of CareOptimize speaks to the powerful tools it provides providers to practice medicine without undue administrative burdens and empowers them to make more informed clinical decisions.

Next, I would like to provide an update on our operational initiatives. We have now captured about half of the previously announced combination synergies with IMC, primarily driven by SG&A savings and pharmacy utilization. The SMA and DNF integrations are moving along smoothly and the team is moving ahead on executing our value creation strategy.

Additionally, we are optimizing our platform for accelerated growth in 2022 to hit our de novo targets. And with that, we have brought in several key new management hires to lead our regional operations. We believe we have built the human capital foundation to execute on our

growth plans and plan to continue to simultaneously add depth to our local and regional corporate teams to support further expansion.

Similar to many other companies across the country, we are experiencing a tightening in the labor market at entry-level positions while we are seeing some wage inflation, it remains limited to lower wage positions and we have been able to successfully navigate through this. We continue to have a pipeline of physicians interested in joining our platform as our differentiated care model is a big draw for professionals who want to make a holistic impact on patients' well-being.

Moving to the additional strategic initiatives, as mentioned during our Investor Day in September, we have been impressed by the amount of in-bound interest from those looking to collaborate with us to improve outcomes and efficiencies in the healthcare system. We have announced and highlighted two of these, the Related Companies and Anthem.

The related collaboration affords us the opportunity to work closely with one of the largest owner/operators of affordable housing in the U.S. Our vision is to bring CareMax's vertically integrated whole person healthcare model directly to affordable housing communities providing convenient access to care to those seniors who need it the most.

We have proven that this model of collaborating with affordable housing communities can be a mechanism for growth with one of our South Florida medical centers we opened in 2017. This center that we opened in the ground floor of a retirement community experienced the fastest ramp to membership maturity of any of our centers. Through our collaboration with Related, we plan to take this model to communities across the country to expand convenient access to value-based care.

We also announced our strategic collaboration with Anthem to open up 15 new de novo medical centers across 8 initial states. We are pleased to say that the collaboration is going smoothly and ahead of schedule. Anthem has long been a key partner for us and we are excited to expand our relationship with them to provide quality care and superior outcomes for their members throughout the country. In addition, to these two important strategic collaborations, we continue to work with our other payer partners to assist in our collective goal bringing the best-in-class medical care to underserved communities. Our patient acquisition strategy is based on grassroots marketing through community events and our in-house sales and marketing team.

Lastly, we announced in July, our guidance of opening up at least 15 de novos in 2022, approximately 25 in 2023, and approximately 35 in 2024. We have already executed the leases for 12 locations across Florida, Tennessee, Louisiana, and New York with five of the leases nearing completion. Furthermore, we are reiterating our expectation to end the year with our previous run rate revenue and EBITDA guidance. Looking ahead to 2022, we expect a lower

COVID headwinds on the revenue and more normalized utilization. Now, I will turn it over to Kevin to go more in-depth on our third quarter performance.

Kevin Wirges
Thanks, Carlos, and good morning. We reported another quarter of strong revenues, despite COVID headwinds. As a reminder, our GAAP third quarter financials include full quarters of CareMax, IMC, and SMA and about one month of DNF. The nine months 2021 numbers and prior year comparisons that I'll be providing are pro forma for the business combinations between CareMax and IMC as if they had occurred on January 1, 2020. You can find the reconciliation between our GAAP net income and adjusted EBITDA in our press release or earnings presentation.

As Carlos mentioned, total reported revenue was $105 million for the third quarter and $285 million for the nine months. We reported GAAP net loss for the quarter of $2.9 million, bringing our net loss for the nine months to $8.9 million. Adjusted EBITDA for the quarter was $1.2 million, bringing adjusted EBITDA for the nine months to $9.1 million.

Excluding the estimated impacts of COVID, our Q3 adjusted EBITDA would have been $8.5 million and $27.6 million year-to-date. Medical expense ratio, which equals external provider cost divided by Medicare and Medicaid risk-based revenues was 75.4% in Q3 but would have been in line with historical levels after normalizing for direct COVID impacts to revenue and external provider cost.

Beneath the COVID noise, we feel good about the underlying medical performance of our business. Our internal Q3 PMPM external cost unadjusted for COVID were in line with Q3 2020. Nine months internal PMPM costs were lower than the prior nine months period in 2020. This gives us confidence in our ability to manage challenging populations and arguably the most challenging environment our industry could ever face.

Now, let me share some observations regarding COVID. We are encouraged by COVID trends in our geographic footprint. Today, according to public data, Florida has the lowest cases per capita of all states and the sixth lowest COVID hospitalizations per capital. Despite record COVID hospitalizations across Florida in August, total Q3 COVID admissions among our Medicare patients were just half the numbers we experienced in Q1 of this year.

Our care teams have done an outstanding job with vaccinations, education and social distancing to prevent major outbreaks at any of our centers. And as a proxy to the cost per COVID admission, hospital and patient days in Q3 were also down about the same percentage as admissions from Q1, suggesting relative stability in acuity and cost for caring of COVID — Medicare COVID patients. Although COVID claims were in line with patients — although COVID — although COVID claims among our patients continued to decrease, we continued to see top-line headwinds as the 2021 revenue is based on 2020 days of service and will not change until 2022.

However, year-to-date PCP in-person visits and quoting revalidation rates among our Medicare members have recovered to pre-COVID levels even exceeding the overall visitations for the full year of 2020 already. This tells us that we are documenting the acuity of our members more appropriately giving us confidence in recapturing risk-adjustment revenues for next year.

In addition, we continued to invest in our platform capabilities ahead of our planned de novo center openings beginning next year. We've onboarded two regional market presidents and continued to build our construction and marketing capabilities.

At corporate, we've added a new Chief Compliance Officer, General Counsel, and Chief Experience Officer and we anticipate continuing to add business development resources in our new markets. These roles will help manage payer and provider relations, source physicians and tuck-in opportunities, conduct branch fleet outreach efforts, and operationalize our whole person healthcare model. At the same time, we'll be — we will be disciplined about balancing platform investments with operational efficiencies.

We've captured about half of the previously communicated synergies related to the combination of CareMax and IMC that expect to execute on the remaining half in the coming months. These synergies have helped partly offset some of the public company cost like D&O insurance that have been higher than expected prior to the completion of our business combination. In addition, we are targeting a capital-efficient approach to opening de novos, including securing landlords' financing for build outs to reduce upfront CapEx where possible. Many of our signed leases already have such arrangements in place.

Regarding our capital position, we ended Q3 with $80 million of cash and $119 million of debt. As a reminder, we also had a $40 million revolving credit facility and a $20 million delayed draw term facility, both currently undrawn. Basic share count is 87 million, excluding dilution from warrants and additional potential earnout shares.

Based on our capital — our projected capital needs, we believe our liquidity is sufficient to execute on our near-term M&A pipeline and de novo centers over the next year. Despite the accelerated investments made in the quarter, we are targeting the mid-range of the $30 million to $40 million pro forma adjusted EBITDA as an appropriate range of our run rate earnings power for the year including an estimated $23 million of headwind from COVID, unchanged from our prior expectations.

This pro forma adjusted EBITDA reflects expected full year contributions from closed and unannounced acquisitions and synergies remaining to be realized. We feel opportunistic about the growth ahead of us. First, we look for the risk-adjustment headwinds to normalize and so the overall utilization to settle back toward historical baseline.

Second, we expect to maintain our strong medical margin and continued to drive improvements in our members' well-being. And third, we continue to target at least 15 de novo openings in 2022. We have a high conviction in our de novo strategy and we'll continue to invest in our platform — platform to execute against our growth goals. We look forward to providing you of our detailed 2022 outlook on next quarter's call. With that, Carlos will give some closing remarks before Q&A.

Carlos de Solo
Thanks, Kevin. In closing I want to thank again and thank all of our clinical team members who are at the front line continuing to battle the impact of COVID-19 and providing the care to our members that is truly changing the lives of so many and to our entire organization who continue to exceed all of our expectations with their dedication to growing our business, while always keeping the needs of our members first. It has been an extraordinary year and I have never seen — never been as confident as I am today in our team, our model, and our strategy. Operator, we'll now take questions.

Operator
Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press "*" "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "*" "2" if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the "*" keys. One moment, please, while we poll for questions. Our first question comes from the line of Josh Raskin with Nephron Research. Please proceed with your question.

Josh Raskin
Hi. Thanks. And good morning, guys. So the first question just on the cost of care line, the external medical — or internal medical cost. It came in a little bit higher, and so I am just curious. Are those cost that you took on from DNF or, you know, is there a sort of a right run rate for those, just as I think about it as a percentage of capitated (PH) revenue?

Kevin Wirges
Hey, Josh. It's Kevin. Yes, that's right. So we — we do have one month of DNF in there, so you will notice that the premiums have also increased currently with that external provider cost. I think it's also important to note that, you know, the prior periods, when you are looking at that Q2, it really only has a stub period of SMA as well.
So now you have the full, you know, quarter of the SMA cost as well as revenue and then you have 30 days of DNF in there. So that — that's right. And it is normalized. I would say that the MER there, again, normalized for — for COVID is in line with our expectations.

Josh Raskin
On the internal side, so you have COVID cost pressuring the CareMax —

Kevin Wirges
— Right —

Josh Raskin
— Specific out — yeah, I'm sorry.

Kevin Wirges
I am sorry. I thought you were looking at the external provider cost. Yes, on the cost of care line, that's right. So there is a couple lines in there. Those two items obviously that we talked about are still in there. The other component is we acquired a pharmacy in the quarter. And so you'll also notice that other revenue increased pretty materially from Q2 to Q3. And there is a cost to care or cost of goods sold line in that cost to care specifically for the pharmacy medication.

Josh Raskin
Okay. So, we should think of those as — when we think of the ratio, we should include the other revenue as well that jumped in. Okay. And then, just thinking about sort of 4Q and 2022, you know, midpoint of guidance of $35 million add back to 2023, you get to $58 million as sort of a starting point for 2022, you know, which would seem like a relatively big jump.

Should — should we expect some COVID cost, other headwinds, you know, startup costs, things like that? And then, you know, the — and then sort of the jumping off point for 4Q as well, you know, if you've done roughly $9 million or so of EBITDA year-to-date, you know, obviously implies a relatively large fourth quarter. And so I just want to make sure I'm at least getting the math right to the starting point.

Kevin Wirges
Yeah, I think your math is right. For — for 2022, look, we are not ready quite to give guidance on that. What I would say is, you know, as we bridge the 2022 EBITDA, we will be starting with a number similar to what you just mentioned, which is, you know, I think a lot of math that folks are doing. Our normalized run rate, plus the impact of COVID.

But yeah, to your point, you know, we're going to have investments from our de novo strategy. We are going to have investments in growing, you know, the core business and the platform. So there will be headwinds around that, as well. So yeah, there — there's a lot of puts and takes that we're going to have to model through and — and share with you folks. And I think you're — that's the right from a starting point.

From a — from a Q4 standpoint, you. know, we're — we're still looking at Q4 from a favorability standpoint. I do think we have favorability that's going to probably come through. Initially what we are seeing right now as that our reinsurance, you know, our stop-loss, the percentage of patients that are hitting stop-loss are significantly greater because of the additional costs that we've had this year. And so, you know, we haven't fit — modeled that

through to that level of granularity in our projections, yet, but we do expect, you know, Q4 to be better than Q3, just because we are going to have the full year — the full quarter impact of DNF as well as SMA.

Josh Raskin
Okay. Perfect. Thanks.

Operator
And our next question comes from the line of Brian Tanquilut with Jefferies. Please proceed with your question.

Jack Slevin
Hey, good morning guys. This Jack Slevin on for Brian. Thanks for taking the questions. I guess, first one, I want to start out with the incremental detail you gave us on the new markets and the leases you've signed. I guess you — looking at it, right, we see Memphis and New Orleans now is targeted markets. Can you give us a little bit about what makes those markets attractive or remind us why those states are priority states for you despite not having Related or Anthem overlapping markets? Thanks.

Carlos de Solo
Yeah. I think as we've stated in all of our other calls, we're — we're — when we enter new markets, we're all — we're always going to enter with strategic partnerships and organizations where we feel a clear line of sight and being able to reduce that J curve. So you know, Anthem and Related are a very big part of the strategy and we are well underway with both of those strategies.

But there are still other states that are — that are very exciting where we have, you know, similar relationships where we feel that we can grow just as quickly. So we are going to continue to take advantage of those specific situations. And you know, Memphis and — and Louisiana were — were a couple of those markets.

And then, we continue to do — to really grow in the New York area. We've already signed one lease. We've got several other leases coming underway with the related strategy. In Florida, we've got a significant amount of leases that we've already signed up, and a good amount of those are going to be strategies that we do together with Anthem as well as we continue to expand in the Central Florida region and in the West Coast, as well as Northern Florida.

Jack Slevin
Okay. Got it. That's helpful. And then, the next one for me, just want to make sure modeling that's right, because I think the timing on the acquisitions may have grown up the PMPM numbers a little bit. So just, can you give PMPM exit for the MA book kind of coming out of 3Q?

And then, also, can you give us an update — I appreciate all the color on the impact of risk adjustments this year. Can you give us an update on how annual wellness checks are going and — and sort of a read through to risk adjustment or PMPMs in 2022? Thanks.

Carlos de Solo
Yeah. Yeah, let me start with the — with the second part of that. So we are — right now, we've seen about 85% of our members, all those, you know, compared to where we were this time last year. We've already seen more members this year than we had in 2022. So we feel very confident in having been able to capture the full acuity of our members for this year.

We are trending to finish the year somewhere in — in the 92%, 95% of having seen all of our members. And I think that gives us a lot of confidence going into 2022 being able to accurately capture that acuity, which should, you know, stabilize our revenue going forward. Kevin, do you want to elaborate a little on the first part of that question?

Kevin Wirges
Yeah. I am sorry, the first part was on the (INAUDIBLE) PMPM?

Jack Slevin
Yeah, that's right. I think ours looks a little bit low just based on, I think, the timing of the acquisition there at September 1st. So if you could just give us a normalized number to project outwards on what the MA PMPM is, that's really helpful.

Kevin Wirges
Yeah. So I think to help with that, what I would do is take the, you know, the 26,500 that we have in there. There is one month of DNF — DNF, which represents roughly 4,000 patients. And so, you know, if you modeled out the PMPM for the quarter, could reduce or take away, you know, 4,000 for — for the first two months. And then, you could come up with that go into the PMPM from there.

Jack Slevin
Awesome. Thanks guys.

Operator
Our next question comes from the line of Jessica Tassan with Piper Sandler. Please proceed with your question.

Jessica Tassan
Hi. Thank you for taking my questions. So just first off, to be clear on the adjusted EBITDA ramp from Q3 to Q4, that the impact to DNF and then also you guys are anticipating on — an MER improvement sequentially if that's sort of the basis of the — of the step-up?

Kevin Wirges

Yeah. Hey, Jessica. It's Kevin. Yeah, that — that's correct. So historically, what we've seen in Q4 is that elective utilization tends to go down a little bit for the holidays. Folks don't like to have those surgeries at that time.

We also see the impact of, you know, the ICLs in the Part D standpoint. Folks are starting to hit that donut hole or may have already hit the donut hole and so cost tend to go down. And the other piece, or major factor there is that the reinsurance, right, folks are hitting that catastrophic level throughout the year, and so we tend to get higher reimbursements or refunds from the stop-loss credits. So that's correct.

Jessica Tassan
Got it. And did you let us know how much DNF is contributing on an adjusted EBITDA basis, or expected to?

Kevin Wirges
I don't believe we did.

Jessica Tassan
Okay. And then, just my — my follow-up would be, from that chart on Page 6, the cohort — the medical expense ratio per cohort as they progress from 24 to 36, 48 months, what percent the cohort actually makes that to 24 or 36 or 48 months? And then, just how do you expect those — those retention rates to change as you add new payers to the mix (INAUDIBLE)? Thanks.

Carlos de Solo
Yeah, it — it's roughly over 60% retention. And as you can see there, it's a 14% reduction year-over-year as it translates into close to a 40 — 40% reduction for that period of time. Yeah, I mean, we are already working with 18 different health plans. So we will continue to add different payers in different regions. We do expect retention to be more favorable outside of the South Florida market where it's very competitive.

You have a significant amount of penetration here specifically in the Miami area. It's over 80% on MA penetration. We've also invested very heavily this year on bringing in a Chief Experience Officer and then really working to — to reduce that — the attrition on our — on our memberships. So we continue to expect that number to — to get significantly better and better. And that's just — just to be clear, that's a total PMPM cost of reduction in medical expenses.

Operator
And that's all the questions for Jessica. As a reminder, if you have any questions, you may press "*" "1" on your telephone keypad to join the Q&A session. Our next question comes from the line of Gary Taylor with Cowen. Please proceed with your question.

Gary Taylor

Hi. Good morning. Just a few. I just want to go back to the fourth quarter just for a second and just clarify what the implied guidance is. Am my understanding, when you say pro forma earnings power, you know, $35 million sort of targeting in the middle, you're basically saying the fourth quarter EBITDA you're expecting around 9 — $9 million. Is that correct?

Kevin Wirges
Hey, Gary. It's Kevin. Yeah, so I think we should clarify that. It's a good point. Yeah, so the — the pro forma run rate adjusted EBITDA, which is term we'll only use really this year. Going forward, we will be using a normalized EBITDA number. It really is — it really identifies the impact of the earnings power for the organization.

So the way you would think about it is that the core business burdened for COVID, burdened for Pubco (PH), burdened for the investments that we are doing. During the year, we will probably produce somewhere — somehwere around the $10 million to $11 million range. We have a normalized, or we have acquired and we will acquire, so there is some acquisitions that we've done, and some unannounced acquisitions.

But the run rate normalized EBITDA for those are around $19 million. And then, again, those, you know, we've — we've executed on those. SMA came in the middle of June. DNF came in September. There is a couple more that are going to happen later on this — this year.

And so, when you look at the normalized run rate for those, $19 million. And then, additionally, latter, the synergies which represent roughly $5 million. So it's not all going to come in the fourth quarter in this big pop. It's the annualized run rate and kind of the — the jumping off period, if you will, or jumping off earnings point for CareMax for 2022.

Gary Taylor
Yeah. I understand that. I guess, I'm trying to understand what — what that implies for the — for the 4Q. And since we're only a stub period less, I don't — I don't think it implies people should be modeling a huge, you know, fourth quarter up to that $35 million. But — so you sound like you're saying not — not even all of the — the synergy and run rate earnings power is — is reflected in a — in a annualized 4Q EBITDA number?

Kevin Wirges
That's right. So we will have some acquisitions that will probably close — haven't closed yet. And so, those will be in the full quarter. And — and the other piece is some of the synergies that we are working on, right. Some we executed on the SG&A side in the middle of October, some early part of December, right.

So you do have a stub period in there for the quarter. So yeah, that — that's correct. I think what we're estimating, you know, from a fourth quarter standpoint for our core business is probably somewhere around $2.5 million and then, you know, with the other components of

the acquisitions, the synergies, and all the other — all the other items is probably worth another $1 million, $1.5 million or so.

Gary Taylor
Got it. So — so on a reported basis, it could be in the $3.5 million to $4 million range, basically?

Kevin Wirges
That's correct.

Gary Taylor
Okay. And what else — I just want to go back to that cost to care number that Josh talked about. So it sounded like there is some pharmacy cost that are now in there. And then I did see, I think, there was like $1.3 million of — of what you call the non-recurring cost coming out of that cost to care line. Can you just discuss what that amount is?

Kevin Wirges
Sure. Absolutely. So, the $1.3 million represents two items. One is a normalization of cost that was related to periods prior to 2021, specifically around occupancy cost, which represented about $0.5 million or so. The remaining balance is — was a pilot that we are running specifically for — for lab results. And essentially, we ran that pilot with expectations that we would get results faster in the hands of our — our physicians quicker so that they could determine what they needed to faster.

At the end of the day, you know, that pilot was killed on October 1st. So, we did run that pilot for a couple of months. We had duplicative costs in there from a period of, I want to say, maybe even the whole quarter, August through — through September. So a couple months and that makes up the delta.

Gary Taylor
And then, my last, I did see in the pro forma or the historic sort of adjusted EBITDA presentation, you now show some — some pretty modest amounts, but add-backs for de novo losses. So should we assume when we get your 2022 guidance, your convention will be to exclude the expected losses from the de novo openings?

Carlos de Solo
Yes, that's definitely something we are contemplating absolutely.

Gary Taylor
Okay. Thank you.

Operator
And we have reached the end of our question-and-answer session, and I would like to turn the floor back to Carlos de Solo for closing comments.

Carlos de Solo
Great. Thank you. We just like to thank everyone for joining on our Q3 earnings call.

Operator
And this concludes today's conference and you may disconnect your line at this time. Thank you for your participation.