

Evolut Health: Choosing How to Share Medical-Cost Risk

Internal ID: S&F-STR-234

Topic: Risk Management, Growth Strategy, Pricing Strategy

Industry: Health Care Technology

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Audience: MBA students and working professionals

Decision date / information cutoff: November 7, 2024, 6:00 p.m. ET

Decision scope: A hypothetical recommendation for future payer-contract design across Evolut's Performance Suite and Technology & Services (T&S) offerings.

The question

On November 7, 2024, Evolut Health reported third-quarter results. Revenue was \$621.4 million, and Adjusted EBITDA was \$31.8 million, down from \$48.7 million a year earlier. The company also reported a GAAP net loss attributable to common shareholders of \$31.2 million. ([P2], release pp. 1-2, lines 16-29, 77-101.)

Management attributed about \$42 million of higher-than-expected medical costs in its Performance Suite to two items: \$24 million associated with new partner claims information about prior periods, and \$18 million from accelerating costs late in the quarter, principally oncology. These are management's explanations and estimates, not independently verified causal findings. ([P2], release pp. 1-2, lines 23-29; [P3], slide 2, PDF lines 80-83.)

The public disclosures describe several responses: pursuing additional rates, reviewing new claims submissions, controlling operating costs, and potentially changing risk arrangements in volatile markets. They do not identify a named payer, a specific market to convert, or an internal approval decision. This case asks students to recommend a future contracting approach from the public information available by the cutoff. It does not reconstruct a private Evolut debate.

Assignment: Prepare a two-page advisory memo for Evolut's commercial leadership. Recommend one of the three classroom alternatives below, make the strongest case against your recommendation, and specify the evidence and safeguards you would require before applying it to a payer contract. No numerical forecast is required; the public record lacks contract-level economics.

Two ways to serve payer partners

Evolut described Performance Suite as specialty-care services delivered in capitation arrangements where it assumes responsibility for medical claims within the contracted scope. The company generally receives a fixed per-member-per-month (PMPM) fee. Revenue depends on covered membership, population type, and the services and technology included. ([P1], 2023 Form 10-K, lines 423-426; printed pp. 4-5.)

The Specialty Technology & Services Suite (T&S) consists of non-capitation specialty-care management arrangements. It provides a different risk and payment structure from Performance Suite. The company's 2023 averages illustrate the difference in scope: Performance Suite had 4.236 million average lives and a \$23.90 average PMPM; T&S had 69.494 million average lives and a \$0.36 average PMPM. These figures are not comparable margins: Performance Suite includes medical-claim exposure, while T&S does not. ([P1], lines 1815-1825; printed p. 52.)

The two services also played different roles in the business. Performance Suite creates exposure to claims costs as well as the possibility of earnings from managing care within the contract. T&S produces fees for specialty-care management without the same medical-claims obligation. The filings do not provide a market-by-market comparison of their margins, required capital, or customer value.

Growth meets claims uncertainty

Evolent reported that Q2 2024 revenue grew 37.9% year over year to \$647.1 million. Management attributed part of first-half revenue growth to new risk-market launches and existing Performance Suite contracts; it also described higher claims costs in certain Performance Suite markets. ([P4], Q2 Form 10-Q, lines 1622-1631 and 1668-1681; printed pp. 40-42.)

In the Q3 release, management reported six new revenue agreements, including a letter of agreement with one of the country's five largest payers for an oncology Performance Suite launch expected to cover more than 200,000 Medicare Advantage members in 2025. Other announced agreements included T&S expansions. Management expected the six agreements to contribute more than \$200 million in incremental annualized revenue across Performance Suite and T&S. These were forward-looking company estimates, not realized revenue. ([P2], release pp. 1-2, lines 54-70; [P3], slide 2, PDF lines 58-60.)

The Q3 investor slides described a plan to seek \$100 million in additional rate increases for January 1, 2025, audit new claims submissions, manage operating costs, and potentially adjust the risk model in volatile markets-including moving selected markets to T&S. "Seeking" and "potentially" describe plans, not secured rates or completed transfers. No client names, contract clauses, or market-specific economics were disclosed. ([P3], slide 2, PDF lines 80-87.)

Evolent's earlier filing had warned that performance-based contract results could be difficult to predict because of utilization changes, claims backlogs, customer data quality and timing, new or less mature markets, changing benefit designs, and specialty-cost uncertainty. It also said competitive pressure and customer expectations could constrain rates. These are company risk disclosures, not measured explanations of the Q3 result. ([P1], lines 969-978; printed pp. 22-23.)

What the public information does not answer

The disclosures do not identify the contracts that generated the \$24 million prior-period claims difference, how much of that amount may be recoverable, or whether late submissions reflect data problems, claims development, or a change in underlying costs. They also do not show payer-specific rates, covered benefits, risk corridors, stop-loss terms, claims triangles, member risk mix, service costs, quality results, or the economics of moving a particular scope to T&S.

The \$42 million should not be treated as one recurring trend. The \$24 million component concerned new information about earlier claims; the \$18 million component was described by management as accelerating late-quarter costs. Likewise, Performance Suite and T&S PMPMs

cannot be compared as though they were equivalent margins. ([P2], release lines 23-29; [P3], slide 2, PDF lines 80-83; [P1], lines 423-426.)

Evolent’s 2023 Form 10-K described a fragmented market with competitors ranging from smaller specialty providers to larger, well-resourced firms. It identified customer insourcing as one possible source of rate pressure. The selected disclosures do not name a competitor or support a direct comparison of another provider’s contract economics with Evolent’s. ([P1], “Competition,” lines 550-553; risk factors, lines 973-978.)

Three classroom alternatives

These are options for students to evaluate in a hypothetical future contracting recommendation. Evolent did not publicly describe them as a specific internal choice set.

Alternative	Potential benefit	Main trade-off	Evidence needed before applying it
Selective Performance Suite risk	Retain the potential value of managing medical costs where rates, claims data, population and scope can be understood.	Evolent remains exposed to utilization, claim development, data lag and specialty-cost changes.	Timely claims files; population and benefit detail; rate adequacy; runout history; market-specific quality and cost results.
T&S for volatile or poorly measured scope	Reduce direct exposure to medical-claim variance while continuing specialty-care services.	Fee-based terms may provide less direct financial participation in medical-cost savings; payer acceptance and fee adequacy are unknown.	Contractable fee, covered services, implementation needs, partner objectives and service-quality measures.
Classroom hybrid or staged risk	Share some upside while limiting exposure through staged risk, corridors, data deadlines, runout adjustments, specialty carve-outs or quality/access gates.	More complex pricing, administration and negotiation; protections may weaken incentives or may not be available.	Payer willingness, data quality, corridor mechanics, stop-loss availability, costs and measurable quality/access outcomes.

Questions for discussion

1. How should Evolent balance growth in Performance Suite against the claims uncertainty described in the Q3 disclosures?
2. Under what conditions would a payer and Evolent prefer T&S, Performance Suite, or a hybrid design? What would make those conditions observable?
3. Which protections would you prioritize in a future contract, and what evidence would cause you to change your recommendation?

Public source list

- **[P1]** Evolent Health, Inc., 2023 Form 10-K, filed February 23, 2024. [SEC filing](#). Relevant locators: lines 423-426 (business models); 550-553 (competition); 969-978 (risk disclosures); 1815-1825 (2023 lives and PMPM); 1827-1831 (claims costs and margins).

- **[P2]** Evolent Health, Inc., Q3 2024 earnings release, Exhibit 99.1 to Form 8-K, November 7, 2024. **SEC release**. Relevant locators: lines 16-29 (management attribution and cost variance); 54-70 (new agreements); 77-101 (results).
- **[P3]** Evolent Health, Q3 2024 Earnings Slides, dated November 7, 2024. **Company IR presentation**. Relevant locators: slide 2, PDF lines 58-60 (new revenue agreements) and 80-87 (cost variance and management's stated response).
- **[P4]** Evolent Health, Inc., Q2 2024 Form 10-Q, filed August 8, 2024. **SEC filing**. Relevant locators: lines 1622-1631 and 1668-1681 (Q2 and H1 revenue drivers and claims-cost discussion).

The cutoff is November 7, 2024, 6:00 p.m. ET. The later-filed Q3 Form 10-Q and all subsequent contract outcomes are outside the case information set.