

# Jefferies Conference

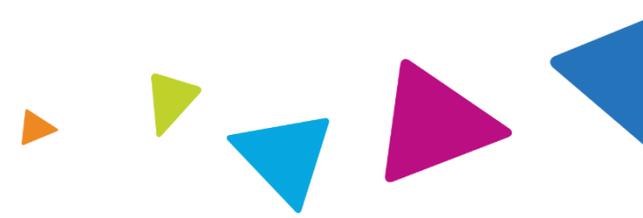
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MAGELLAN HEALTH | JUNE 2, 2020

KEN FASOLA, CEO  
JON RUBIN, CFO

**Magellan**  
HEALTH<sup>SM</sup>

# Cautionary Statement and Non-GAAP Measures



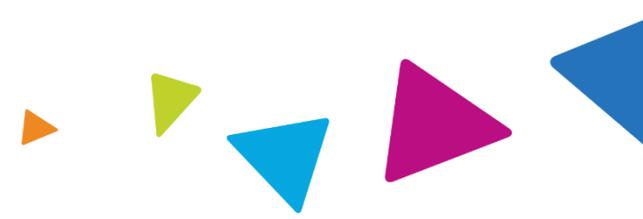
**This slide presentation and our accompanying oral comments include forward-looking statements contemplated under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management’s current expectations and are subject to known and unknown uncertainties and risks which could cause actual results to differ materially from those reflected, contemplated or implied by such forward-looking statements including, but not limited to, the following:**

- Termination or non-renewal of contracts by customers
- Renegotiation of rates paid to and/or by the Company by customers and/or providers
- Higher utilization of health treatment services by members
- Delays, higher costs or inability to implement the Company’s initiatives
- The impact of new or amended laws or regulations
- Acts of war, terrorism or other catastrophic events
- The impact of increased competition on ability to maintain or obtain contracts
- The impact of increased competition on rates paid to or by the Company
- The effectiveness of business continuity plans during the COVID-19 pandemic
- Loss of relationships with providers, vendors and/or manufacturers
- The impact of share repurchase programs
- Governmental inquiries and/or litigation
- Interest rate changes
- Economic uncertainties

Many of these factors are beyond the control of the Company. Any and all forward-looking statements made in this presentation are qualified in their entirety by the complete discussion of risks set forth under the caption “Risk Factors” in Magellan’s Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission on February 28, 2020, and the company’s subsequent Quarterly Reports on Form 10-Q filed during 2020. Magellan undertakes no obligation to update any forward-looking or cautionary statements.

The Company reports its financial results in accordance with GAAP, however the Company’s management also assesses business performance and makes business decisions regarding the Company’s operations using certain non-GAAP measures. A reconciliation of GAAP to non-GAAP measures is included at the end of this presentation as well as our SEC filings.

# Agenda



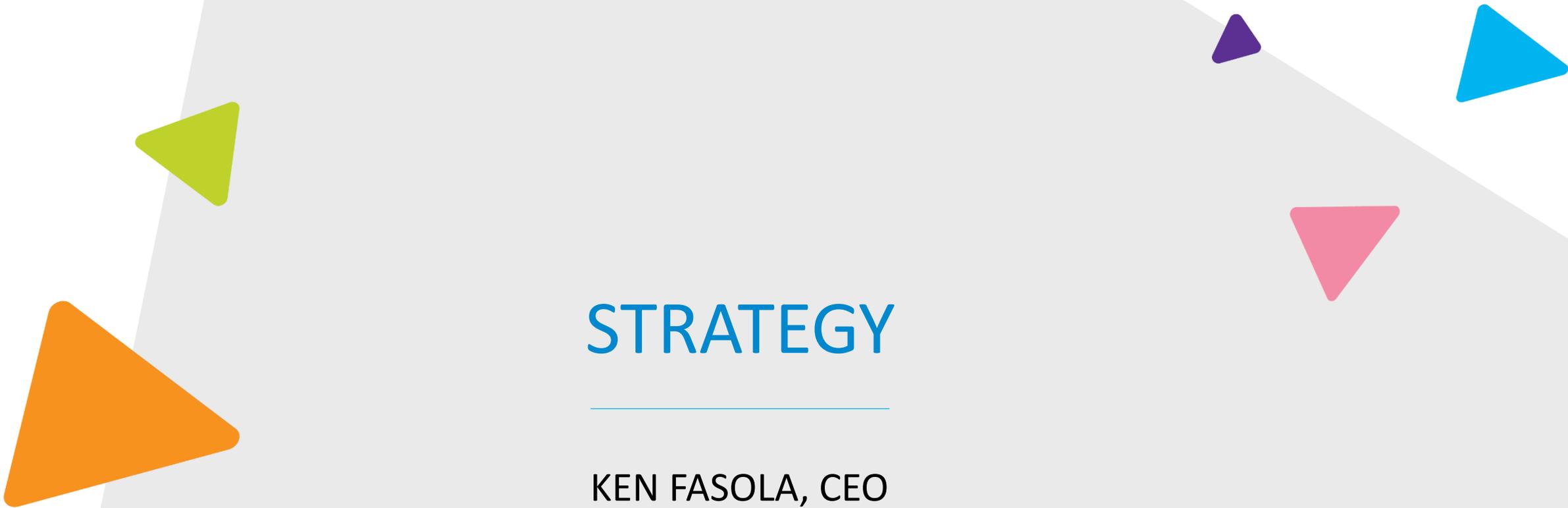
## Strategy

- » Market opportunities
- » Business specific highlights
- » Phased approach to strategy



## Financial

- » Q1 2020 results summary
- » Capital priorities
- » Key earnings drivers 2021-2022



# STRATEGY

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KEN FASOLA, CEO

# Magellan Health will focus on high cost, complex populations that are difficult for payers to manage



Behavioral health  
comorbidity excess cost  
savings opportunity  
**~\$400B**

**71%**  
of total healthcare  
costs spent on  
complex patients

Pharmacy spend is  
projected to reach  
**\$550B** *by*  
2023

# We will reimagine our Behavioral Health and enhance our Specialty Health businesses

## Behavioral Health

Direct behavioral spend represents

**6-15%** of payers' total medical spend



Total medical costs for individuals with behavioral conditions represent

**35-45%** of total payer spend



- Key aspects to reimaged Behavioral model
  - Proprietary data & analytics
  - Innovative care coordination and delivery
  - Superior member experience
  - Deep expertise in provider delivery system

- COVID-19 has increased awareness of behavioral health needs and changed how care is accessed

## Specialty Health

Enhance existing specialty health services and expand to include new areas



# We are market leaders in 2 of 3 Pharmacy businesses and have additional growth potential across the board

## PBM



- Estimated \$550B market by 2023<sup>1</sup>, we are less than 1% share – significant upside
- Pursue organic growth and explore inorganic accelerants in target markets, build out clinical and digital capabilities

## Government Rx



- Market leader in Medicaid FFS, serving 26 States and DC
- Favorable trend with states moving away from MCOs towards FFS
- Focus on MediCal implementation for 1/1/21

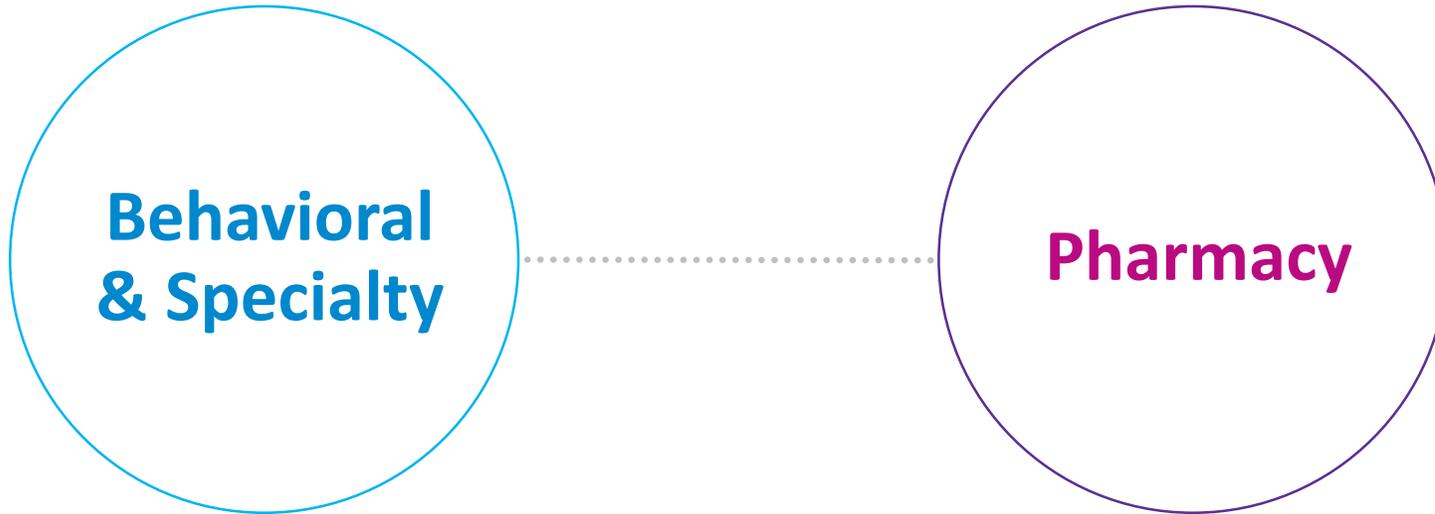
## Specialty Rx



- Market leader in specialty, managing specialty drugs since 2003
- Maintain & expand distinctive capabilities by investing in complex care management capabilities

Source: (1) Drug Channels Institute "The 2019 Economic Report on U.S. Pharmacies and PBMs"

# We are uniquely positioned as an independent player in growing markets



- Beacon Health Options (Anthem owned)
- AIM (Anthem owned)
- eviCore (CIGNA owned)

- CVS (owns Aetna)
- ESI (CIGNA owned)
- Optum (United owned)

# We will take a phased approach to our strategy



2020

2021

2022

## PHASE 1: REINFORCE

**Foundational solutions  
and new innovation**

1. Honor our Commitments
2. Operating Efficiency
3. Product Focus and Innovation
4. Rebuild our Growth Engine

## PHASE 2: DIFFERENTIATE

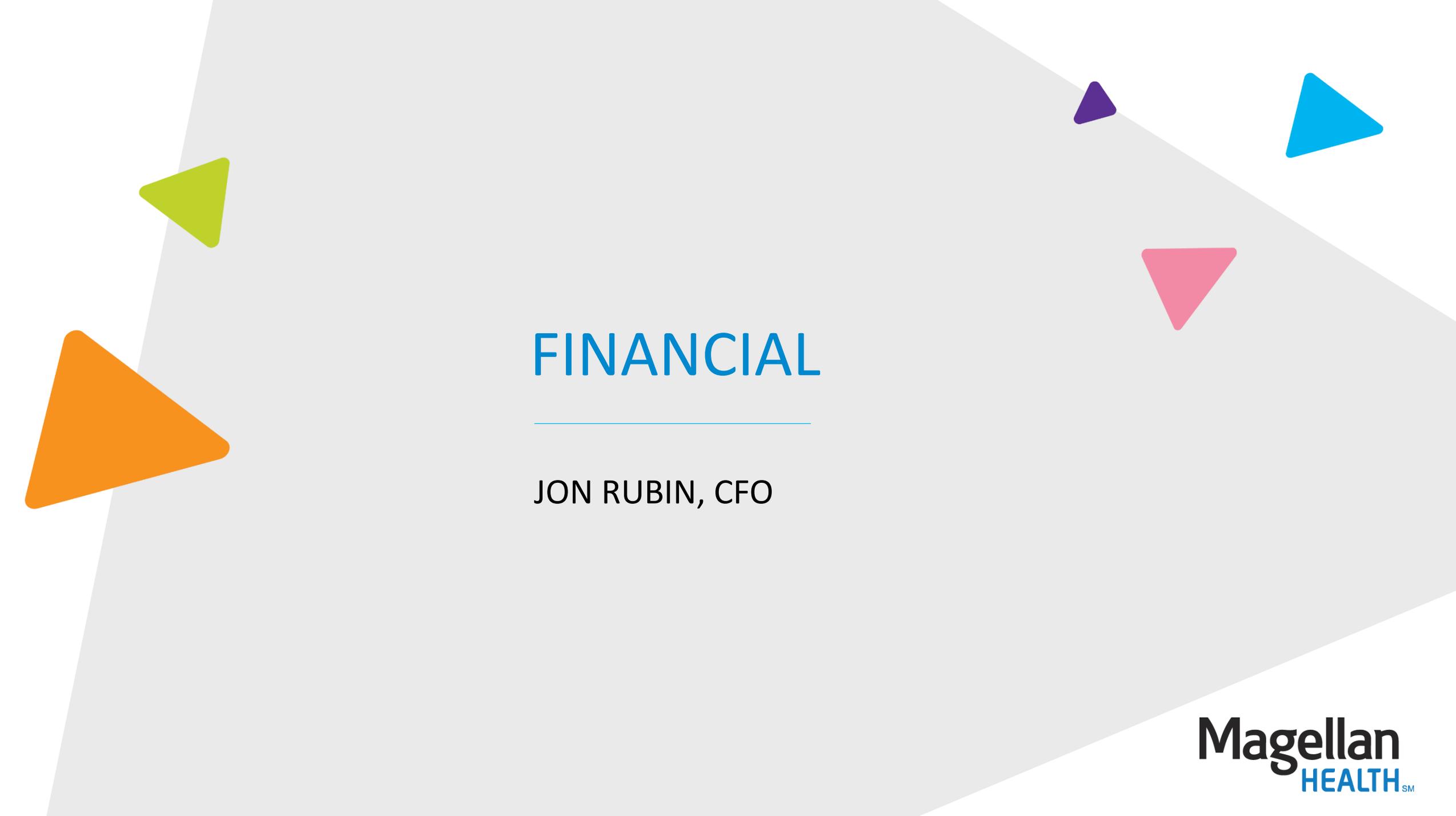
**Existing and new  
solutions**

Establish differentiated capabilities that enhance the value proposition of the existing solution set

## PHASE 3: INTEGRATE

**Across Magellan's  
portfolio of solutions**

Enable modular integrated offering across the continuum of care solutions to supplement growth



# FINANCIAL

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JON RUBIN, CFO

# We posted strong first quarter 2020 results and are on track to achieve our full year guidance

- ✓ Strong business fundamentals drove **\$75 million segment profit in the first quarter 2020**
- ✓ Transformation on track to achieve net benefit of **\$30 million segment profit in 2021 and \$75 million annually in 2022+**
- ✓ **On track for full year 2020 segment profit** guidance of \$250-280 million including approximately \$80 million contribution from MCC
- ✓ **COVID-19** scenario modeling produced relatively wide range of earnings forecasts across our diverse book of business

# The MCC divestiture will strengthen our balance sheet and provide additional capital flexibility to invest in our business



## Capital Priorities

**1 Debt Repayment**  
Maintain net debt to EBITDA ratio of no more than 2x

**2 Invest in Growth**  
Organic / Inorganic

**3 Share Repurchase**

Key tailwinds will support achieving over 2% adjusted net income margin in 2021 and 2-3% in 2022

### Key Segment Profit Tailwinds from 2020 into 2021 & 2022

➔ **\$30M** = MediCal Rx – from start-up investments in 2020 to typical margins in 2021+

➔ **\$75M** = Transformation net benefits of \$30M in 2021, \$75M+ in 2022

➔ **\$10M** = Exit Part D – majority achieved in 2021

➔ **\$5M** = Molina new contracts, \$125-150M Revenue at typical low to mid single digit margin percentages

➔ **Business growth** due to reimagined product strategy

**\$265 million midpoint** of the 2020 segment profit guidance  
(**\$185 million** excluding MCC)



# SUMMARY

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KEN FASOLA, CEO

# Summary



» **The market opportunity** to support payers in addressing complex, high cost care is significant

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» **Magellan is well positioned** to build on legacy strengths in behavioral, specialty, pharmacy

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» **We will take a phased approach** to reimagine and strengthen our existing capabilities

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» **The MCC divestiture strengthens** our capital flexibility and team's focus

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» **We are on track to achieve at least 2% adjusted net income margin** in 2021 and **2-3%** in 2022

