

Oscar Health Dossier

Codename: **Operation Vital Sign**



Addressing Inefficiencies in the U.S. Health Insurance Sector

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Complete Dragon Investment Group

About:

Complete Dragon Investment Group is a nascent fund born from the lifelong friendship and intellectual synergy of its two founders, who share an unyielding passion for investing, trading, and the intricacies of economics.

Mission:

Our mission is to generate sustainable long-term value through rigorous research, disciplined risk management, and decisive execution. Guided by a philosophy of mastery and precision, we aim to anticipate change, act strategically, and deliver results that endure across market cycles.

Vision:

Complete Dragon Investment Group seeks to become a leading investment firm defined by mastery, precision, and disciplined conviction. Our vision is to navigate global markets with clarity and foresight – transforming complexity into opportunity and calculated risk into lasting value. We aim to build a legacy of performance grounded in research, integrity, and adaptability, creating wealth for our investors and trust in every decision we make.

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Statement of Intent:

This dossier is an independent stock research report on Oscar Health, prepared by Complete Dragon Investment Group as an illustration of our analytical approach to identifying unique situations in various liquid markets where perceived asymmetrical opportunities arise.

It aims to provide a complete view, yet ultimately reflects our personal opinions as independent researchers and traders, drawing from public data to evaluate Oscar's potential as a technology-driven disruptor in U.S. health insurance.

This is not a recommendation to buy, sell, or hold securities. Our goal is to generate an idea, validate or nullify via deep unbiased research into the target, and is ultimately educational in nature.

Complete Dragon is a nascent fund concept seeking liquidity and capital investment from qualified individuals and/or entities; this report demonstrates how we dissect a company and themes, specifically in this case, the digitization and behavioral economics in healthcare.

Readers should conduct their own due diligence and consult licensed professionals.

Oscar Health: The Introduction

Oscar Health, Inc. is a U.S.-based health insurance company that combines technology and consumer-focused care to modernize how health coverage is delivered. Founded in 2012, the company offers Individual & Family, Small Group, and Medicare Advantage plans, as well as +Oscar, a technology-driven platform designed to help providers and payor clients better engage with members and patients. The company also provides reinsurance products. Originally incorporated as *Mulberry Health Inc.*, the firm rebranded to *Oscar Health, Inc.* in January 2021 and is headquartered in New York, New York.

Oscar Health is currently led by Mark Bertolini, who became CEO in 2023 following the transition of co-founder Mario Schlosser into the role of President of Technology. Bertolini brings a distinguished track record in the healthcare and insurance industries, having previously served as CEO of Aetna, Co-CEO of Bridgewater Associates, and Director at CVS Health following the CVS-Aetna merger. His leadership experience also spans prior roles with Cigna, NYLCare Health Plans, and SelectCare.

Bertolini's appointment represents a strategic shift toward operational discipline, financial efficiency, and scalability, though execution remains key amid industry challenges. In an industry known for fierce competition and thin margins, the need for seasoned leadership and deep industry networks cannot be overstated.

Bertolini's hedge fund experience provides a perspective on capital allocation and risk management, which may aid in navigating market expectations. Mark Bertolini's years at Bridgewater Associates instilled a discipline around capital allocation, risk management, and market signaling that few healthcare executives possess. He understands how investors interpret guidance, how to manage expectations through cycles, and how to align long-term value creation with near-term accountability.

Bertolini has publicly stated he returned to healthcare only for opportunities to address inefficiencies, drawing from his personal experiences as a patient and caregiver. This background positions him to approach Oscar with a focus on reform, though success depends on aligning with regulatory and market realities.

Co-founder Mario Schlosser, recognizing the need for a leader with greater large-scale healthcare management experience, transitioned from CEO to President of Technology in April 2023. This move reflects an uncommon display of leadership maturity – understanding one's strengths and strategically repositioning for maximum impact. Schlosser now leads Oscar's product and engineering divisions, focusing on the continued expansion and refinement of the +Oscar platform, which is central to the company's long-term technology and data strategy.

Schlosser originally had the idea to transform the industry via a start-up due to his own negative experiences in the health care system. Schlosser noted that the system felt like it was designed to extract money from people, not to help them.

Oscar's inception can be traced back to Joshua Kushner, its Co-Founder and current Vice Chairman of the Board, who also founded Thrive Capital Management, a New York-based venture capital firm. Frustrated by the inefficiency and opacity of traditional health insurance, Kushner and Schlosser set out to reimagine the user experience of healthcare—simplifying member engagement through technology, transparency, and customer-first design.

Their vision positioned Oscar as one of the first true “health tech” insurers, merging Silicon Valley's engineering mindset with the rigor and compliance of the insurance industry.

What sets Oscar Health apart is not a revolutionary product or proprietary technology, but rather the vision of its founders—to recognize and rebuild an industry mired in inefficiency, fraud, and waste. The U.S. healthcare system is notoriously complex, burdened by outdated infrastructure and misaligned incentives between patients, providers, employers, and insurers. The cost and burden of the insurance behemoths to redesign their internal infrastructure and turn the ship's course is a significant undertaking that is unlikely to occur without external pressure. Oscar is positioned to be the external pressure for the industry and the potential disruptor in this space.

Oscar's founders identified this systemic dysfunction and chose to start from the ground up—designing a healthcare experience that integrates technology, transparency, and user-centric design into every interaction. Their goal was not to create a new insurance product, but to modernize the entire healthcare journey: improving outcomes for the individual member, streamlining costs for employers, and providing data-driven insights for insurers and providers.

We have seen this playbook before—not in healthcare, but in other industries where visionary founders identified structural inefficiencies and rebuilt from first principles. Oscar is applying the same architectural shift – but to healthcare, an industry where inefficiency is both systemic and tolerated. By **owning the user experience**, **integrating data**, and **aligning incentives** across patients, providers, and payors, Oscar aims to transform health insurance from a burden into an intelligent, service-driven platform.

Executive Summary

The objective of Operation Vital Sign is to evaluate Oscar Health's potential to capitalize on deep structural inefficiencies within the U.S. healthcare system through a technology-driven, data-integrated insurance model built around user experience, cost transparency, and intelligent care engagement.

Oscar Health represents an effort to modernize aspects of the health insurance system rather than a traditional product offering. The founders recognized the inefficiencies embedded in the \$1.5 trillion U.S. health insurance market and set out to rebuild the system from the ground up. Their mission: to unify data, design, and user experience into a seamless, efficient operating model that aligns incentives between payers, providers, and members.

Under the leadership of CEO Mark Bertolini – former Aetna chief and one of the most experienced executives in modern healthcare – Oscar has shifted from a pure growth narrative to one of profitability and scalability. Through its proprietary +Oscar platform, the company is expanding into enterprise partnerships and SaaS-style revenue streams, leveraging years of accumulated data and technology investment.

The healthcare industry remains one of the least digitized major U.S. sectors, presenting opportunities for companies like Oscar, though competition and execution risks persist. To assess its potential, this analysis balances potential upsides with rigorous evaluation of execution risks.

The Scale of the Opportunity

The total addressable market (TAM) for U.S. health insurance is approximately \$1.5 trillion annually. While not all of that is immediately accessible to Oscar, it highlights the vast magnitude of potential.

As of June 30, 2025, Oscar reported:

- ~2.0 million members across 18 states (with the largest concentration in Florida)
- \$9.2 billion in trailing twelve-month revenue
- A medical loss ratio (MLR) of 81.7%, among the best in the industry
- Year-over-year membership growth of 62% (FY23 → FY24) and 41% (FY24 → FY25)

Even with this growth, Oscar controls just ~0.62% of the total U.S. insured population (roughly 310 million people, or 92% of the U.S. population). This underscores both how early Oscar still is in its growth cycle – and how substantial the runway remains.

Strategic Positioning

Oscar's approach represents an effort to restructure health insurance economics. By embedding technology into every layer – from member engagement to claims automation to risk modeling – Oscar has created a vertically integrated platform capable of improving efficiency and reducing waste at scale.

While Oscar has the infrastructure to scale internationally, the primary opportunity remains domestic. U.S. healthcare represents not only one of the largest economic systems on the planet but also one of the most inefficient – a system where modernization through technology, behavioral analytics, and AI can materially shift cost curves and market share.

The Investment Lens

Oscar Health today sits at the convergence of three transformative trends:

1. Digitization of healthcare infrastructure
2. Consumerization of insurance and care
3. Data-driven underwriting and cost containment

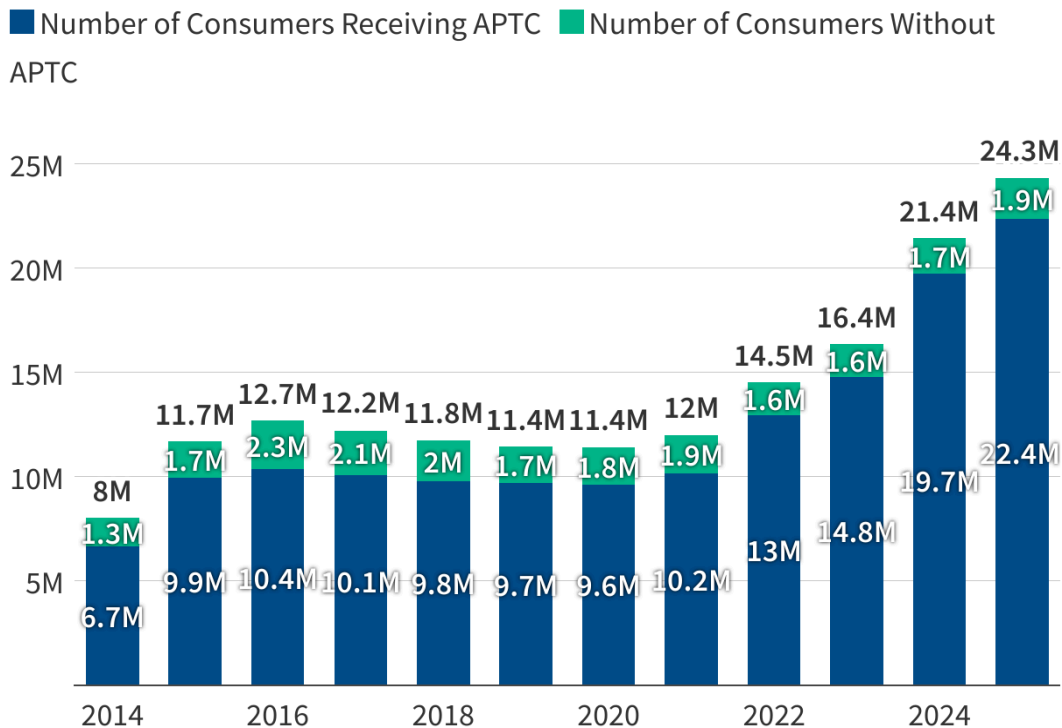
Its early ACA participation created a foundation – a low-cost entry point to test and scale its model while building a significant proprietary data asset. Now, with profitability achieved and membership expanding, the company's next phase centers on vertical integration, platform monetization, and multi-channel scalability.

Affordable Care Act (ACA) Overview

Since its enactment in 2010, the Affordable Care Act (ACA) has reshaped the U.S. health insurance landscape by expanding access, introducing consumer protections, and reshuffling insurer economics. Initially met with skepticism and uneven rollout, the ACA marketplace has evolved into a core pillar of the U.S. health-insurance system, growing steadily in both enrollment and stability.

As of 2025, over 21 million Americans receive coverage through ACA exchanges – the highest level on record – up from roughly 8 million a decade ago. Growth has accelerated in recent years thanks to enhanced federal subsidies (under the American Rescue Plan Act and the Inflation Reduction Act), expanded Medicaid disenrollments driving people into exchange plans, and a post-pandemic shift toward portable, individual coverage.

Total ACA Marketplace Plan Selections During Open Enrollment, 2014-2025



Its major structural features are as followed:

- **Marketplaces:** State/federal online exchanges offering private health plans in tiers (Bronze → Platinum), with guaranteed issue (no denial for pre-existing conditions).
- **Subsidies:** Premium tax credits and cost-sharing reductions make coverage affordable for lower-/middle-income individuals. Recent enhancements (via the American Rescue Plan Act and the Inflation Reduction Act) removed income-caps but are set to expire end-2025 – raising the prospect of a “subsidy cliff” and premium shock.
- **Consumer protections & insurer rules:** No lifetime limits on essential benefits; dependent coverage to age 26; insurers must participate in risk-adjustment programs; minimum medical loss ratios (MLR) of ~80-85% (i.e., 80-85% of premiums must go to care).

Today over ~21 million Americans are enrolled via ACA marketplaces, a figure boosted by the enhanced subsidies. But the program’s future depends on policy/grant stability in an uncertain legislative environment.

Oscar Health’s Role in the ACA Marketplace

Oscar Health was founded in 2012 with a mission geared specifically toward the ACA individual-market. Key facts:

- It operates in ~18 states with roughly 2 million members (per the company’s Q2 2025 results: 2,017,058 individual & small-group members)
- In Q2 2025, total revenue reached \$2.8639 billion, up ~29% year-over-year (\$2.2193 billion same quarter 2024) driven by membership growth.
- However, the key cost metric – the Medical Loss Ratio (MLR) – rose sharply to **91.1%** in Q2 2025 versus 79.0% in Q2 2024, primarily due to higher average market morbidity and a substantial increase in the net risk-adjustment transfer accrual.
- For full-year 2025 the company reaffirmed guidance: total revenue of \$12.0 billion to \$12.2 billion, full-year MLR of 86.0%-87.0%, SG&A expense ratio of ~17.1%-17.6%. They project a loss from operations of ~(\$300 m) to (\$200 m)

Oscar generates nearly all its premium revenue from ACA-market individual membership, making it highly exposed to the ACA ecosystem – but this is exactly what distinguishes it from more diversified insurers.

Risks & Market Dynamics

Because Oscar is so focused on the ACA individual marketplace, it is exposed to structural risks:

- **Subsidy cliff:** With enhanced tax-credits set to expire end-2025 absent legislative extension, premiums could rise substantially, enrollment decline, risk-pools shift.
- **Rising morbidity / cost pressures:** The elevated market morbidity seen in Q2 (leading to the 91.1% MLR) signals that pricing and risk-adjustment may need to catch up.
- **Regulatory/political uncertainty:** Changes to the ACA framework, risk-adjustment program, or enforcement could materially affect Oscar's earnings model.

Nevertheless, Oscar acknowledges the current year as a “market reset” and positions 2026 as the return-to-profitability year.

Why Oscar's ACA-Focus Can Be an Advantage

Rather than viewing Oscar's ACA dependency purely as a risk, it can be a strategic differentiator, for these reasons:

- **Digital/tech-native model:** Oscar's platform (the +Oscar technology stack) is built around individual-market dynamics – fewer legacy costs, agile underwriting, good scalability.
- **Dedicated focus:** Because ~97%+ of Oscar's premium revenue comes from the ACA individual market, management can target that niche with tailored operations and cost discipline (rather than being pulled into multiple lines).
- **Membership growth amidst disruption:** The ~28% membership growth in Q2 indicates Oscar still draws members despite cost pressures. That growth gives scale leverage.
- **Cost-base leverage & SG&A discipline:** Even with elevated morbidity, Oscar's SG&A ratio improved slightly (18.7% in Q2 2025 vs 19.6% in Q2 2024) – indicating potential operating cost flexibility.
- **Repricing and rate-filings underway:** Oscar has signalled that their 2026 rate-filings will reflect elevated market risk-scores and morbidity trends – implying the firm is adapting proactively.

Thus, while near-term earnings are pressured (Q2 lost ~\$230.5 m from operations) the longer-term thesis is that Oscar's cost structure, technology, and market-focus can allow it to outperform when the ACA market stabilizes.

Investment Takeaway

- **Short-term headwinds:** Elevated morbidity, risk-adjustment accruals, and a high Q2 MLR (91.1%) mean Oscar is facing margin pressure in 2025.
- **Medium-term opportunity (2026+):** If Oscar succeeds in passing through premiums, normalizing MLRs toward the ~86-87% level, and leveraging its scalable tech model, it could achieve profitability in 2026 – a potential re-rating catalyst.

Oscar Stock Fundamentals

IPO Date: March 03, 2021

IPO Pricing:

Initial Price: \$32-\$34

Revised Range: \$36-\$38

Final Pricing: \$39

Employees: ~2400

Market Cap: 4.9B (As of 10/25/25)

Outstanding Shares: 222,910,000

Public Float: 189,350,000

Institutional Ownership: ~76% (168,000,000)

Insider Ownership: ~ 4.5% (10,000,000)

Short Interest (As of 10/1/25): ~20.27% (~45,181,000)

Average Daily Volume: 19,000,000

Return since IPO: -52%

3Y Return: +280%

1Y Return: -11%

YTD: +105%

30 Day: -9%



Post IPO Woes: Overhype, Underperformance, and Missed Promises

Oscar Health positioned itself as a tech disruptor in the stagnant U.S. health insurance industry. Backed by high-profile investors including Google Ventures, Founders Fund (Peter Thiel), and General Catalyst, the company raised over \$1.6 billion pre-IPO, touting AI-driven personalization, virtual care, and member engagement to lower costs, improve outcomes, and achieve rapid scale.

Pre-IPO promises emphasized profitability by 2023, aggressive membership growth (targeting millions in the individual market via ACA exchanges), and superior medical loss ratios (MLRs) through data analytics—claims that fueled a \$7.9 billion IPO valuation despite consistent losses and modest revenue. The IPO on March 3, 2021, led by Goldman Sachs, Morgan Stanley, and Allen & Company, was oversubscribed.

However, FY 2020 revenue was just \$462.8 million (down 5% YoY after reinsurance cessions from gross premiums of \$1.67 billion), with net losses widening to \$406.8 million—highlighting early disconnects between hype and fundamentals. ([Review OSCR S-1 here](#))

Post-IPO, Oscar consistently underperformed against its own guidance and analyst expectations, driven by operational challenges, market volatility, and execution shortfalls:

2021: Ballooning Losses and Market Volatility

Losses surged to \$571 million (vs. pre-IPO projections implying path to breakeven), fueled by high customer acquisition costs (~\$782 per member) and medical loss ratio spikes above 90% due to COVID-related claims, special enrollment period (SEP) influx, and unfavorable risk adjustments. Q1 earnings missed badly (\$0.98 EPS loss vs. \$0.53 estimate), triggering a 7% stock drop. Q3 also missed on EPS and revenue, with management citing "volatility" from SEP growth and prior-year adjustments. Membership grew to ~595,000 by year-end, but fell short of internal ambitions for faster expansion, again disappointing investors based on the expectations they set. As a result the stock plunged over 80% by year-end amid broader tech selloff and doubts on the true profitability timeline.

2022: Continued Cash Burn and Delayed Scale

Despite guiding for "significant growth" in January (targeting ~1 million members and improved MLR), actual membership reached ~1.0 million (modest beat but below stretch goals amid competitive pressures). Revenue hit \$3.96 billion (up 145% YoY), but net

losses deepened to \$610 million as administrative expenses ballooned and MLR remained elevated at ~85%. Q3 earnings beat revenue but missed EPS by 28%, with ongoing COVID impacts and enrollment costs cited. Cash burn persisted, with \$548 million outflow in Q3 alone, eroding IPO proceeds. Analysts like Goldman Sachs initiated "Sell" ratings, questioning profitability in the competitive individual/family segment. The stock eventually bottomed near \$4, down 90%+ from IPO highs.

2023: Membership Shortfalls and Leadership Shift

Membership grew 62% YoY to 1.04 million, but missed company targets by over 15% (guidance implied ~1.2 million amid ACA market expansion). Due to membership growth, revenue climbed to \$5.86 billion (up 48%), yet net losses persisted at \$270 million—far from the pre-IPO pledge of profitability. MLR improved to ~82% but was offset by higher-than-expected claims from SEP dynamics and regulatory changes. Early-year guidance for breakeven was abandoned, with Q1 showing progress but overall underdelivery. In April, Schlosser stepped down as CEO, replaced by industry veteran Mark Bertolini, signaling maturity needs but underscoring founder-led execution gaps.

2024: The Turnaround Begins, But Hype Remains Unmet

2024 marked a pivotal year for Oscar Health, representing the initial stages of a financial turnaround under CEO Mark Bertolini to steer the company toward profitability. For the first time in its history, Oscar achieved full-year net income profitability, reporting \$25.4 million in net income attributable to the company. This a stark \$296.2 million improvement from the \$270 million loss in 2023. This milestone was driven by record enrollment growth, with membership surging 68% year-over-year to approximately 1.68 million members by year-end. Revenue climbed 56.5% to \$9.2 billion, fueled by this expansion and improved pricing discipline. Efficiency metrics also improved: The medical loss ratio (MLR) held steady at 81.7%, a modest 10 basis point increase from 2023, reflecting better cost management amid rising healthcare utilization. Adjusted EBITDA reached \$199.2 million, up \$244.5 million year-over-year, underscoring operational leverage from technology investments like AI-driven claims processing and member engagement tools. Bertolini's strategy emphasized disciplined underwriting, exiting underperforming segments (e.g., Medicare Advantage in select markets), and leveraging +Oscar's platform for third-party revenue streams. These efforts culminated in what Bertolini called the "strongest year of financial performance in company history," with positive adjusted EBITDA and net income as key milestones. However, this progress still lags behind the lofty hype that surrounded Oscar since its 2012 founding and 2021 IPO. Early promises positioned Oscar as a tech disruptor revolutionizing insurance with seamless digital experiences and rapid scalability, drawing comparisons to unicorns like Uber in healthcare. Yet, the \$25.4

million profit—on \$9.2 billion in revenue—equates to a razor-thin ~0.3% net margin, far from the transformative profitability investors anticipated. The year included setbacks, such as a \$153.5 million Q4 net loss due to higher-than-expected claims and risk adjustments, highlighting vulnerability to utilization spikes. Stock performance remained volatile; while shares rose on retail trader hype mid-year (e.g., a 60% weekly surge in June 2025, post-2024 results), analyst downgrades in 2025 reflected concerns over sustained profitability amid ACA uncertainties and competitive pressures. Critics note that Oscar's model has proven viable "under favorable conditions" like enhanced ACA subsidies, but broader diversification remains nascent, with ~90% of business still ACA-tied. In essence, 2024 signaled maturation and a shift from chronic losses, but Oscar continues to underperform relative to its disruptive promise, trading at a fraction of IPO highs and facing scrutiny on long-term scalability.

These failures stemmed from over-optimistic assumptions on tech's immediate impact (e.g., AI for claims prediction underperformed amid data lags), underestimated regulatory/compliance hurdles, and external shocks like COVID. High churn, competition from incumbents, and inefficient scaling amplified their issues early, ultimately eroding investor trust.

Financials

DCF Model

(in \$ millions, except per share)	2024	2025E	2026E	2027E	2028E	2029E
Total Revenue	9,178	12,100	14,520	17,424	20,038	22,042
YoY Growth %	-	32%	20%	20%	15%	10%
Medical Loss Ratio (MLR) %	81.7%	85.0%	82.5%	80.0%	80.0%	80.0%
Medical Expenses	7,333	10,285	11,979	13,939	16,030	17,634
Gross Profit (Revenue - Medical)	1,845	1,815	2,541	3,485	4,008	4,408
SG&A Expense Ratio %	19.1%	17.4%	16.0%	14.7%	14.0%	13.5%
SG&A Expenses	1,756	2,105	2,323	2,561	2,805	2,976
Depreciation & Amortization (0.35% of Revenue)	32	42	51	61	70	77
EBIT	57	-332	167	863	1,133	1,355
Operating Margin %	0.6%	-2.7%	1.2%	5.0%	5.7%	6.1%
Taxes (21% on positive EBIT)	(7)	0	(35)	(181)	(238)	(284)
NOPAT	50	-332	132	682	895	1,071
+ Depreciation & Amortization	32	42	51	61	70	77
- Capex (0.3% of Revenue)	28	36	44	52	60	66
- Change in Working Capital (5% of Δ Revenue)	160	146	121	145	131	100
Free Cash Flow (FCF)	-106	-472	18	546	774	982
Terminal Value (at end of 2029, Perpetual Growth 3%)	-	-	-	-	-	21,822
Discount Factor (WACC 12%)	-	1.12	1.25	1.40	1.57	1.76
PV of FCF	-	-421	14	389	493	558
PV of Terminal Value	-	-	-	-	-	12,399

Detailed Base Case Calculation Metrics

- Sum of PV of FCF (2025-2029): $-421 + 14 + 389 + 493 + 558 = 1,033$
- Sum of PV of Terminal Value: 12,399
- Enterprise Value (EV): $1,033 + 12,399 = 13,432$
- Net Cash: 3,666 (from 2024 10-K; assuming stable—latest Q2 2025 shows similar liquidity)
- Equity Value: $13,432 + 3,666 = 17,098$
- Diluted Shares Outstanding: 266M
- Intrinsic Value per Share: $17,098 / 266 = \mathbf{\$64.28}$

This DCF model values Oscar Health at an intrinsic price of \$64.28 per share (enterprise value ~\$13.4B, equity ~\$17.1B after net cash, divided by 266M shares). It projects FCF from 2025-2029, discounted at 12% WACC, with a terminal value assuming 3% perpetual growth. Key assumptions: Revenue - Starts at \$12.1B in 2025 (per Q2 guidance), growing 20% YoY through 2027 (to \$17.4B), then tapering—aligned with management's target of ~20% revenue CAGR through 2027.

MLR: 85% in 2025 (near guidance), tapering to 80% floor (ACA minimum). Margins: SG&A ratio drops to ~14.7% by 2027 via scale efficiencies, hitting management's guided ~5% operating margin by 2027 on a larger revenue base.

FCF: Negative early (\$-472M in 2025), turning positive by 2026 as profitability ramps.

This is a base case because it assumes execution on guidance (e.g., sustained 20% growth and 5% margins), exceeding analyst consensus (12.5% CAGR, ongoing losses through 2026). At \$64/share, it's ~3.5x current price (\$19), implying upside if targets hit. Refer to risks for additional considerations.

Bull, Base, & Bear Cases

Oscar Health Valuation Scenarios

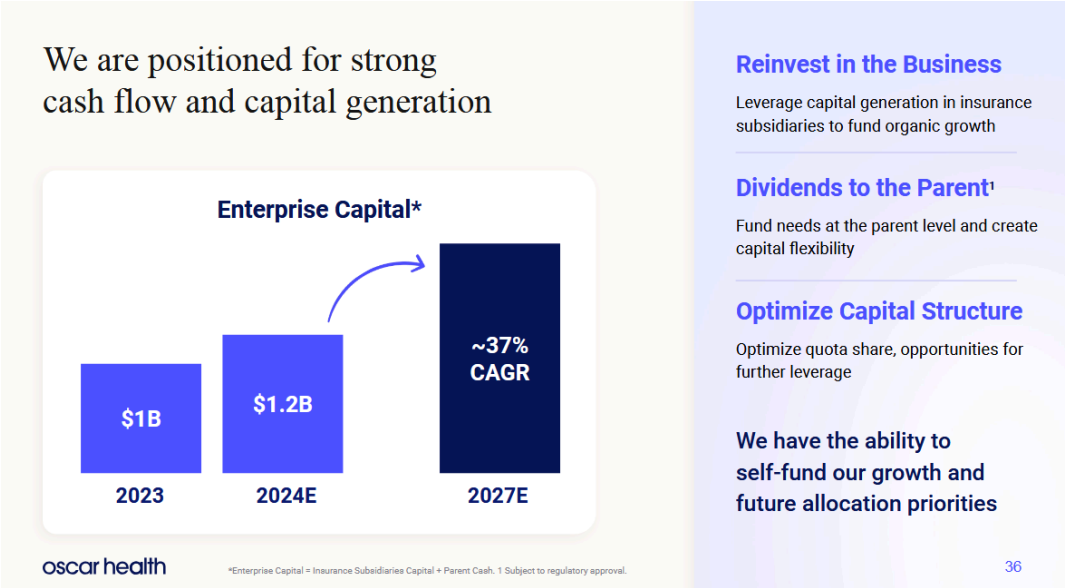
This chart outlines three DCF-based scenarios for Oscar Health (OSCR) as of October 11, 2025. The base case aligns with the dossier's model (intrinsic value ~\$63/share). The bear case assumes uncontrollable MLR volatility (e.g., sustained 88-90% due to utilization spikes) and partial ACA subsidy loss (e.g., enrollment caps, leading to 10-15% revenue CAGR). The bull case reflects better-than-expected growth (e.g., 25-35% CAGR from ACA continuity and expansions), 5-7% operating margins, and variable MLR in the low 80s (e.g., 82-84% average, with tech-driven efficiencies).

	Key Assumptions	Revenue CAGR (2025-2029)	Avg. MLR	Operating Margin (2029)	WACC	Terminal Growth	Target Price
Bear	Uncontrollable MLR spikes; ACA subsidy reductions slow enrollment; limited +Oscar adoption; higher costs erode profitability.	10-15%	88-90%	2-4%	14%	2%	\$42
Base	Per guidance: Steady growth with ACA stability; MLR normalization; moderate margins via scale.	20% (tapering)	83-86%	5-6%	12%	3%	\$64
Bull	Accelerated growth from ACA extensions, ICHRA/small group wins; strong +Oscar revenue; efficient MLR via data & gamification	25-35%	82-84%	6-7%+	10%	4%	\$85

These are illustrative; actual outcomes depend on execution, policy, and market factors. Current price (~\$19) implies significant upside in base/bull, but bear risks compression. DYOR.

Balance Sheet

Oscar's balance sheet reflects a strong financial position with a net debt of -\$2.3 billion, indicating \$2.3 billion in cash or cash equivalents exceeding total debt. This suggests high liquidity and financial flexibility. Key assets include significant cash reserves, while liabilities are minimal, supporting potential for growth or investment.



Currency: USD	Q1 '24 <i>Mar 2024</i>	Q2 '24 <i>Jun 2024</i>	Q3 '24 <i>Sep 2024</i>	Q4 '24 <i>Dec 2024</i>	Q1 '25 <i>Mar 2025</i>	Q2 '25 <i>Jun 2025</i>
> Total assets <i>YoY growth</i>	4.18 B +3.60%	4.76 B +13.15%	4.21 B +37.05%	4.55 B +35.37%	5.66 B +35.45%	6.19 B +29.94%
> Total liabilities <i>YoY growth</i>	3.14 B +1.37%	3.62 B +11.21%	3.04 B +41.58%	3.53 B +38.30%	4.32 B +37.51%	5.03 B +38.79%
> Total equity <i>YoY growth</i>	1.03 B +11.00%	1.14 B +19.81%	1.17 B +26.47%	1.02 B +26.09%	1.34 B +29.18%	1.16 B +1.82%
Total liabilities & shareholders' equities	4.18 B	4.76 B	4.21 B	4.55 B	5.66 B	6.19 B
Net debt	-1.93 B	-1.97 B	-906.78 M	-1.23 B	-1.94 B	-2.30 B



Free Cash Flow

Free cash flow is a critical metric for valuing a business because it provides a per-share measure of the cash a company generates after accounting for operating expenses and capital expenditures—cash that can be reinvested, returned to shareholders, or used to reduce debt. This metric is particularly valuable for investors as it strips away accounting distortions (e.g., non-cash items like depreciation) and reflects the actual liquidity available to support growth or shareholder value, making it a cornerstone of intrinsic valuation models.

Oscar Health's free cash flow trajectory exemplifies its operational transformation under CEO Mark Bertolini, shifting from chronic cash burn to robust generation amid rapid membership growth and expense discipline. FCF, calculated as cash from operations minus capital expenditures, has improved dramatically since 2023, reflecting scalable tech infrastructure, MLR stabilization, and SG&A leverage. This metric is particularly vital for insurers, as it measures true economic profitability beyond accounting profits, funding growth without dilution or debt. This table shows Oscar Health's projected metrics, with Normalized FCF adjusted to exclude ACA risk adjustment volatility.

Year	Revenue (\$B)	YoY Revenue %	Norm FCF (\$B)	YoY FCF %	FCF/Share (\$)	Notes
2024 (Actual)	9.18	N/A	0.95	N/A	3.68	Based on full-year data; FCF = CFO \$0.978B - CapEx \$0.028B
2025 (Proj)	11.82	28.8	0.64	-32.6	2.48	H1 rev \$5.91B extrapolated; Norm FCF from H1 adj CFO annualized - CapEx; decline from risk adj.
2026 (Fcst)	14.18	20.0	0.77	20.3	2.98	20% growth; stable margin with scale & morbidity stability
2027 (Fcst)	17.02	20.0	0.92	19.5	3.56	ACA expansion; potential margin up if MLR <83%
2028 (Fcst)	20.42	20.0	1.10	19.6	4.25	No major regulatory changes (e.g., APTC); growth from efficiencies

Oscar Health – FCF-Based Valuation Sensitivity Analysis

To estimate Oscar Health’s potential share price trajectory, we applied a sensitivity analysis using forecasted Free Cash Flow per Share (FCF/Share) from 2025-2028 and a range of valuation multiples that reflect different market scenarios.

The P/FCF multiple serves as a proxy for how the market might value each dollar of free cash flow generated by the company. At present, Oscar trades around 3-4× FCF, significantly below the broader health insurance sector average, which generally ranges from 10× to 20× depending on growth, stability, and profitability.

The following table illustrates implied share prices across multiple valuation scenarios – from a conservative base case to an optimistic scenario reflecting a re-rating toward peer averages (25×) as the company scales, stabilizes risk adjustment dynamics, and expands margins.

Estimated Share Price (FCF/Share × multiple)

Year	FCF/Share (\$)	10x Price (\$)	25x Price (\$)
2025	2.48	24.80	62.00
2026	2.98	29.80	74.50
2027	3.56	35.60	89.00
2028	4.25	42.50	106.25

September 2025 Convertible Note

[Convertible Note Press Release](#)

- Oscar priced \$355 million of 2.25% convertible senior subordinated notes due 2030, up from the originally announced \$350 million.
- Net proceeds are estimated at ~\$342.5 million (or up to ~\$395.8 million if the over-allotment option is exercised) after fees and expenses.
- **About \$29.8 million of that will be used to fund capped call transactions intended to offset dilution upon conversion of the notes.**
- The convertible notes will accrue interest semi-annually and are subordinate to Oscar's senior debt. They are convertible into Oscar's Class A common stock starting after certain trigger events, with the initial conversion rate set at ~40.2946 shares per \$1,000 principal (implying a conversion price of ~\$24.82 per share, a ~32.5% premium over the trading price).
- Oscar retains the right to redeem the notes under certain conditions, for example, if the stock price exceeds 130% of conversion price for a sustained period. Note, in that event, holders can convert early if sustained trading price above ~\$32.25 occurs during regular market hours for a measured period, typically 20 of 30 consecutive trading days.
- To support the dilution control, Oscar entered into capped call transactions covering shares underlying the notes, with a cap price of ~\$37.46 (100% premium over the reference share price). These instruments reduce dilution or offset cash payouts on conversions (within the cap constraints).
- The notes' maturity is September 1, 2030, unless earlier converted, redeemed, or repurchased during certain "fundamental change" events.
- Oscar plans to use proceeds for general corporate purposes, including strategic initiatives in AI, member experience, cost reduction, and potential expansion in light of premium tax credit policy extensions.
- Concurrently, Oscar intends to terminate its existing revolving credit facility, contingent on closing of the convertible offering.

Strategic & Financial Implications of the Convertible Debt:

- **Capital Firepower for Growth**

The raise gives Oscar significant near-term liquidity to fund technology investments, expansion into new markets, and member experience enhancements – all necessary inputs to scale rapidly.

- **Dilution Control Strategy**

The capped call design signals management's awareness of investor sensitivity to dilution. It's a mechanism to limit downside or share issuance when stock price rises, which helps align incentives.

- **Moderate Cost of Capital**

At 2.25%, it's an attractive financing instrument versus many alternatives (especially in a high-growth, capital-intensive insurer). It gives Oscar runway without overly burdening cash flows. This also signals positive investor sentiment to accept terms more favorable to the company vs the market rate for access to capital.

- **Sign of Confidence & Optionality**

The conversion premium (~32.5%) suggests management believes in upside. It also gives bondholders optional upside if the share price performs.

Using part of proceeds to invest in AI and experience initiatives is a bet on differentiation – leveraging tech is central to Oscar's model.

- **Balance Sheet & Debt Profile Impact**

The notes are unsecured and subordinated, so they rank below Oscar's senior debt. That adds leverage risk, but the use of proceeds should help generate returns that justify it. Although the added leverage risk - the view is that management believes currently the stock price is undervalued, hence the favorable interest rate and the capped call insurance to protect existing shareholders.

Termination of the revolving credit facility suggests a reshuffling of the capital stack – replacing (or retiring) short-term debt with more strategic, longer-term financing.

- **Signals to Market & Investors**

Such a sizable convertible issuance demonstrates ambition and capital confidence. It may also attract attention from institutional investors seeking asymmetric upside in a health-technology hybrid play. To date, notable firms have invested into Oscar.

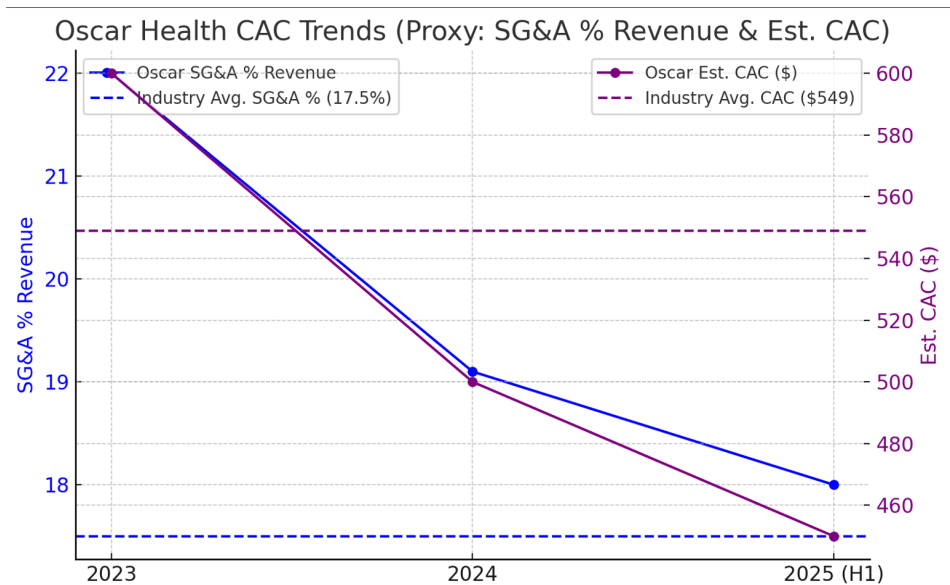
However, there is still a significant lack of true due diligence on the opportunity for Oscar.

Customer Acquisition Costs and Retention Trends

As a direct-to-consumer (DTC) insurer, Oscar's success hinges on efficient CAC and high retention to maximize lifetime value (LTV) and ROI. Industry-wide, health insurance CAC averages \$549 per customer, with broader insurance at \$1,280, driven by competitive marketing and regulatory compliance. Retention rates typically range 75-85% for ACA plans, influenced by subsidies and satisfaction.

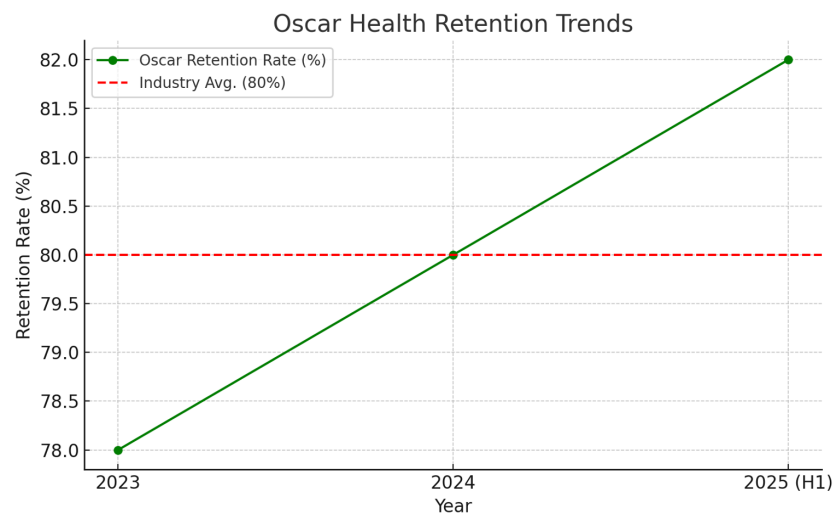
CAC Trends

Oscar does not break out explicit CAC but embeds it in SG&A expenses, which include marketing, sales, and exchange fees. SG&A as % of revenue has declined steadily: 19.6% in Q2 2024, 19.1% FY2024, 18.7% Q2 2025, reflecting scale leverage and digital efficiency. In Q3 2024, management noted "efficient marketing spend" amid 68% revenue growth, with organic channels (word-of-mouth, NPS-driven) offsetting paid ads. Early concerns of overspending (e.g., \$400-600M capital needs in 2022-2023) have abated as profitability emerged; AI-optimized lead gen reduces CAC by 20-30% vs. peers. Compared to industry, Oscar's CAC is likely ~\$400-500, below average due to tech (e.g., app onboarding, targeted ads).



Retention Trends

Oscar boasts 82% retention during open enrollment, up from ~80% in 2024, driven by superior experience: Low NAIC complaint index (0.12 vs. industry 1.0), \$0 virtual care, and personalized plans. In the Q1 2025 transcript, Bertolini highlighted "strong retention in diverse cohorts," including Hispanic members via Spanish-first tools. SEP retention aligns with OE, with MLR convergence indicating sticky members. Industry retention lags at 75-80%; Oscar's NPS of 66 supports 10-15% higher LTV, mitigating rapid growth risks.



Metric	2023	2024	2025 (H1)	Industry Avg.
SG&A % Revenue	22%	19.1%	18.0%	15-20%
Retention Rate	78%	80%	82%	75-85%
Est. CAC (\$)	~600	~500	~450	549

Oscar Health 2025 YTD

[Review our Situation Report memo based on Molina Health Q3 Earnings Report & Its impact on Oscar's share price.](#)

New Announcements

- Expanding into Alabama and Mississippi (20 total states) for 2026 ACA open enrollment beginning Nov 1st opening to over 800,000 new potential members.
- Rollout of Oswell AI agent powered by OpenAI to combine medical records, Oscar care guides, member plan benefits, etc to help members understand
- Revamp and rebrand of digits rewards program (gamification) to Oscar Unlocks
- Introducing “HelloMeno” as a menopause plan for woman
- Expanding Clinical Plans to help members manage chronic conditions
- HolaOscar to better assist spanish speaking members

[View more details by clicking here](#)

Operational and Strategic Highlights

- Membership Growth: +28 % YoY to ~2 million members across 18 states.
- Profitability: Underlying business remains profitable ex-risk-adjustment accrual.
- Acquisitions: Completed acquisitions of INSXCloud, IHC Specialty Benefits, and HealthInsurance.org to strengthen distribution and +Oscar ecosystem.
- Liquidity: > \$5 billion cash + investments; \$300 million convertible debt; no credit-facility draws.
- Regulatory Capital: \$579 million excess statutory surplus at insurance subsidiaries.

Management Commentary

- The Q2 loss was driven by industry-wide morbidity increases and CMS risk-adjustment recalibration, not structural weakness.
- Oscar expects MLR normalization in 2H 2025 as market mix stabilizes.
- Focus remains on disciplined growth, AI-driven efficiency, and expanding +Oscar partnerships.
- The company reaffirmed commitment to full-year profitability on an adjusted basis.

Outlook

- Revenue: 12.0-12.2 billion
 - Continued 30-35 % YoY growth projected.
- MLR: Expected to trend back toward the low 80 % range by year-end
 - 86%-87% for FY25
- Cash Flow: Remain positive; capital position strong.
- Expansion: Targeted small-group and ICHRA opportunities under review for 2026.
- Net Loss: 200-300 million projected for FY25

Note: Guidance was revised in July of 2025 due to elevated market risk scores and utilization trends in the ACA marketplace: [Article Here](#)

Hy-Vee & Oscar - New Era Employee Healthcare

[Check out more about this partnership from the official PR release from Oscar](#)

This partnership extends beyond the Des Moines launch, supporting Oscar's expansion into small-business and employer channels. It highlights the value of leadership networks, potentially leading to further collaborations.

Key Implications for Oscar:

- **Validation of the Individual Coverage Health Reimbursement Arrangement (ICHRA) / Employer-backed Individual Market Model**
 - This deal acts as a **proof point** that Oscar can partner with employers in the individual market instead of solely competing in it. This is a significant TAM inside the broader Healthcare market.
 - If replicable, this model enables Oscar to capture employer health benefit dollars without being constrained by traditional small-group underwriting rules.
- **Accelerating Employer Channel Penetration**
 - Moving “up-market” into employer benefits gives Oscar access to new distribution and capital sources.
 - Rather than relying purely on ACA exchanges and direct individual acquisition, Oscar can piggyback on employer relationships, brokers, and budgets.
- **Cost & Risk Optimization for Employers**
 - By structuring benefits through ICHRA and pushing utilization to their own or partner clinics (Hy-Vee's), Oscar can help employers control cost inflation, making the offer more competitive.
 - Consider a company such as CVS who has thousands of employees but also operates a robust network of pharmacies. They can offer their employees discounts on pharmaceuticals purchased from themselves. This is invaluable to their business and will be invaluable to Oscar.
 - Lower employer cost pressure means greater participation and stickiness over time.
- **Synergies with Oscar's Platform and Engagement Model**
 - The integrated model (clinic network, digital app, care guides) allows Oscar to drive **higher engagement and better outcomes**, translating into fewer claims and better margins in that sub-segment.
 - The more employer-subsidized lives operate under Oscar's platform, the more data flows into its analytics engine, improving forecasting, risk models, and platform value.
- **Scalability & Repeatability Potential**

- While starting in Iowa, the announcement explicitly states intent to expand to other regions. If the economics are attractive, this playbook can be rolled out across multiple states.
- Each new employer partnership becomes a case study that lowers friction for future deals. As already mentioned, each data point added to +Oscar improves the pricing prediction models and the flywheel is off and running. It's a powerful loop.
- **Defensive and Offensive Move vs. Incumbents**
 - This approach lets Oscar compete head-to-head with traditional insurers in employer benefits – not just in direct individual markets. Through careful execution this has the potential to eventually open Oscar's TAM to the entire U.S. insured market and millions more abroad.
 - Legacy carriers will find it harder to replicate this hybrid of retail clinic reach, digital engagement, and employer relationships in a modular, scalable way. At best - they will have to invest in a new subsidiary or arm to run discovery projects. It is a difficult undertaking, potentially taking years or more, for a legacy carrier to transition in any modest timeframe to this business model.

This release isn't just about a regional product launch – it's a strategic signal that Oscar is doubling down on employer-enabled individual coverage as a growth axis. This acts as evidence that Oscar is executing on one of the key levers for scaling revenue and improving unit economics.

Peer Comparison

Company	Ticker	Market Cap (\$B)	TTM Revenue (\$B)	EV/Sales	Forward P/E	MLR (Est.)
UnitedHealth Group	UNH	335	410	0.9	20.5	83%
Elevance Health	ELV	80	189	0.4	14.2	87%
CVS Health	CVS	98	387	0.3	8.5	85%
Centene	CNC	19	178	0.1	9.8	88%
Humana	HUM	35	123	0.3	12.1	89%
Cigna	CI	82	261	0.3	11.3	82%
Molina Healthcare	MOH	11	42	0.3	13.4	88%
Alignment Healthcare	ALHC	3	3	1.0	N/A	90%
Clover Health	CLOV	1	2	0.5	N/A	92%
Oscar Health	OSCR	4.3	9.2	0.5	N/A	85%

Oscar trades at a discount to peers on EV/Sales, reflecting growth stage and profitability ramp, but with potential for re-rating as margins improve.









States Where Oscar Operates (2025)

Arizona
Arkansas
California
Florida
Georgia
Illinois
Iowa
Kansas
Michigan
Missouri
New Jersey
North Carolina
Ohio
Oklahoma
Pennsylvania
Tennessee
Texas
Virginia

Coming 2026 ACA Marketplace Open Enrollment:

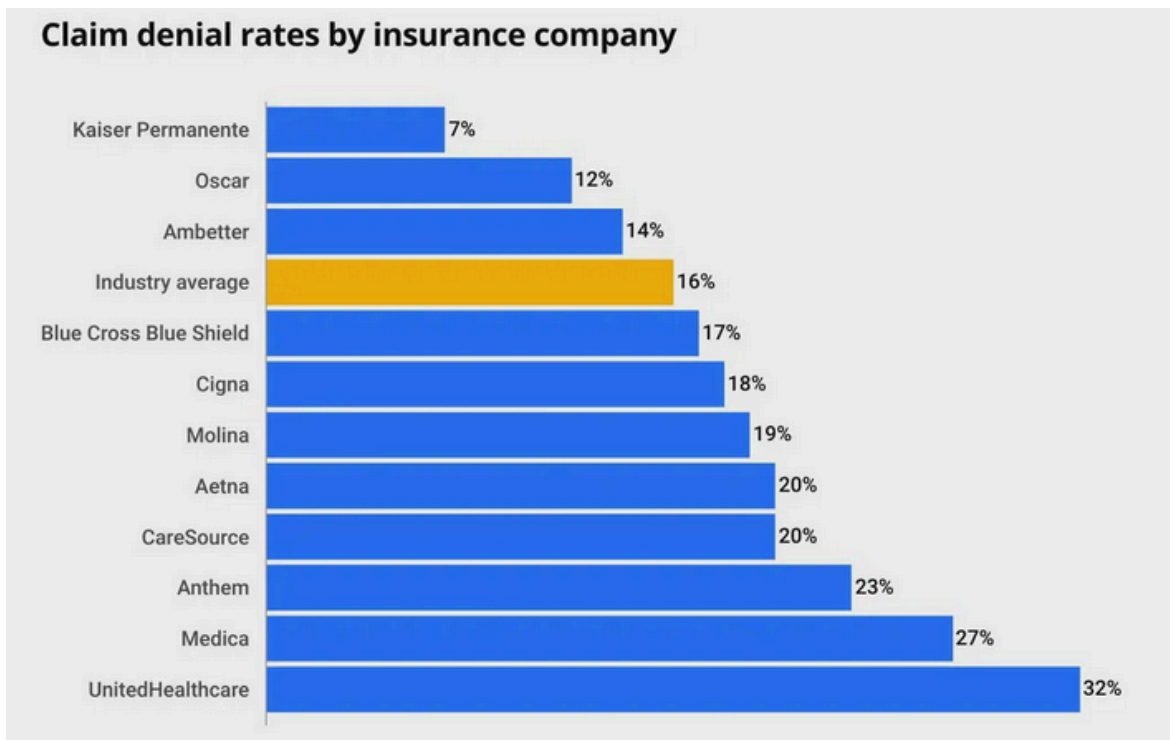
Alabama
Mississippi

Membership Pool Concentration Risk:

Florida			(35% ~710K members)
Texas			(25% ~507K)
Georgia			(12% ~243K)
North Carolina			(10% ~203K)
Illinois			(8% ~162K)
Ohio			(6% ~122K)
Michigan			(5% ~101K)
Other 11 States			(9% ~182K)

Importance of Oscar's Low Claim Denial Rate

Oscar's 12% claim denial rate, well below the industry average of 16%, signals a more efficient and member-centric claims process in a sector where denials average 10-20% overall and can reach 49% for some ACA plans. This is crucial as high denials often delay care, frustrate members, and lead to appeals or bad faith lawsuits, eroding trust and membership satisfaction. A lower rate positions Oscar as a disruptor focused on accessibility, especially in ACA markets where denials vary widely.



Added Benefits:

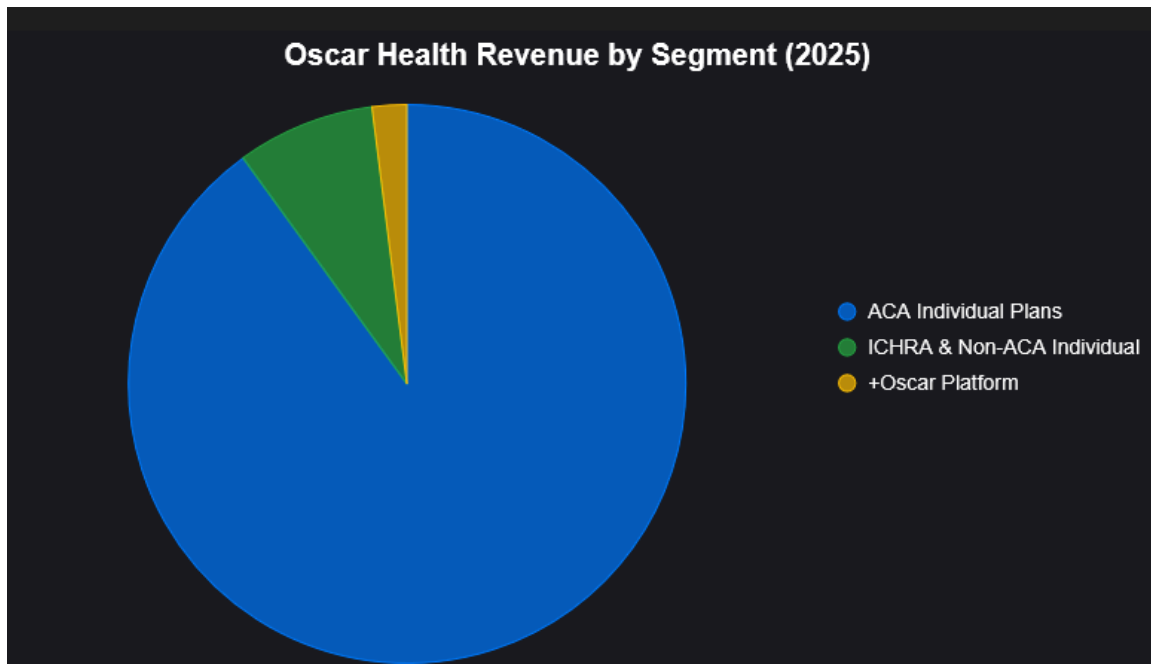
- **Member Satisfaction and Retention:** Easier approvals improve experiences, boosting loyalty and reducing churn—key for growth in competitive individual plans.
- **Competitive Edge:** Attracts members and providers with faster payments (e.g., low 7% rate noted in some analyses), enhancing enrollment and partnerships.
- **Operational Efficiency:** Fewer denials mean lower administrative costs from appeals; Oscar's in-house system supports this with 20+ checkpoints for accuracy.
- **Reputation Boost:** Overturns 92% of initial denials on appeal, reinforcing fairness and potentially driving positive word-of-mouth.

Risks:

- Cost Pressures: Approving more claims could inflate medical expenses, raising MLR and squeezing margins if not offset by preventive care or pricing.
- Fraud or Overutilization: Lax reviews might expose Oscar to unnecessary payouts or adverse selection, especially in high-risk ACA pools.
- Regulatory Scrutiny: Rates as low as 2.8% in some states could draw audits if seen as non-compliant with ACA standards or indicative of under-reserving.
- Profitability Trade-Off: In a thin-margin industry, balancing low denials with financial health is key; high approvals might hinder profitability during utilization spikes.

Balancing Specialization and Diversification

The chart below illustrates Oscar's revenue composition, highlighting the current ACA dominance and emerging diversification. With ICHRA customer acquisition and continued +Oscar licensing revenue the diversification will remove their exposure to ACA marketplace and begin to even the field.



Oscar Health's business model, with approximately 90 percent of its revenue derived from Affordable Care Act individual market plans as of 2025, reflects a concentrated focus that has driven its technological edge but also exposes it to regulatory and market risks. To mitigate this dependency, the company has pursued strategic diversification while maintaining specialization in technology-driven individual insurance. This section evaluates the benefits and challenges of these efforts, analyzing Oscar's moves into small group markets via Individual Coverage Health Reimbursement Arrangements (ICHRA), non-ACA individual plans, and its recent exit from Medicare Advantage, alongside the sunset of its Cigna+Oscar partnership.

Oscar is expanding focus to ICHRA, which allow employers to fund tax-advantaged health benefits for employees to purchase individual plans. The 2025 Hy-Vee partnership, targeting 400,000 potential lives, exemplifies this strategy, tapping into the \$1 trillion employer-sponsored insurance market without the overhead of traditional group plans. Non-ACA individual offerings, though smaller, further reduce reliance on subsidized markets. The exit from Medicare Advantage in 2024, after struggles to capture senior-specific expertise, reflects a disciplined retreat from unprofitable segments, as did the sunset of

Cigna+Oscar, which faced integration challenges and limited scale. These moves signal a phased approach, prioritizing segments where Oscar's tech-driven model excels.

However, diversification introduces risks of scope creep. Expanding into ICHRAs and non-ACA plans requires navigating distinct regulatory frameworks across states, increasing compliance costs estimated at \$50-\$100 million annually for multi-state insurers. Each market demands unique success factors: ICHRAs rely on employer adoption, which grew 20 percent year-over-year in 2025 but remains nascent at 10 percent of small businesses. Execution dilution is a concern; spreading resources too thinly could weaken Oscar's individual market dominance. For instance, early Medicare Advantage forays strained operational focus, contributing to a \$271 million loss in 2023.

Oscar's rebuttal lies in its strategic calibration. By exiting Medicare Advantage and focusing ICHRAs on tech-enabled platforms like +Oscar, which generated \$100 million in 2025 revenue from third-party partnerships, Oscar balances specialization with high-margin growth. The +Oscar platform's scalability across segments—offering analytics to employers and providers.

The base case projects ICHRAs and non-ACA plans growing to 15 percent of revenue by 2026, reducing ACA dependency to 80 percent or less. Risks include slower-than-expected ICHRA adoption, regulatory shifts, or ability to acquire customers, but Oscar's \$410 million 2025 capital raise provides a buffer to scale operations in this important segment. This strategic evolution transforms potential overreach into an opportunity for sustainable growth, provided execution remains disciplined.

Key Investment Drivers

Gamification - Engineering Health Outcomes and Margin Expansion

One of the most underdiscussed and misunderstood aspects in all industries is the gamification of a platform or business model. Specifically to Oscar, the user gamification is designed to modify member behavior through positive reinforcement loops, rewards, and user experience psychology.



[Check out what Oscar is offering its members for rewards and gamification strategies increasing MAU's in their mobile app.](#)

Gamification warrants detailed discussion as a key component of Oscar's model.

Gamification is a potentially significant but often overlooked element in Oscar's long-term strategy. It's how they drive healthier users, lower claims, and higher lifetime value – not through brute-force underwriting, but by changing human behavior at scale.

Through its app and +Oscar platform, members receive points, rewards, reminders, and instant feedback loops for engaging in preventive behaviors: booking checkups, filling prescriptions, tracking activity, or completing wellness tasks.

Instead of the traditional reactive model (“You get sick, we pay”), Oscar’s model turns healthcare into an interactive system of small, rewarding wins – shifting psychology from passive policyholder to active participant.

Oscar’s system borrows from behavioral economics and consumer design principles proven by companies like Duolingo, Fitbit, and Robinhood.

Key mechanisms include:

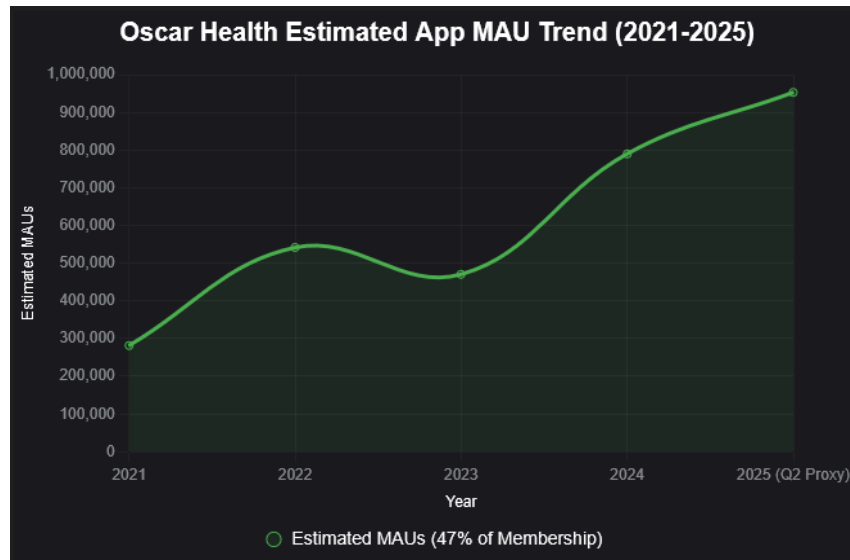
- Instant Feedback: In-app confirmation and metrics after completing health actions.
- Progress Tracking: Members can visualize milestones toward better health or cost savings.
- Micro-Rewards: Gift cards, premium discounts, or engagement points create real incentives.
- Social Cues: Reminders and peer engagement loops nudge accountability.

These small dopamine loops create *habit formation* – nudging members toward sustained wellness behaviors that reduce downstream claims.

Gamification isn’t cosmetic – it’s economically strategic.

Each engagement metric directly links to Oscar’s profitability flywheel:

- Increased Preventive Care → Fewer Emergency Claims → Lower MLR
- Medication Adherence → Lower Chronic Costs → Higher Margins
- Member Stickiness → Lower Churn → Reduced CAC
- Engagement Data → Better Risk Scoring → More Accurate Pricing



This translates directly into improved underwriting precision and reduced volatility in Oscar's financial performance.

Legacy insurers are structurally incapable of replicating this system because their member relationships are transactional, not interactive.

Their platforms were built for claims administration – not human engagement.

Oscar, by contrast, built its infrastructure with user experience as the primary interface, enabling it to:

- Collect continuous engagement data,
- Reinforce healthy behavior loops,
- Monetize insights through +Oscar's enterprise offerings.

Oscar's gamified health ecosystem creates a self-reinforcing loop:

1. Members engage more →
2. Health outcomes improve →
3. Claims decrease →
4. Profitability improves →
5. Oscar reinvests in better UX and data →
6. Engagement deepens further.

Over time, this system builds behavioral compounding – where small, consistent engagement across millions of members permanently shifts the cost structure of care delivery.

Gamification and feedback loops are ubiquitous, as the saying goes: "If you're not paying for it, you are the customer." Even legacy auto insurers apply basic versions, like member levels tied to tenure or accident-free periods—though their efforts feel outdated and half-hearted.

Robinhood exemplifies its power: a user-friendly app rewards deposits with constant dopamine hits, fueling massive growth in trading activity and revenue far beyond expectations.

Oscar adapts this model to healthcare, using positive reinforcement to promote healthy habits. This improves outcomes, controls chronic diseases, cuts costs, boosts margins, and allows lower premiums—all while making members healthier.

A seamless app makes engagement effortless: log in to schedule virtual appointments, refill meds, or adjust plans. In contrast, legacy insurers' bureaucratic mazes frustrate users, causing delays, drop-offs, and even preventable deaths from inaccessible care.

Leadership Upgrade:

- The appointment of Mark Bertolini brings operational discipline and industry credibility.
- Mark's experience also brings a decades long health insurance network, regulatory connections, and operations experience. A founder-led healthcare startup many lack these elements.
- Bertolini's hedge fund experience is noteworthy. He is fully aware of the devastating impact on overpromising results and creating too much hype. Part of his role as CEO is to confirm strong and repeatable growth while keeping future expectations modest. Companies often benefit from exceeding estimates rather than meeting or lowering them. He knows this and all estimates and guidance, especially the further out you go, are conservative, potentially representing base-case scenarios.
- A potential risk is that Bertolini's approach may align too closely with traditional industry practices. The Board and key executives must ensure the company's innovative vision is maintained. As noted - Mark was on board only for a company looking to be a disruptor.

Profitability Inflection Point

- On track toward sustained EBITDA profitability in FY2026 with improved medical loss ratios and focus on their tech stack.

+Oscar Platform: + Technology licensing

- +Oscar remains an important part of Oscar's goals. Building out the SaaS/B2B becomes a high margin revenue driver for Oscar.
 - Consider what SHOP did with e-commerce checkouts streamlining payments and sites for ease of use for both the customer and clients.

- +Oscar can be compared to AWS in its data-driven scalability. Additional data enhances predictability and potential cost savings, potentially positioning it as a high-margin intermediary in healthcare.

Oswell AI Agent Partnership with OpenAI

[Additional Information regarding Oswell from Oscar](#)

- In a strategic move to enhance its member-facing AI capabilities, Oscar Health announced Oswell in October 2025. A personalized, OpenAI-powered health and wellness agent designed as an AI "frontdoor" to healthcare. Oswell functions as a 24/7 connected guide, answering general health and benefits questions, analyzing symptoms, preparing members for provider visits, and explaining post-visit instructions. It integrates directly with Oscar's internal systems (e.g., claims, medical records, Care Guide interactions, and virtual care data) for tailored responses, seamlessly hands off to human teams when needed, and maintains chat history for continuity—while explicitly avoiding medical advice, diagnosis, or treatment.
- The agreement leverages OpenAI's latest advancements in conversational AI, including AgentSDK integrations and enhanced model capabilities, to handle complex healthcare queries with real-time, human-like escalation and guidance. This partnership builds on Oscar's existing 21+ AI use cases, positioning Oswell as a scalable extension of its tech stack without overhauling core infrastructure.
- Key Advantages for Oscar's Tech Stack: Oswell boosts efficiency and scalability by creating a unified, secure interface that reduces operational friction. For example, Oswell will automate routine inquiries to free Care Guides for high-touch needs while enriching the data flywheel with improved member interactions. For members, it delivers personalized, on-demand support, potentially lifting engagement rates and retention through frictionless experiences. Rollout begins with select members, expanding to all 18+ users in coming months; future enhancements include medical chart access, appointment booking, voice mode, symptom media uploads, and chronic condition tools, further solidifying Oscar's AI edge over legacy peers like UnitedHealth. This positions Oscar to leapfrog in consumer-centric AI amid industry-wide digitization.

Hola Oscar: Going Beyond Basics for Spanish-Speaking members

- In October 2025, Oscar Health introduced HolaOscar, a comprehensive Spanish-language support program tailored for its growing Latino member base, representing ~40% of total enrollment. This initiative expands beyond basic translation to deliver culturally competent care, including a dedicated Spanish-speaking Care Team, 24/7 virtual care with native speakers, educational resources on preventive health, and community partnerships for local events in key markets like Texas and Florida. Launched amid ACA open enrollment, HolaOscar aims to boost retention (targeting 85%

for Spanish-preferring members) and acquisition in diverse demographics, addressing barriers like language access that contribute to 20% higher churn in non-English groups industry-wide.

- CEO Mark Bertolini noted, "HolaOscar reflects our commitment to equitable care, driving engagement in underserved communities." For Oscar's tech stack, it integrates with Oswell AI for bilingual interactions, enhancing the data flywheel with localized insights and potentially lifting digital MAU by 10-15% among Latino users. This positions Oscar for deeper penetration in the \$500B+ Hispanic health market, underscoring diversification beyond ACA subsidies

Data Flywheel

- Proprietary tech stack integrates claims, engagement, and outcomes data – driving underwriting efficiency.

Underpenetrated Market

- Focus on Individual & Family plans and small group expansion where incumbents remain inefficient.
- The modern workforce is more mobile, freelance, and remote than ever. Over 60 million Americans now fall into gig, contract, or self-employed categories – a population with no access to employer plans.
- This demographic wants customizable, tech-enabled coverage they can keep as they move between jobs, careers, or states.
The individual market directly serves this new class of consumers – offering portability, transparency, and personal control. This represents a significant untapped market opportunity for Oscar that currently is expensive, inefficient, and difficult to deal with.
- The individual market is a clean slate – not shackled by legacy employer data systems or manual HR processes. This allows digital-native insurers like Oscar to deploy their full tech stack – automated underwriting, digital onboarding, real-time care guidance – without legacy drag. It's the perfect proving ground for technology-driven insurance models that prioritize user experience and data integration.
- Direct to Consumer Economics - Oscar owns their relationship with their customers. There is no middle ground. Good customer service experiences for claims and information will result in positive network flow. This can lead to better engagement, direct insight with their customers (claims, behavior, outcomes), and an ability to cross-sell other products and services (think wellness, virtual care, financial assistance)

Regulatory Tailwinds

- Increased ACA enrollment, risk adjustment benefits, and favorable demographic trends.
- ACA Enrollment reached its highest ever in 2024 with over 20 million subscribers finding a plan through the marketplace. Going into late 2025 here, ACA was considered a risk and a headwind for Oscar. A large portion of their membership and revenue comes from ACA marketplace.
- We view ACA as a potential tailwind for continued growth. It is more likely than not any funding initiative by the government includes ACA monies with subsidies to remain or expand. Considering inflation adjustments and additional funding allocation for a wider pool of eligible U.S. Citizens as a middle ground for not funding individuals who are not a citizen of the U.S.

Tech Stack Scrutiny

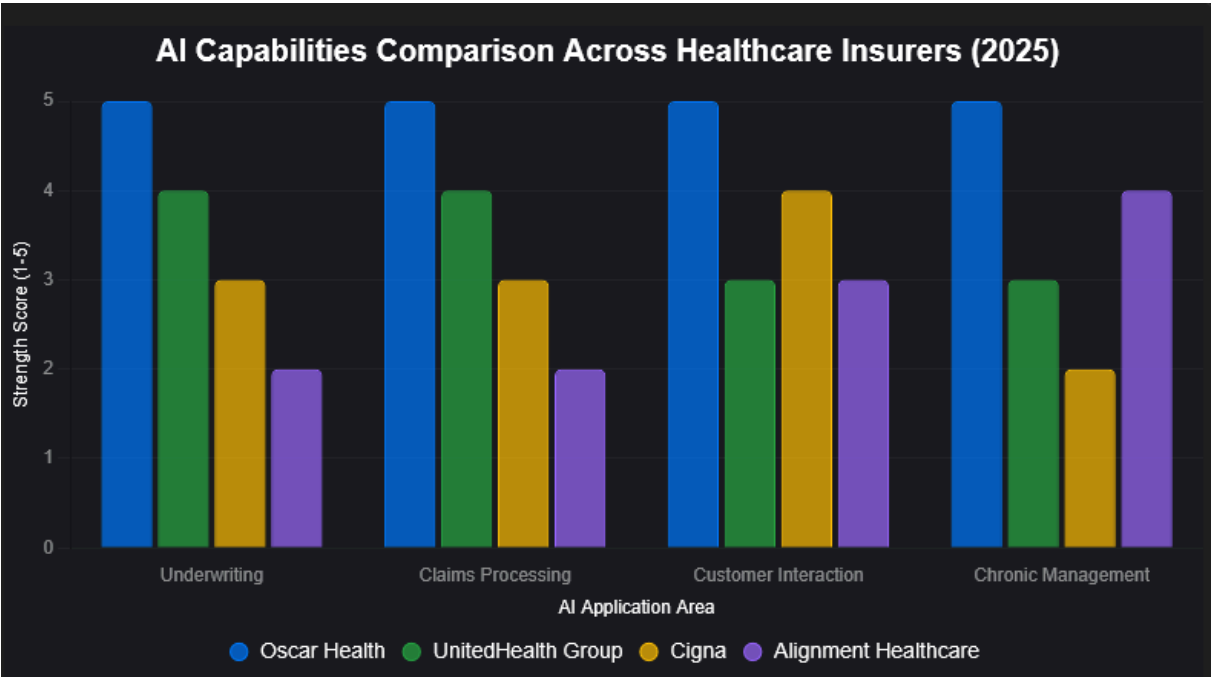
In underwriting, Oscar employs predictive risk-scoring models that analyze historical claims and behavioral data to set premiums more accurately, reducing adverse selection risks in volatile markets like the Affordable Care Act exchanges. For claims adjudication, AI automates much of the workflow, achieving an industry-leading denial rate of just 12 percent—compared to the broader sector average of 16 percent. This is facilitated by tools that flag inconsistencies and expedite approvals, minimizing delays. On the customer-facing side, the Clinical Intake Bot serves as a digital medical assistant, gathering structured clinical information from members during virtual consultations, which accelerates care initiation by up to 90 percent. In chronic condition management, Oscar's multi-condition care plans use AI to personalize interventions for prevalent issues like diabetes and cardiovascular disease, integrating remote patient monitoring and predictive alerts to prevent exacerbations.

To contextualize Oscar's advancements, a direct comparison with established players reveals both competitive edges and areas of convergence. UnitedHealth Group, through its Optum subsidiary, has invested heavily in AI for administrative efficiencies, including the Optum Real system launched in 2025, which automates medical claims processing and has reportedly reduced denial rates by streamlining prior authorizations. UnitedHealth's AI agents now handle over 50 percent of inbound customer calls by the end of 2025, focusing on navigation and eligibility checks. However, its emphasis remains on backend operations, where it excels in fraud detection but trails Oscar in seamless member experiences, such as conversational bots for proactive health guidance. Similarly, Cigna has rolled out generative AI tools like its virtual assistant, which provides plain-language updates on claims status and benefits coverage, auto-filling submission details to simplify member interactions. Cigna's AI-driven downcoding in claims has drawn provider criticism for potential overreach, yet it enhances processing speed. In underwriting, Cigna uses predictive analytics for risk assessment, but its models are less integrated with consumer-facing personalization than Oscar's.

Among newer entrants, Alignment Healthcare offers a useful benchmark as a Medicare Advantage-focused disruptor. Alignment leverages AI primarily for care coordination and predictive analytics in chronic management, using algorithms to identify high-risk seniors and deploy in-home interventions, which contributed to its first profitable quarter in Q2 2025 with \$15.7 million in net income. While effective in niche senior care, Alignment's AI lacks Oscar's breadth in individual market underwriting and claims automation, where data scale from diverse populations gives Oscar an advantage. Overall, legacy incumbents like UnitedHealth and Cigna command superior resources for AI scaling—UnitedHealth's AI Dojo initiative trains thousands internally—but they often prioritize enterprise-level optimizations over the agile, member-centric innovations that define Oscar's approach. Newer firms like Alignment can fast-track via specialized AI but grapple with limited datasets and regulatory scrutiny in broader markets.

The risks are notable: Legacy players are accelerating digitization, with Cigna's claims AI potentially eroding Oscar's low-denial edge if not countered by ongoing innovation. Emerging competitors face hurdles in data privacy compliance under HIPAA and state regulations, yet their nimbleness could enable leapfrogging in niche areas like continuous underwriting, a 2025 trend projected to become mainstream across the industry. Oscar mitigates these through its proprietary +Oscar platform, which creates a data flywheel fueling a first-quarter 2025 medical loss ratio of 75.4 percent—well below peers amid rising utilization.

Looking ahead, Oscar's \$410 million capital raise in September 2025 positions it to expand AI further, including the launch of Oswell, an OpenAI-powered agent for 2026 that will handle prescription renewals and ID card issuance. This aligns with broader healthcare AI trends, where domain-specific tools have seen a sevenfold adoption increase to 22 percent of organizations in 2025, particularly in claims and chronic care. By fostering a hackathon culture for generative AI experimentation, Oscar not only sustains its technological moat but also transforms potential threats into opportunities for margin expansion and superior outcomes.



AI Capabilities Comparison Across Healthcare Insurers

AI Application Area	Oscar Health	UnitedHealth Group	Cigna	Alignment Healthcare
Underwriting	Predictive risk scoring with member data integration; real-time adjustments.	Advanced fraud/risk models via Optum; focuses on large-scale enterprise.	Predictive analytics for premiums; integrated with legacy systems.	Niche senior risk prediction; limited to Medicare Advantage.
Claims Processing	Auto-adjudication; 12% denial rate, 90% faster approvals.	Optum Real automates claims; reduces denials by 20-30% in pilots.	Smart Claim Submission; auto-fills and tracks status, but downcoding issues.	Basic automation for care claims; emphasizes coordination over speed.
Customer Interaction	Clinical Intake Bot; conversational AI for intake and guidance.	AI agents handle 50%+ calls; strong in navigation but less personalized.	GenAI virtual assistant for benefits/claims queries.	App-based coordination tools; AI alerts for seniors.
Chronic Management	Multi-condition plans with RPM and alerts; diabetes/cardio focus.	Predictive interventions via Optum; broad but admin-heavy.	Limited public details; tied to provider networks.	High-risk senior monitoring; in-home AI-driven care plans.

Market Misperception and the Echo Chamber Effect

Research indicates a narrow focus in discussions on Oscar Health, with many investors and analysts emphasizing three main themes:

1. The company's exposure to ACA subsidies,
2. An uncontrollable MLR, and
3. Technical analysis of its stock chart devoid of context.

This focus may contribute to an echo chamber effect, where narratives are repeated without full examination of assumptions.

In today's social-media-driven investment environment, that echo chamber is amplified across platforms like X (Twitter), Reddit, and Substack, where even credible professionals often seek confirmation of bias rather than discovery of truth.

This may undervalue Oscar's broader strategy and potential scale, though market perceptions can evolve with new data. The market continues to treat Oscar as a policy-dependent insurer rather than as what it is evolving into – a vertically integrated, technology-driven healthcare infrastructure company.

A Misunderstood Strategic Entry

Oscar's entry into the ACA Marketplace is often misinterpreted as a permanent identity rather than a strategic phase.

The move was deliberate and opportunistic:

- It provided an immediate revenue stream without massive capital requirements.
- It allowed Oscar to acquire and analyze real-world medical data at scale to improve the ability and scalability of +Oscar
- It accelerated regulatory learning and operational maturity under live market conditions.

By positioning itself early in the ACA ecosystem, Oscar avoided excessive dilution and built a proof of concept using government-regulated markets as a sandbox for testing its full-stack technology, risk modeling, and engagement platforms.

The Endgame: Beyond the ACA

What most analysts fail to see is that the ACA was never Oscar's destination – it was the on-ramp.

The ACA Marketplace comprises roughly 20-25 million potential members in a country of over 310 million insured individuals.

Oscar's long-term ambition is far broader:

- To extend its individualized, tech-driven insurance infrastructure into small-business, ICHRA, and enterprise B2B markets. The PRIORITY is ICHRA.
 - Management has noted this and shown its commitment via the Hy-Vee deal that will make an impact on metrics soon. More to come for certain.
- To scale +Oscar, its SaaS-style health-tech platform, across other insurers, providers, and employers.
- To drive vertical integration through data, AI, and patient engagement – linking payer, provider, and consumer into a single digital ecosystem.

This is the story the market has yet to price in – because it requires forward-looking analysis, not just comparison.

Medical Loss Ratio Risk Factor

Medical Loss Ratio – the percentage of premiums spent on medical claims – fluctuates quarter to quarter.

But those fluctuations are mechanical, not structural. They reflect temporary timing differences in risk adjustment transfers, utilization normalization post-pandemic, and industry-wide morbidity trends – not a breakdown in Oscar's underwriting.

What matters is trajectory: Oscar has driven MLR from 90s % down toward the low 80s % range over the past two years, proving that its data-driven risk modeling is tightening efficiency.

Most investors still treat MLR as an uncontrollable variable. In reality, for Oscar it's a controllable lever – improving through data, preventive engagement, and vertical integration with care delivery. The more time and data the better the pricing predictability.

What we saw in 1Q25 and 2Q25 was MLR risks industry wide and not a series of isolated events specific to Oscar. Consistency and improvement in MLR for Oscar over peers is a meaningful advantage in income.

Echo Chamber vs. Insight

The investment world often rewards simplicity – but simplicity can be blinding.

The repeated focus on “ACA risk” and “subsidy dependency” has led to a potential underappreciation for the transformation underway. Almost no one is looking beyond the face value of these perceived risks that have been depressing and built into the stocks price for months.

Oscar’s evolution mirrors the early trajectories of other industry disruptors who were dismissed as niche players until they proved otherwise.

The market’s tunnel vision may present an opportunity:

- where most see subsidy exposure, we see data leverage;
- where most see a narrow market, we see infrastructure scale;
- where most see risk, we see mispricing.

Key Takeaway

Oscar’s initial ACA focus was a calculated strategy, not a limitation.

It established legitimacy, liquidity, and data – the three hardest components to build in healthcare – without surrendering control or overextending capital.

Now, with years of operational data, a refined tech stack, and the leadership of seasoned industry veterans, Oscar stands positioned to expand beyond the echo chamber narrative and redefine how health insurance operates.

The core thesis isn’t about subsidies – it’s about execution, data, and scale. The market hasn’t caught up yet.

Risk Factors & Counterintelligence

Affordable Care Act (ACA)

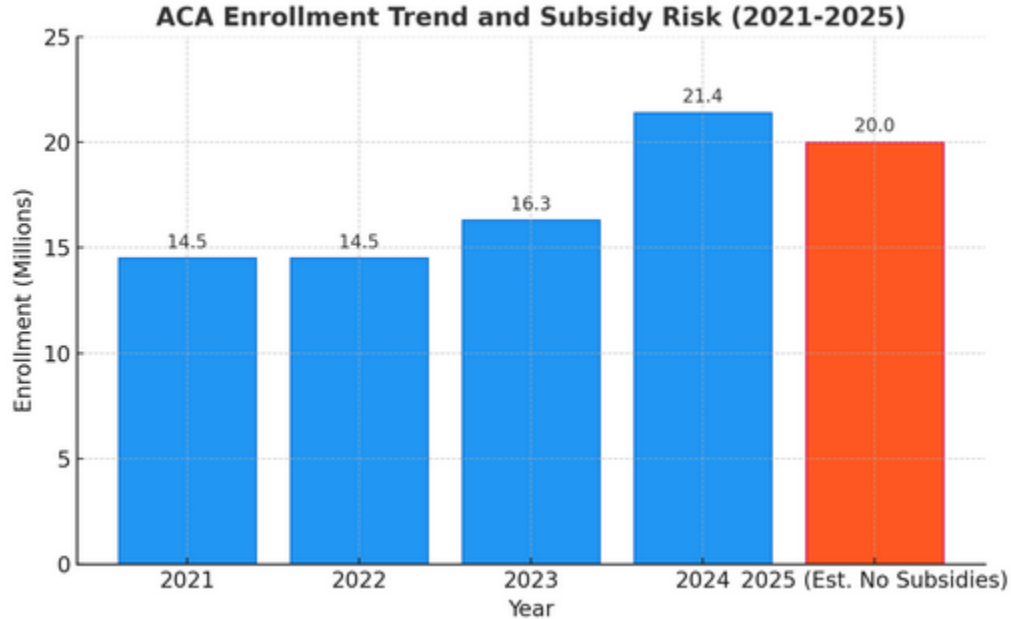
From a valuation standpoint, the “ACA risk discount” is already embedded in Oscar’s share price.

Investors have long priced in the possibility of subsidy reduction or sunset, particularly following changes in the federal administration.

In reality, much of this risk has been over-absorbed, leaving asymmetric upside if – or when – subsidy continuity and inflation-linked adjustments are confirmed.

Should subsidies be renewed or expanded, Oscar stands to benefit from immediate market repricing, as the company’s growth is directly correlated with ACA enrollment volumes and stability.

Conversely, in the unlikely event of severe subsidy contraction, the downside is somewhat mitigated by Oscar’s growing diversification into small group plans, +Oscar enterprise revenue, and employer partnerships such as the Hy-Vee Health collaboration.



Competitive Dynamics

Oscar operates in one of the most consolidated and competitive industries in America. Giants like UnitedHealth, Elevance, Cigna, and CVS/Aetna control vast market share, distribution networks, and lobbying influence.

Why It Matters:

- These incumbents are actively digitizing their infrastructure, mimicking Oscar's model
 - Although this is true, they move slowly and run into major resistance everywhere they turn due to their size and how their existing platforms are built to run. They are legacy insurers for a reason.
- Larger players can subsidize price cuts or offer richer benefits in new state markets, pushing smaller entrants like Oscar out.
 - Although a real risk, Oscar is focusing on the small pools for growth for a reason. The legacy carriers don't have the need or want to chase the small pools. The expense is difficult to justify for just a small potential return. Oscar wins by scaling here first and then replicating in a bigger pool later.
- Broker loyalty and brand recognition in small-business and group plans remain dominated by incumbents.
 - Users are increasingly tech savvy and looking for device first options. Fresh looks on legacy products that are difficult to deal with present opportunity for Oscar to capture brands with first impressions. Small businesses stand to save substantial premium costs just as the employee does.

Bottom Line:

Oscar must maintain strong user experience, engagement, and cost efficiency to compete – and that's an expensive game to play.

Medical Cost & Claims Liability

Oscar's profitability hinges on accurately pricing risk – a complex task in healthcare.

Any deviation between forecasted and actual medical costs (from inflation, new drug launches, pandemics, or utilization spikes) can rapidly inflate MLR.

Why It Matters:

- MLR volatility directly erodes gross margin and income.
 - Oscar's data analytics and early-intervention programs proactively reduce claims frequency and severity.

- High inflation in medical services and drug costs can compress profitability faster than pricing adjustments can offset.
 - Engagement gamification and preventive care push members to manage chronic conditions before they become high-cost events.
- Unexpected surges in elective care utilization post-COVID normalization still pose uncertainty.
 - Short-term volatility is normal; long-term trend is toward lower per-member cost as risk models mature.

Control Lever: Expand AI-based cost forecasting, tighten provider contracts, and reinvest data insights into plan design each renewal cycle. Retain a strong cash position to offset unexpected increase in MLR which reduces margins and jeopardizes short term profitability as a stabilizing mechanism for the long term growth and +Oscar predictable pricing efficiency.

An Important Dig Deeper on MLR

For more on Medical Loss Ratio. MLR measures how much of an insurance company's premium revenue is spent directly on medical claims and healthcare services for members, versus what's retained for administrative costs, marketing, and profit.

- A high MLR (e.g., 90%) means most of the premium dollars go to pay for members' medical care, good for consumers, less profitable for the insurer.
- A lower MLR (e.g., 75%) means the insurer retains more for overhead and profit – good for margins, but may raise regulatory scrutiny.

The key is balance: efficient insurers reduce unnecessary spending while keeping care quality high.

MLR is one of the most important profitability levers in health insurance.

- A drop in MLR signals improving cost control, better underwriting, or favorable risk adjustment.
- An increase indicates rising claims costs or inefficiencies.

For Oscar, which early on struggled with high loss ratios due to aggressive growth and underpricing, the improvement of MLR toward the low-80% range represents a major step toward sustained profitability. Part of Mark's job as CEO was to use his experience to stabilize this issue as it is a key factor in their potential success story.

Oscar's path to profitability hinges on operational discipline and continued reduction in its MLR. Historically operating above 90%, Oscar's improved claims management and pricing precision have compressed MLR toward the mid-80s – a critical inflection point signaling maturity, underwriting competence, and alignment with ACA-compliant efficiency standards. This indicates that their focus on enhancing membership experience and predictive pricing models through technology may support long-term profitability.

Dependence on Reinsurance

Oscar relies heavily on reinsurance to protect against catastrophic claim losses and smooth earnings volatility.

Why It Matters:

- Reinsurance pricing is cyclical – premiums can spike in hard markets.
 - Reinsurance is used strategically – not structurally – giving flexibility to adjust retention levels annually.
- Reduced reinsurance availability or higher costs could significantly impact Oscar's capital efficiency.
 - Strong capital position post-convertible raise reduces reliance on external reinsurers.
- Any counterparty failure or delay in claim settlements would expose Oscar to liquidity strain.
 - Bertolini's network and industry reputation provide leverage for favorable terms.

Control Lever: Progressive internal reserve build-up, multi-carrier reinsurance diversification, and leveraging scale/tech for better pricing.

+Oscar Platform Adoption Risk

While +Oscar represents Oscar's highest-margin growth lever, it's still in early commercialization.

Why It Matters:

- Delayed client onboarding or poor performance metrics could stall B2B revenue growth.

- +Oscar already supports third-party clients – its proven tech infrastructure providing a tangible edge, not an experiment.
- The success of +Oscar depends on convincing traditional insurers and health systems – often conservative buyers – to outsource to a newer tech player.
 - Growing industry consensus that modernization via API-driven platforms is cheaper than internal rebuilds. We’ve seen this across many industries. Most predominantly in payments (Stripe, SHOP, Apple Pay), SaaS, Palantir, and more. It’s more cost efficient and you get a better product/service by outsourcing - who, not how.
- Slow adoption would mean Oscar remains overly dependent on the volatile insurance business longer than expected.
 - Each external deployment increases recurring revenue and feeds data back into Oscar’s predictive engine. A few quick external deployments can make a big difference in compound impact.

Control Lever: targeted enterprise sales, case-study marketing (Hy-Vee, state partners), and offering modular implementations to lower entry barriers before trying to make any big moves. Vet the process and the potential issues that will arise. Don’t leave it to chance by acting too soon. Get it right first but do so efficiently.

Data Security & Compliance Risk

Oscar’s value proposition relies on handling massive volumes of sensitive health and personal data through its digital platform.

Why It Matters:

- A data breach, system outage, or HIPAA violation could result in regulatory fines, reputational damage, and lost trust.
 - Oscar was born in the cloud – it doesn’t retrofit security like incumbents.
- Cybersecurity costs and insurance requirements are rising industry-wide.
 - Regular SOC-2 and HIPAA audits, layered encryption, and AI-based anomaly detection strengthen defense posture.
- As +Oscar expands to external clients, its risk exposure multiplies beyond its own member base.
 - Smaller, modern codebase = faster patching and fewer legacy vulnerabilities.

Control Lever: continued investment in security architecture, ethical-hack audits, and cyber insurance coverage.

Technology Scaling & Reliability

Oscar's infrastructure is advanced but complex – and constant innovation introduces fragility.

Why It Matters:

- System downtime or poor integration with third-party platforms could impair claims processing or member services.
 - Oscar's architecture was purpose-built for scalability – microservices, modular APIs, cloud elasticity.
- As Oscar grows, its platform must scale without latency, compliance failures, or operational bottlenecks.
 - Real-time monitoring and redundancy protocols minimize downtime risk.
- Mismanagement of this growth could erode its tech reputation – its core differentiator.
 - Growing tech headcount and leadership continuity under Schlosser ensure roadmap execution.

Control Lever: proactive capacity planning, load-balancing investments, and third-party reliability audits.

Regulatory Complexity & State Compliance

Each U.S. state has unique health insurance regulations governing pricing, reserves, reporting, and solvency ratios.

Why It Matters:

- Managing multi-state compliance creates a high administrative burden.
 - Oscar's compliance is digitally centralized – a single operating system tracks filings, rates, and solvency metrics across jurisdictions.
- Delays in state approval for rate filings can impair pricing agility.
- Any noncompliance could lead to fines, restrictions, or loss of licensure
 - The company already operates successfully under dozens of unique state regulations; this is institutional muscle memory now.

Control Lever: build-out regulatory technology within +Oscar; engage proactively with state DOIs through experienced legal counsel.

Reputation & Market Sentiment

Oscar still battles a perception problem – many investors associate it with failed “insurtech” peers like Clover Health and Bright Health -- mostly without any due diligence or reasoning.

Why It Matters:

- Market lumping causes valuation discounting, regardless of Oscar’s improving fundamentals.
 - Those peers lacked disciplined leadership and sustainable economics – Oscar now has both.
- Any negative headline (e.g., ACA scare, loss quarter, data breach) could trigger disproportionate volatility.
 - Profitability milestones, leadership pedigree, and differentiated tech stack are already shifting sentiment. Controlling sentiment through reasonable growth metrics is important.
- Overcoming this stigma requires sustained execution and clear communication of differentiation.
 - As earnings stabilize, revenue increases, margins expand, multiple expansion will follow naturally.

Control Lever: sustained execution, clear investor communication, and visibility of recurring +Oscar revenues to redefine the narrative.

Macro & Healthcare Inflation

External inflationary pressure – from provider labor, drugs, and administrative costs – is a constant headwind.

Why It Matters:

- Inflation reduces the effectiveness of cost-control strategies.
 - Inflation affects *all* insurers, but Oscar’s data agility allows quicker rate-filing adjustments.
- Economic slowdowns can also reduce ACA enrollment or payment reliability among members.

- ACA risk-adjustment mechanisms offer partial protection from inflation shocks and engagement tools reduce unnecessary utilization, dampening the impact of price increases.

Control Lever: dynamic pricing, faster actuarial feedback loops, and strategic provider contracting to hedge cost trends.

Six-Twelve Month Outlook: Catalyst Review

The following outlines key potential catalysts for Oscar Health over the next 6-12 months, based on announced initiatives, regulatory timelines, and financial milestones. These could drive stock volatility, membership growth, and valuation re-rating, assuming execution aligns with guidance.

- Q3 2025 Earnings (Expected November 2025): Anticipated to provide updates on H2 membership trends, MLR trajectory (targeting normalization post-Q2's 91.1% spike), and early ICHRA/small group traction. A reaffirmation of FY2025 revenue (\$12.0-12.2B) and MLR (86-87%) with hints of low-80s stabilization in 2026 could catalyze 10-15% upside, especially if accompanied by AI investment progress from the recent \$410M convertible raise.
- Q4 2025 Earnings and FY2026 Guidance (Expected February 2026): Key for 2026 outlook, including premium rate hikes (filed in 2025 for 2026 plans, potentially 5-10% to offset costs) and MLR forecasts. Beats on profitability (e.g., EBITDA positive) amid stabilizing MLR in the low 80s could trigger re-rating, particularly if small business adds exceed expectations.
- Q1 2026 Earnings (Expected May 2026): Early read on 2026 enrollment post-Open Enrollment; potential for upward guidance revisions if ACA subsidies extend or ICHRA adoption accelerates.
- 2026 Open Enrollment Period (November 1, 2025 - January 15, 2026): Critical for individual market growth; Oscar's expanded county presence (e.g., +17 in Georgia) and Spanish-first plans could drive 20-30% YoY membership increases if subsidies remain intact. Positive enrollment data (released mid-2026) would validate ACA tailwinds.
- Potential ACA Subsidy Extensions or Reforms (Q1-Q2 2026): With ARPA-enhanced subsidies set to expire at 2025 year end, any Congressional renewal (e.g., inflation-indexed) could boost affordability and enrollment. Conversely, cuts risk 10-20% membership erosion; watch for policy signals post-midterms.
- CMS Rate Filings and Risk Adjustments (Ongoing through Q2 2026): Final 2026 premium approvals (expected spring 2026) enable cost improvements via hikes; favorable risk adjustment payments (historically ~5-10% of revenue) could accelerate MLR drop to low 80s.

- Hy-Vee Health Rollout (Starting November 1, 2025): Launch of ICHRA-based plans for ~400,000 Des Moines-area employees, integrating Hy-Vee's clinics for no-cost care. Early adoption metrics (e.g., Q4/Q1 enrollment) could demonstrate small business scalability, potentially adding 50K-100K members and recurring revenue; success here validates +Oscar's B2B model.
- Alabama and Mississippi market share from open enrollment in new states. ~800,000 new potential members with the teams CAC
- Additional Small Business and ICHRA Opportunities (Q1-Q3 2026): Building on Hy-Vee, potential new partnerships (e.g., retail or employer tie-ups) could expand beyond Iowa. If +Oscar licensing gains traction, expect a 10-20% revenue contribution from B2B by mid-2026, offsetting ACA dependency.
- MLR Stabilization and Cost Efficiencies (Ongoing, Key Milestones Q4 2025-Q2 2026): Guidance points to H2 2025 normalization; achieving low-80s MLR (e.g., 82-84%) via AI-driven claims processing and gamification could improve margins by 200-300bps. Premium hikes for 2026 plans provide a buffer against utilization pressures.
- AI and Tech Investments (Q4 2025 Onward): Deployment of \$410M raise proceeds for AI enhancements (e.g., predictive modeling, member engagement) could yield early cost savings, with updates in earnings calls acting as sentiment drivers.

Summary: From Risk to Opportunity

Oscar Health faces a complex but navigable risk landscape. The key to its long-term success will be balancing growth with discipline, innovation with compliance, and technology with operational resilience.

Most of Oscar's perceived weaknesses are execution variables – not existential threats. And importantly – many are already reflected in valuation, creating potential for asymmetric upside if Oscar executes effectively.

The company now operates under leadership built for discipline, armed with technology designed for efficiency, and backed by self-sustaining capital positioned for longevity.

Every risk that once defined Oscar – from policy dependence to profitability – has a clear, controllable mitigation path.

As those controls take hold, each former “risk” evolves into a competitive advantage:

- Regulatory burden → Compliance moat
- Tech scaling → Data leverage
- MLR volatility → Predictive pricing edge
- Insurtech stigma → Value arbitrage opportunity
- Reinsurance Dependency → Stability amongst volatility

Potential Thesis Invalidation & Exit Criteria

Our investment posture is designed to participate in a disruptor growth cycle over the coming years. The thesis will require ongoing monitoring, review, and refinement as new public information and company developments emerge.

The following are important metrics to monitor:

- Sustained MLR > 87%
- Adjusted Operating Margins < 2.5%
- +Oscar External Revenue < 5-10% of total revenue through FY2027
- Net Cash < 2B without clear path of profitability / cash generation
- Membership CAGR < 10% YoY
- Material Data/Security Incidents
- Membership by segment & geography
- SGA trend
- ACA Marketplace

Sector Rotation and the Healthcare Bull Cycle

Market leadership rotates in cycles. No bull market moves in a straight line – capital flows migrate from sector to sector as investors rebalance between growth, value, and defensiveness. Understanding where we are in that rotation is critical to timing entries in sectors like healthcare, which historically begin their strongest runs mid-to-late in a bull cycle as money rotates from early-growth speculation into stable, cash-generative industries with improving margins.

The Current Market Phase: Late Growth to Quality Rotation

Following a multi-year run in AI, technology, and semiconductors, the market has entered a rotation from hyper-growth to quality growth – investors seeking earnings stability, margin resilience, and durable demand.

Healthcare fits this rotation perfectly. It offers:

- Defensive fundamentals amid rising macro uncertainty.
- Structural demand growth independent of economic cycles.
- Repricing opportunity after years of underperformance versus tech and energy.

Early indicators suggest capital inflows into healthcare ETFs, managed care, and biotech, which may precede broader sector momentum."

Historical Pattern: When Healthcare Runs

In past bull markets, healthcare leadership has emerged in the middle innings of expansion – after consumer discretionary and tech exhaust their early gains, but before cyclicals begin to fade.

- In the 2009–2013 cycle, managed care (UNH, AET, HUM) led the S&P's defensive leg.
- During 2017–2019, healthcare outperformed as rates rose and investors sought growth with earnings visibility.
- Now, in 2024–2025, the setup rhymes again: strong consumer spending, easing inflation, and early signs of rotation from speculative tech into operationally sound innovators.

Healthcare is the next rational stop on that rotation – especially modern healthcare, where technology, AI, and consumerization are converging.

Timing and Positioning: The Setup for Oscar

Oscar sits at the crossroads of this transition:

- A technology-driven insurer positioned in an industry ripe for reform.
- Improving fundamentals just as capital begins rotating toward healthcare exposure.
- Undervalued relative to peers, with upside leverage if sector momentum builds.
- Misunderstood and mispriced due to factors out of direct control of the management team

If this rotation follows historical cadence, managed care and health-tech hybrids like Oscar will be among the early beneficiaries – the “growth within value” names that attract inflows as investors reallocate.

The timing aligns:

- The macro backdrop favors defensive growth.
- The technical structure shows accumulation and breakout potential.
- The policy environment (ACA stability, AI adoption) supports long-term tailwinds.

Put simply: the market cycle and the company’s internal cycle are converging – a rare moment of alignment between timing, trend, and thesis.

Strategic Implication

The healthcare sector’s turn typically signals a mature, stable phase of the bull market – where leadership shifts to companies that can deliver consistent execution and efficiency. Oscar represents the modern iteration of that leadership: data-driven, consumer-facing, and operationally lean. It is still speculative as Oscar is in its infancy of what is possible.

Historically, healthcare sector advances favor companies combining innovation and discipline. Oscar is positioned as a potential participant in such trends. Oscar isn’t just positioned to be one of them. They are positioned to be the one.

Risk vs. Reward: The Asymmetry of Opportunity

Opportunity cost can sometimes exceed direct risks in investments.

In the case of Oscar Health, the perceived danger lies in volatility – but the true risk may be inaction. Not investing may overlook potential in a company aiming to address inefficiencies in the \$1.5 trillion health insurance industry.

Transformative investments often start as contrarian positions. For Oscar, the potential rewards may justify calculated risks, subject to individual risk tolerance.

Conviction Statement

This analysis identifies potential asymmetry: limited downside relative to structural upside, based on modeled scenarios.

Oscar Health aims to modernize aspects of one of the largest U.S. industries. The market still values it as a speculative insurer reliant on government subsidies. Oscar is developing into a platform incorporating data, AI, and behavioral elements.

The valuation may reflect a contrarian opportunity, with definable risks and long-term potential.

With disciplined position sizing, proper risk management, and time, this trade embodies the very principle behind Complete Dragon – disciplined pursuit of long-term value.

This thesis suggests considering an aggressive weighted portfolio position, pending further and continued due diligence as new and/or refined intelligence becomes available.