



Sparx Risk Operating System (RiskOS)



Sparx Overview

Sparx is a Risk Operating System (RiskOS) for value-based care organizations. Our suite of proprietary software and financial products, powered by our *EMBER* model, mitigate risk to maximize long-term program success in CMS/CMMI models.

Today's Presenters



George Kentros
Head of Actuarial
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Sparx



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Head of
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Sparx



Jenn Ratelle
ACO Executive,
VillageMD
(Sparx Client)

Investors



Customers

Our customers collectively serve **one out of every 100 Americans**. This significant reach highlights the impact and importance of our customers in the American healthcare landscape.

VillageMD & Summit Health

Advancing Value-Based Care Across Diverse Communities



Comprehensive Care Delivery

VillageMD and Summit Health deliver patient-centered care through:

- Primary Care
- Multi-Specialty Care
- Urgent Care Services
- Population Health Management
- Value-Based Care Programs

National Value-Based Care Footprint

100,000+ Beneficiaries

- ACO MSSP: ~50,000
- ACO REACH: ~50,000

2,200+ Providers

Focus: Improving quality outcomes, enhancing patient experience, and driving sustainable value through coordinated care delivery.

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Sparx Risk Operating System (RiskOS)



Capital Solutions

Surety Bonds to satisfy Financial Guarantees

- Fully delegated underwriting with exclusive surety markets
- Performance-based underwriting
- Frees up significant restricted cash via surety bonds with **0% collateral**

Stop Loss Placement and Analytics

- Analytics and recommendations based on historical data
- Placement via competitive bidding process across multiple reinsurers with **average savings of 10-15%**



Actuarial Support

Analytics from 100% Medicare datasets

- ACO attribution and risk scoring
- Benchmarking estimates
- Trend and assumption development
- Other customizable benchmarks and outputs

LEAD versus MSSP actuarial modeling

- Financial performance optimization at TIN and ACO levels
- Sensitivity testing of TIN results
- Impact analysis of RFA decisions

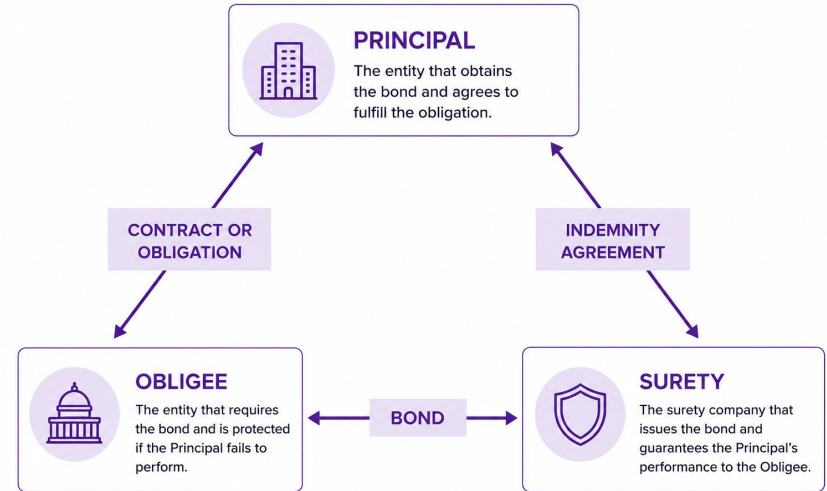
PY27 Financial Guarantee / Repayment Mechanism

Source: LEAD RFA	LEAD (Global and Professional)		MSSP (Track C - Enhanced)
Options	Financial guarantee requirements can be met through a surety bond, escrow account, or line of credit. Unlike escrow accounts and lines of credit, a surety bond does not require tying up restricted cash, helping preserve liquidity.		
Timelines	<ul style="list-style-type: none"> Estimates to be based on information due to CMS on 8/5/26 CMS anticipates finalized amounts will be provided to ACOs in Q4 2026. The financial guarantee must be in place before the start of the performance year (12/31/26) 		<ul style="list-style-type: none"> Estimate provided on 8/5/26 in ACO-MS The Repayment Mechanism must be in place before the start of the performance year (9/8/26)
Financial Guarantee Policy Features	Global Track (Previous Year Part A/B Expenditures) <ul style="list-style-type: none"> Shared Losses and Base PCC Payment Only: 2.5% EPCC (Optional): 1.5% Both: 4.0% Shared Losses and Total Care Capitation Payment: 4.0% 	Professional Track (Previous Year Part A/B Expenditures) <ul style="list-style-type: none"> Shared Losses and Base PCC Payment Only: 2.0% EPCC (Optional): 1.5% Both: 3.5% 	Lesser of: <ul style="list-style-type: none"> ACO's Maximum Shared Losses (MSL) for the PY Percentage of the ACO's updated benchmark expenditures based on track selected.

Surety Bond Overview

Surety Bond 101:

- Three-party financial guarantee between a principal, an obligee, and a surety. The bond ensures the principal fulfills an obligation, and if they don't, the surety compensates the obligee up to the bond amount and then seeks reimbursement from the principal.
- It is often used as an alternative to cash collateral or letters of credit to improve capital efficiency while still providing financial protection.
- Highly concentrated set of carriers approved on the U.S. Treasury's Circular 570 (the "T-list"), which is required for federal programs and guarantees. These carriers are typically A.M. Best-rated insurers, with ratings serving as a key indicator of financial strength and claims-paying ability.
- Access to top-tier, A-rated and T-list sureties is critical for large, regulated programs such as CMS models.



Mechanisms to satisfy the FG/RM requirement

	Surety Bond		Letter of Credit	Escrow Account
Capital Required	Upfront premium and potential collateral if not underwritten on performance		Credit line utilization	100% cash funded
Collateral Requirement	Sparx Performance Based Underwriting requires 0% Collateral	Traditional brokerage and cash underwriting models often require collateral, even for ACOs with working capital that exceeds the bond amount by 3-5x.	Often 100% collateralized	Full collateral
Balance Sheet Impact	Preserves liquidity, unlocks capital to be used for growth and care management		Restricts capital and reduces borrowing capacity	Cash removed from operations
Cost Structure	One-time annual cost, no additional transaction fees		Bank fees + collateral costs	Opportunity cost of capital

Unlock Restricted Capital with Sparx's Surety Solution

Performance-Based Underwriting: Traditional surety underwriting relies heavily on credit, making it challenging for many risk bearing entities, especially sponsor-backed ones. Sparx's proprietary underwriting methodology (*EMBER*) unlocks financial guarantees solely based on performance rather than credit.

0% Collateral Requirements: Behind strong relationships with top sureties, healthcare organizations can post surety bonds with 0% collateral, freeing up highly-valuable capital. Compounding with cost-effective rates results in significant long-term savings and available cash to invest in patient care programs and performance.


Sparx Multi-Industry Approach: Surety market is construction-focused and lacks meaningful VBC experience. Sparx is exclusively focused on VBC and partners closely with sureties to provide ongoing market education and performance insights. This enables Sparx to hold exclusive relationships and underwriting authority with multiple top-15 sureties.

Performance-Driven Solution: Due to the historical accuracy of our innovative model, we have underwriting authority on behalf of multiple top 15 sureties. Our program is priced at a fraction of the guarantee amount and is fully unsecured, freeing up tens of millions of dollars.

VMD and Summit partnered with Sparx

Preserving Capital Efficiency Through Performance-Based Financial Guarantees

- **Program Consideration:** ACO participants in LEAD and MSSP must secure a Financial Guarantee that meets CMS regulations. The solution you choose can have a significant impact on liquidity and financial flexibility.
- **Surety Bond Advantages:** Traditional letters of credit lock up valuable capital. Sparx's performance-underwritten surety bond helps preserve capital efficiency and keep funds available for strategic investments.
- **Optionality with Unlocked Capital:** Greater capital efficiency allows ACOs to invest in technology, care management resources, and provider support. VillageMD and Summit Health leveraged preserved capital to upgrade technology, streamline workflows, and reduce documentation steps.
- **The Result:** Ease the burden of administrative tasks allowing Providers to focus on patient care and investing in enhancements in coordinated care, clinical, and value-based initiatives.



Prepare Now for the Financial Guarantee with Sparx

Summary

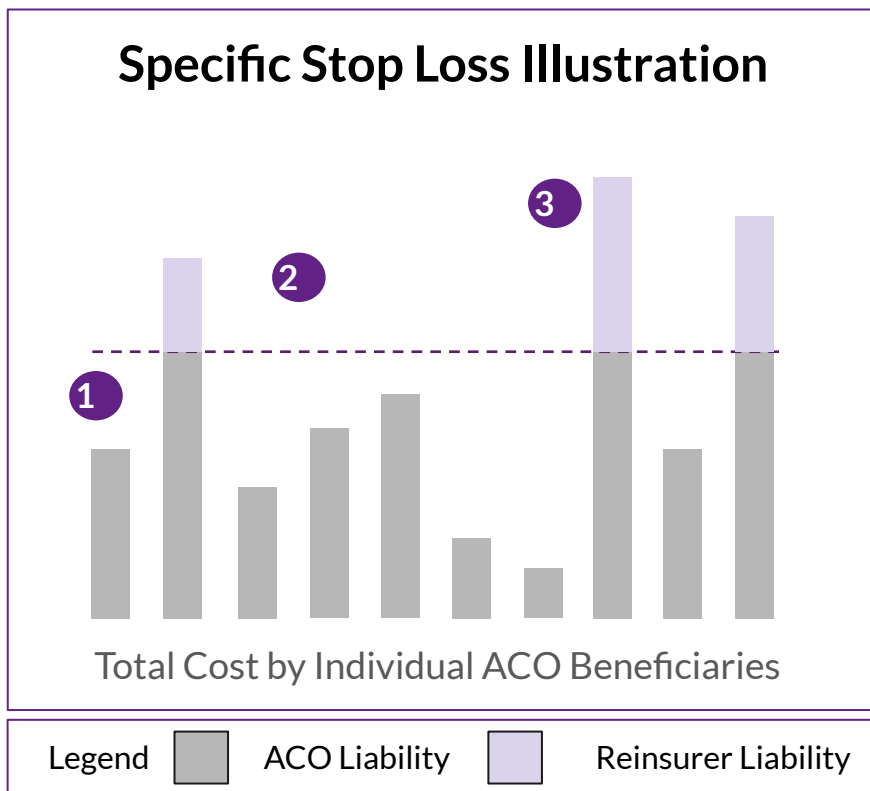
ACOs can work with Sparx to initiate a surety bond preliminary analysis

Next Steps

- Set up introductory meeting with Sparx team
- Send available data requested
- Sparx will provide a preliminary indication of eligibility for our surety bond program, which requires 0% collateral for qualifying groups.

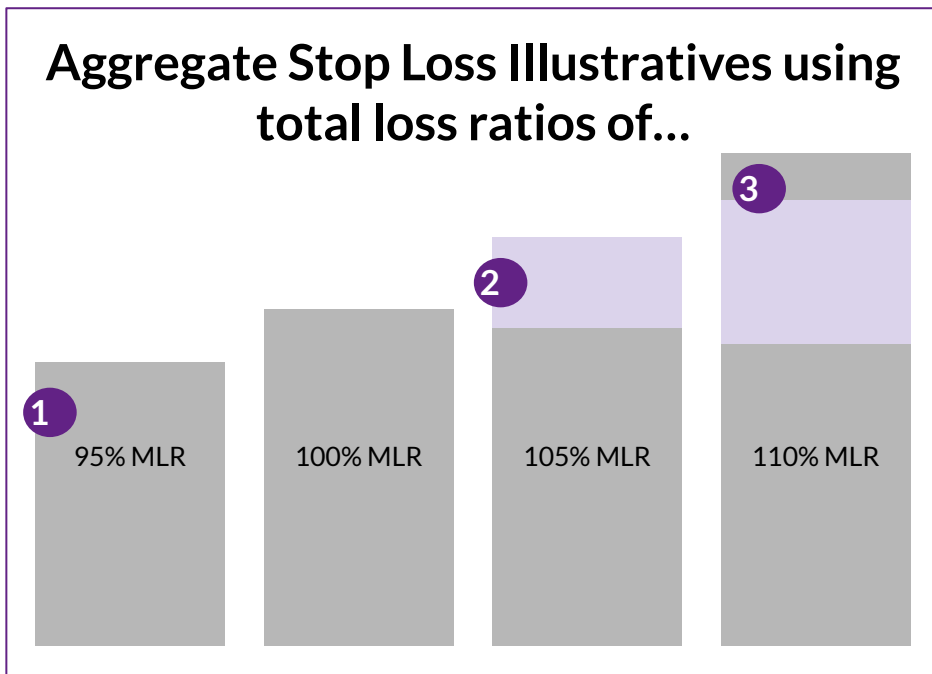
Reach out to the Sparx Team (ar@usesparx.com)

Specific Stop Loss can protect ACOs against individual catastrophic beneficiary costs



- 1** Member-level cost assessment: Medical claims can be summarized at the individual member level based on historical experience, and then aggregated to produce a cost profile for the ACO.
- 2** Attachment point selection: An attachment point is set as a dollar threshold above which claims are considered catastrophic and qualify for reimbursement from the reinsurer.
- 3** Reinsurer coverage above the threshold: Reinsurers absorb some or all of the claim costs that exceed the attachment point, shielding the ACO from the financial impact of high-cost members.

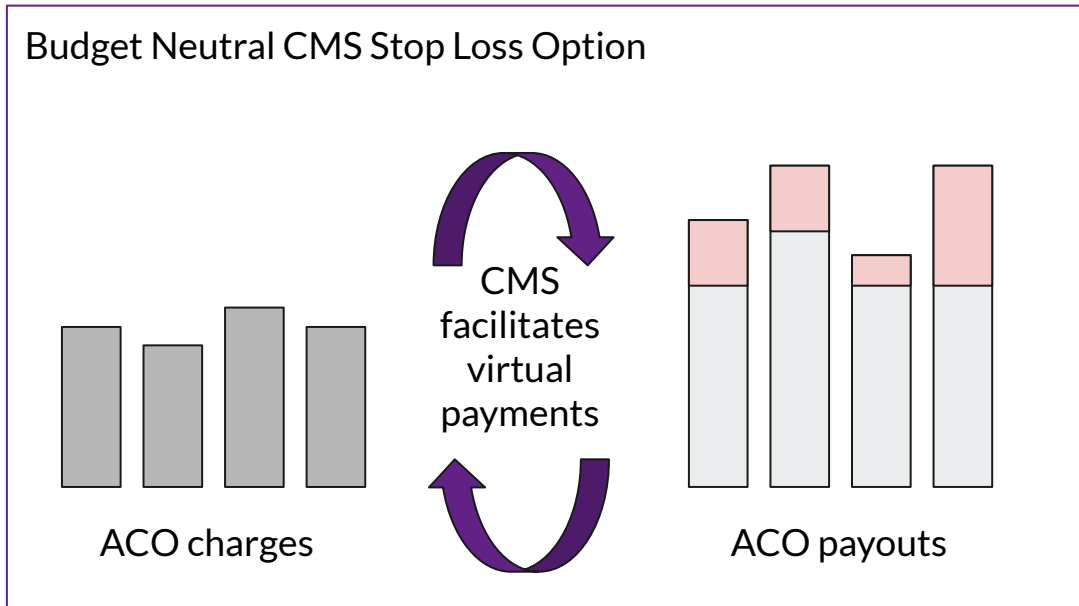
Aggregate Stop Loss can protect ACOs against unforeseen deterioration of the entire ACO



- 1** Expected ACO pricing on a gross MLR basis:
Overall ACO performance is priced based on expected medical claims relative to premium, establishing a gross MLR benchmark for the population.
- 2** Attachment point triggers reinsurance:
Once aggregate claims exceed a predefined attachment point, typically expressed as a percentage of expected costs, reinsurance coverage activates to absorb losses beyond that threshold.
- 3** Pricing levers adjust coverage economics:
Reinsurers use levers such as coinsurance percentages and maximum payout caps to fine-tune pricing, balancing premium cost against the depth of protection provided.

Legend  ACO Liability  Reinsurer Liability

Market dynamics affect downside risk exposure in the CMS Stop Loss Option



Commentary

- CMS maintains an optional stop loss program under REACH and intends to continue it in LEAD
- In recent years, CMS has introduced marketwide adjustments to limit their exposure to catastrophic claims
- Skin substitutes and SAHS codes have resulted in increases in stop loss eligible claims
- For PY2025, CMS released a “budget neutrality factor” of 40% in May 2026 that impacts PY2025 reimbursements

Source: PY2025 Financial Settlement Overview; PY2025 Stop Loss Guidance

Legend  ACO SL premium  ACO SL reimbursement  CMS market adjustments



Prepare Now for Stop Loss with Sparx

Summary

ACOs can work with Sparx to obtain competitive stop loss quotes and iterate on policy features

Next Steps

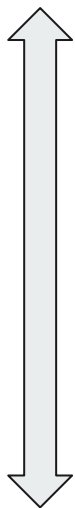
- Set up introductory meeting with Sparx team
- Send available data requested
- Sparx to model policy performance using historical data and summarize different policy options

Reach out to the Sparx Team (ar@usesparx.com)

Benchmark design is most favorable for higher cost groups that can take advantage of add-on payments

Higher Risk

Benchmark Dynamics Matrix



<p>LEAD</p> <ul style="list-style-type: none"> - 50% regional efficiency / Prior Savings Adj. - No rebasing avoids ratchet effect - Concurrent Risk Adjustment 	<p>LEAD</p> <ul style="list-style-type: none"> - 1.5% admin cap add-on - Decreased discount (1.75%-3%) for global risk option - Concurrent Risk Adjustment - Lower Alignment Minimums
<p>MSSP</p> <ul style="list-style-type: none"> - LEAD discount likely exceeds upsides from benchmark add-ons - Results may change due to rebasing and other MSSP mechanics 	<p>LEAD</p> <ul style="list-style-type: none"> - 1.5% capitation admin add-on - Decreased discount (1.75%) for global risk option

Lower Risk



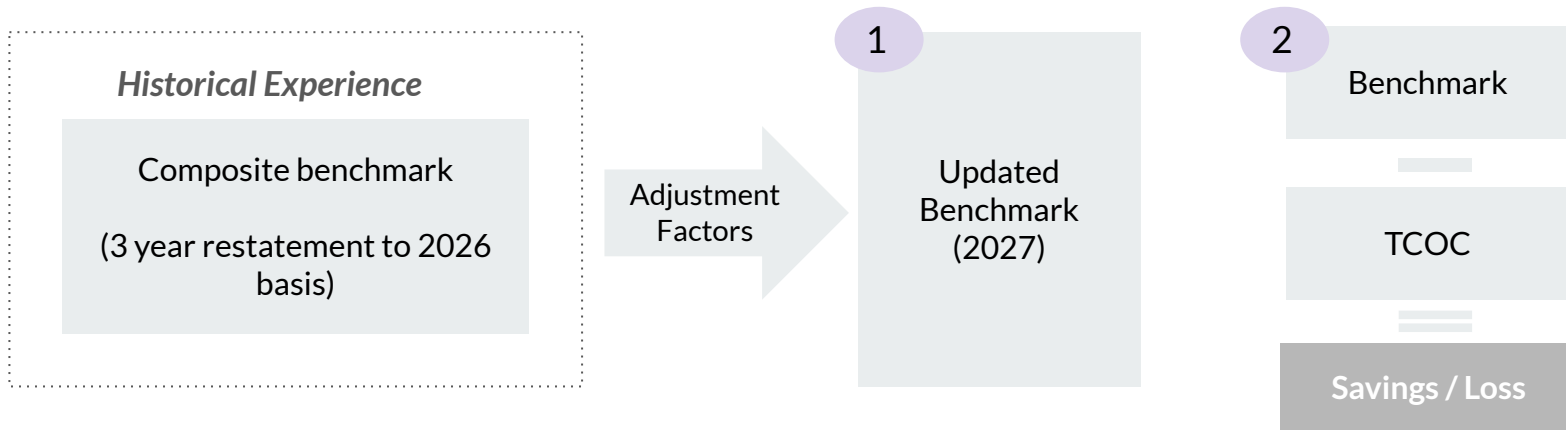
Commentary

CMS is explicit in the Request for Applications: LEAD is designed to attract participation from organizations serving high-cost / high-risk Medicare beneficiaries.

Groups that have a proven care management strategy for these member-types can see significant benefits to their economics.

Actuarially modeling the LEAD benchmark can support LEAD strategy and decision making

Illustration of LEAD Modeling



LEAD Modeling Factors

PY2027 benchmark can be developed after querying historical experience and known adjustment factors. Key levers that drive actuarial modeling include:

1. Updated Benchmark

- Sensitivity test impact of final adjustments (e.g., voluntary alignment application at different steps)
- Compare LEAD benchmark against other known sources, such as MSSP output
- Assess impact of supporting capital products

2. Performance Year Modeling

- Compare actual versus expected assumptions for model refinement
- Assess TIN-level impact on results
- Monitor performance for Hybrid alignment

Source: LEAD [RFA](#)

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LEAD is a redesign of existing MSSP and REACH models with a focus on CMS priorities

Program Feature	Model Feature Source		
	New	MSSP	REACH
Attribution: Driven by whole TIN approach <ul style="list-style-type: none"> LEAD does not require an MD/DO visit like MSSP's pre-step 	✓	✓	
Beneficiary Alignment Timeline: Largely prospective alignment based on a 12-month lookback window. Also includes a “Hybrid” option that allows for TINs to be added midyear (4/1)		✓	✓
Beneficiary Alignment Minimums: Generally 5k benes each performance year with some flexibilities <ul style="list-style-type: none"> Claims-based alignment minimum generally 3k Flexibility for ACOs with High Needs benes or New Entrant ACOs No separate tracks for High Needs Standard ACOs 		✓	✓
Risk Sharing Options: ACOs can select a Global risk option (100% two-sided risk) or a Professional risk option (50% two-sided risk)			✓

LEAD is a redesign of existing MSSP and REACH models with a focus on CMS priorities (continued)

Program Feature	Model Feature Source		
	New	MSSP	REACH
Benchmark Calculation: Based on ACO's historical expenditures across 3 years <ul style="list-style-type: none"> LEAD BYs are locked for entire 10-year model 	✓	✓	
Capitation: ACOs select Primary Care Capitation or Total Care Capitation <ul style="list-style-type: none"> Non-Primary Care Capitation becomes an option High-spend ACOs will be eligible for other capitation payments worth 1.5% of benchmark that do not need to be returned to CMS or reconciled 	✓	✓	
Discounts / Quality: ACOs in global risk are subject to 1.75-3% discount, with flexibility for higher-spending ACOs. ACOs can earn a quality withhold	✓		✓
Risk Adjustment: Two models will be run, including recalibrated prospective concurrent V28 models	✓		✓
Risk Transfers: Financial Guarantee is required and Stop Loss may be purchased		✓	✓

LEAD facilitates new sub-capitation arrangements for specialists

Non-Primary Care Capitation (NPCC)

- MA-style sub-capitation to specialists
- ACOs electing PCC can extend capitation payments to non-primary care services
- Specialists take a 1-100% FFS claims reduction in exchange for capitation payments
- Calculated based on historical claims in benchmark base years for the specialists
- ACOs with strong specialist relationships can take advantage and drive quality care in new settings

CMS Administered Risk Arrangements (CARA)

- CARA allows Global ACOs to enter into episode-based risk arrangements with specialists
- ACOs to identify specialists for CARA in 2027 with episodes to begin in Jan 2028
- CMS will allow flexibility for episode customization through the Max Flex Option
- Episode costs will be factored into ACO financial settlement and preferred providers will be at risk

CMS is looking for ways to increase speciality provider accountability for quality and cost with LEAD changes as well as with the introduction of the TEAM model.

Where should LEAD applicants focus their efforts?

1. Use 100% Medicare data to estimate TIN performance

1. Own TINs' alignment: Claims-based alignment simulated across the benchmark years CY2024–CY2026
2. Partner TIN scenarios: size financial opportunities for ACO expansion
3. Member type mix: A&D, ESRD and High Needs proportions, including changes to alignment versus MSSP and REACH
4. Geographic splits: Understand county level distribution and likely spending designations

2. Model the “known knows”

1. Alignment minimums: Estimate claims-based alignment across benchmark and performance years
2. Spending designation: Estimate costs at county level to determine high vs low spending designation and discount impact
3. Benchmark adjustments: Determine other relevant adjustments (prior savings, 1.5% administrative add-on)
4. Other model parameters: risk track, capitation and quality withholds

3. Model and sensitivity test the “known unknowns”

Awaiting CMS methodology

1. High Needs caps: Expected to range from 3% – 8%
2. Risk Adjustment: Impact of Concurrent Risk Adjustment V2
3. Voluntary Alignment: Unclear how +/- 10% benchmark cap applied

Market-wide adjustments

4. Trend assumptions: Data availability and timeline differences from MSSP and REACH
5. Stop Loss: Potential marketwide dynamics from built in stop loss plan



Prepare Now for LEAD with Sparx

Summary

ACOs can work with Sparx to model financial performance under LEAD and to understand drivers of financial success

Next Steps

- Set up introductory meeting with Sparx team
- Provide list of target TINs
- Sparx to summarize claims using LEAD parameters and estimate performance in PY2027

Reach out to the Sparx Team (ar@usesparx.com)



Questions?

Email Contact: ar@usesparx.com

