UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-39203

1LIFE HEALTHCARE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**76-0707204**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Embarcadero Center, Suite 1900
San Francisco, CA 94111
(Address of principal executive offices and zip code)

(415) 814-0927
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	ONEM	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 26, 2021, the registrant had 137,802,443 shares of common stock, $0.001 par value per share, outstanding.

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Where You Can Find More Information

Investors and others should note that we announce material financial and other information using our investor relations website, press releases, SEC filings and public conference calls and webcasts. We also post supplemental materials on the "Events" section of our investor relations website at investor.onemedical.com. Except as specifically noted herein, information on or accessible through our website is not, and will not be deemed to be, a part of this Quarterly Report on Form 10-Q or incorporated by reference into any other filings we may make with the U.S. Securities and Exchange Commission (the "SEC").

We also use our Facebook, Twitter and LinkedIn accounts as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. The information we post through these social media channels may be deemed material. Accordingly, investors should monitor these accounts, in addition to following our press releases, SEC filings and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this Quarterly Report on Form 10-Q. These channels may be updated from time to time on our investor relations website.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

1LIFE HEALTHCARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except par value amounts)
(unaudited)

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 503,238	$ 112,975
Short-term marketable securities	150,559	570,023
Accounts receivable, net	55,982	67,895
Inventories	3,950	7,113
Prepaid expenses and other current assets	43,025	16,693
Total current assets	756,754	774,699
Restricted cash	1,895	1,911
Property and equipment, net	144,770	126,037
Right-of-use assets	165,653	138,840
Goodwill	26,866	21,301
Deferred income taxes	2,656	2,656
Other assets	29,047	5,546
Total assets	$ 1,127,641	$ 1,070,990
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 12,462	$ 12,654
Accrued expenses	56,037	46,527
Deferred revenue, current	43,605	35,966
Operating lease liabilities, current	20,656	17,418
Other current liabilities	21,988	4,861
Total current liabilities	154,748	117,426
Operating lease liabilities, non-current	181,952	153,614
Convertible senior notes	308,907	241,233
Deferred revenue, non-current	6,750	7,624
Other non-current liabilities	2,840	2,618
Total liabilities	655,197	522,515
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Common stock, $0.001 par value, 1,000,000 and 1,000,000 shares authorized as of June 30, 2021 and December 31, 2020, respectively; 137,774 and 134,472 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	138	134
Additional paid-in capital	916,460	918,118
Accumulated deficit	(444,162)	(369,785)
Accumulated other comprehensive income	8	8
Total stockholders' equity	472,444	548,475
Total liabilities and stockholders' equity	$ 1,127,641	$ 1,070,990

The accompanying notes are an integral part of these condensed consolidated financial statements.

1LIFE HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenue	$ 120,416	$ 78,000	$ 241,768	$ 156,756
Operating expenses:				
Cost of care, exclusive of depreciation and amortization shown separately below	67,922	53,450	138,014	104,999
Sales and marketing	10,570	9,777	23,259	20,933
General and administrative	77,196	38,311	141,541	78,177
Depreciation and amortization	7,292	5,175	13,899	10,388
Total operating expenses	162,980	106,713	316,713	214,497
Loss from operations	(42,564)	(28,713)	(74,945)	(57,741)
Other income (expense), net:				
Interest income	79	366	184	1,400
Interest expense	(2,842)	(1,976)	(5,685)	(2,029)
Change in fair value of redeemable convertible preferred stock warrant liability	—	—	—	(6,560)
Total other expense, net	(2,763)	(1,610)	(5,501)	(7,189)
Loss before income taxes	(45,327)	(30,323)	(80,446)	(64,930)
Provision for (benefit from) income taxes	(4,040)	(22)	159	(72)
Net loss	(41,287)	(30,301)	(80,605)	(64,858)
Less: Net loss attributable to noncontrolling interest	—	—	—	(704)
Net loss attributable to 1Life Healthcare, Inc. stockholders	$ (41,287)	$ (30,301)	$ (80,605)	$ (64,154)
Net loss per share attributable to 1Life Healthcare, Inc. stockholders — basic and diluted	$ (0.30)	$ (0.24)	$ (0.59)	$ (0.61)
Weighted average common shares outstanding — basic and diluted	136,788	126,150	137,045	105,517

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1LIFE HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Amounts in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Net loss	$ (41,287)	$ (30,301)	$ (80,605)	$ (64,858)
Other comprehensive loss:				
Net unrealized loss on short-term marketable securities	(12)	(51)	—	(7)
Comprehensive loss	(41,299)	(30,352)	(80,605)	(64,865)
Less: Comprehensive loss attributable to noncontrolling interest	—	—	—	(704)
Comprehensive loss attributable to 1Life Healthcare, Inc. stockholders	$ (41,299)	$ (30,352)	$ (80,605)	$ (64,161)

The accompanying notes are an integral part of these condensed consolidated financial statements.

1LIFE HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(Amounts in thousands)
(unaudited)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit) Attributable to 1Life Healthcare, Inc. Stockholders	Noncontrolling Interest	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount						
Balances at December 31, 2020	—	$ —	134,472	$ 134	$ 918,118	$ (369,785)	$ 8	$ 548,475	$ —	$ 548,475
Impact of adoption of ASU 2020-06					(73,393)	6,656		(66,737)		(66,737)
Impact of adoption of ASC 326						(428)		(428)		(428)
Exercise of stock options			2,584	3	13,476			13,479		13,479
Issuance of common stock for settlement of RSUs			241		—			—		
Stock-based compensation expense					26,328			26,328		26,328
Net unrealized gain on short-term marketable securities							12	12		12
Net loss						(39,318)		(39,318)	—	(39,318)
Balances at March 31, 2021	—	$ —	137,297	$ 137	$ 884,529	$ (402,875)	$ 20	$ 481,811	$ —	$ 481,811
Exercise of stock options			353	1	2,627			2,628		2,628
Issuance of common stock under the employee stock purchase plan			107		2,972			2,972		2,972
Issuance of common stock for settlement of RSUs			17					—		—
Stock-based compensation expense					26,332			26,332		26,332
Net unrealized gain on short-term marketable securities							(12)	(12)		(12)
Net loss						(41,287)		(41,287)		(41,287)
Balance at June 30, 2021	—	$ —	137,774	$ 138	$ 916,460	$ (444,162)	$ 8	$ 472,444	$ —	$ 472,444

The accompanying notes are an integral part of these condensed consolidated financial statements.

1LIFE HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(Amounts in thousands)
(unaudited)

	Redeemable Convertible Preferred Stock		Common Stock							
	Shares	**Amount**	**Shares**	**Amount**	**Additional Paid-In Capital**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Total Stockholders' Equity (Deficit) Attributable to 1Life Healthcare, Inc. Stockholders**	**Noncontrolling Interest**	**Total Stockholders' Equity (Deficit)**
Balances at December 31, 2019	86,252	$ 402,488	18,952	$ 19	$ 93,945	$ (281,068)	$ 38	$ (187,066)	$ 3,035	$ (184,031)
Exercise of redeemable convertible preferred stock warrant	5	76						—		—
Conversion of redeemable convertible preferred stock into common stock upon closing of initial public offering	(86,257)	(402,564)	86,257	86	402,478			402,564		402,564
Issuance of common stock upon closing of initial public offering, net of issuance costs and underwriting fees of $23,631			20,125	20	258,099			258,119		258,119
Fair value adjustment to redeemable convertible preferred stock warrants upon conversion into common stock warrants					13,740			13,740		13,740
Exercise of stock options			294	—	1,534			1,534		1,534
Exercise of common stock warrants			11	—	73			73		73
Cashless exercise of common stock warrants			464	1	—			1		1
Stock-based compensation expense					10,325			10,325		10,325
Net unrealized gain on short-term marketable securities							44	44		44
Net loss						(33,853)		(33,853)	(704)	(34,557)
Balances at March 31, 2020	—	$ —	126,103	$ 126	$ 780,194	$ (314,921)	$ 82	$ 465,481	$ 2,331	$ 467,812
Reimbursed secondary offering issuance costs					784			784		784
Exercise of stock options			103		562			562		562
Stock-based compensation expense					8,363			8,363		8,363
Net unrealized gain on short-term marketable securities							(51)	(51)		(51)
Equity component of convertible senior notes, net of issuance costs of $2,243					73,370			73,370		73,370
VIE deconsolidation								—	(2,331)	(2,331)
Net loss						(30,301)		(30,301)		(30,301)
Balances at June 30, 2020	—	$ —	126,206	$ 126	$ 863,273	$ (345,222)	$ 31	$ 518,208	$ —	$ 518,208

The accompanying notes are an integral part of these condensed consolidated financial statements.

1LIFE HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(unaudited)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash flows from operating activities:		
Net loss	$ (80,605)	$ (64,858)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for bad debts	105	213
Depreciation and amortization	13,899	10,388
Amortization of debt discount and issuance costs	937	1,135
Accretion of discounts and amortization of premiums on short-term investments, net	483	(520)
Change in fair value of redeemable convertible preferred stock warrant liability	—	6,560
Reduction of operating lease right-of-use assets	8,609	6,575
Stock-based compensation	52,660	18,688
Other non-cash items	400	(10)
Changes in operating assets and liabilities:		
Accounts receivable, net	11,380	(13,591)
Inventories	3,216	93
Prepaid expenses and other current assets	(21,261)	1,118
Other assets	110	(250)
Accounts payable	1,234	(2,110)
Accrued expenses	6,772	12,893
Deferred revenue	6,765	16,051
Operating lease liabilities	(8,761)	(5,132)
Other liabilities	17,128	2,652
Net cash provided by (used in) operating activities	13,071	(10,105)
Cash flows from investing activities:		
Purchases of property and equipment	(31,172)	(39,554)
Purchases of short-term marketable securities	(79,984)	(367,367)
Proceeds from sales and maturities of short-term marketable securities	498,977	123,314
Acquisitions of businesses	(9,695)	—
Issuance of note receivable	(20,000)	—
VIE deconsolidation	—	(810)
Net cash provided by (used in) investing activities	358,126	(284,417)
Cash flows from financing activities:		
Proceeds from issuance of convertible senior notes	—	316,250
Payment of convertible senior notes issuance costs	—	(8,756)
Proceeds from initial public offering	—	281,750
Payment of underwriting discount and commissions, and offering costs	—	(21,322)
Proceeds from the exercise of stock options	16,107	2,096
Proceeds from employee stock purchase plan	2,972	—
Proceeds from the exercise of redeemable convertible preferred and common stock warrants	—	110
Repayment of notes payable	—	(2,200)
Payment of principal portion of finance lease liability	(29)	(29)
Net cash provided by financing activities	19,050	567,899
Net increase in cash, cash equivalents and restricted cash	390,247	273,377
Cash, cash equivalents and restricted cash at beginning of period	115,005	29,329
Cash, cash equivalents and restricted cash at end of period	$ 505,252	$ 302,706
Supplemental disclosure of non-cash investing and financing activities:		
Purchases of property and equipment included in accounts payable and accrued expenses	$ 5,883	$ 3,620
Offering costs included in accounts payable and accrued expenses	$ —	$ 625
Reimbursement of secondary offering costs in prepaid expenses and other current assets	$ —	$ 784

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except per share amounts)
(unaudited)

1. Nature of the Business and Basis of Presentation

1Life Healthcare, Inc. (“1Life”) was incorporated in Delaware on July 25, 2002. 1Life’s headquarters are located in San Francisco, California. 1Life has developed a modernized healthcare membership model based on direct consumer enrollment as well as employer sponsorship. 1Life is also an administrative and managerial services company that provides services pursuant to contracts with physician-owned professional corporations (“PCs”) or “One Medical Entities” that provide medical services in-office and virtually. 1Life and the One Medical Entities are collectively referred to herein as the “Company” and operate under the brand name One Medical.

Basis of Presentation

The Company has prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”), which include the accounts of 1Life and variable interest entities (“VIE”) in which 1Life has an interest and is the primary beneficiary. See Note 3, “Variable Interest Entities”. Pursuant to these rules and regulations, the Company has condensed or omitted certain information and footnote disclosures it normally includes in its annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). All significant intercompany balances and transactions have been eliminated in consolidation. The noncontrolling interest attributable to the Company’s variable interest entities are presented as a separate component of equity in the condensed consolidated balance sheets. In management’s opinion, the Company has made all adjustments (consisting only of normal, recurring adjustments, except as otherwise indicated) necessary to fairly state its condensed consolidated financial position, results of operations, comprehensive loss and cash flows. The Company’s interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. These financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes thereto in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the SEC on March 17, 2021 (the “Form 10-K”).

Use of Estimates

The preparation of condensed consolidated financial statements and related disclosures in conformity with U.S. GAAP and regulations of the SEC requires management to make estimates and assumptions that affect the amount reported in the condensed consolidated financial statements and accompanying notes. Estimates include, but are not limited to, revenue recognition, determination of useful lives for property and equipment, intangible assets including goodwill, capitalized internal-use software, allowance for doubtful accounts, self-insurance reserves, valuation of common stock, stock options valuations, convertible senior notes fair value, contingent liabilities and income taxes. Actual results could differ materially from those estimates.

Due to the COVID-19 global pandemic, the global economy and financial markets have been disrupted and there continues to be a significant amount of uncertainty about the length and severity of the consequences caused by the pandemic. The Company has considered information available to it as of the date of issuance of these financial statements and is not aware of any specific events or circumstances that would require an update to its estimates or judgments, or an adjustment to the carrying value of its assets or liabilities. The accounting estimates and other matters assessed include, but were not limited to, revenue recognition, allowance for doubtful accounts and goodwill and other long-lived assets. These estimates may change as new events occur and additional information becomes available. Actual results could differ materially from these estimates.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted on March 27, 2020. Intended to provide economic relief to those impacted by the COVID-19 pandemic, the CARES Act includes various tax and lending provisions, among others. Under the CARES Act, the Company received an income grant from the Provider Relief Fund administered by the Department of Health and Human Services (“HHS”) during the six months ended June 30, 2021. See Note 5, “Revenue Recognition”.

Cash, Cash Equivalents and Restricted Cash

The Company considers all short-term, highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash deposits are all in financial institutions in the United States. Cash and cash equivalents consisted of cash on deposit, investments in money market funds and commercial paper. Restricted cash represents cash held under letters of credit for various leases. The expected duration of restrictions on the Company's restricted cash generally ranges from 1 to 9 years.

The reconciliation of cash, cash equivalents and restricted cash reported within the applicable balance sheet line items that sum to the total of the same such amount shown in the condensed consolidated statements of cash flows is as follows:

	June 30, 2021	December 31, 2020	June 30, 2020	December 31, 2019
Cash and cash equivalents	$ 503,238	$ 112,975	$ 300,675	$ 27,390
Restricted cash, current (included in prepaid expenses and other current assets)	119	119	17	17
Restricted cash, non-current	1,895	1,911	2,014	1,922
Total cash, cash equivalents, and restricted cash	$ 505,252	$ 115,005	$ 302,706	$ 29,329

Concentration of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash, cash equivalents, marketable securities and accounts receivable. The Company's cash balances with individual banking institutions might be in excess of federally insured limits. Cash equivalents are invested in highly rated money market funds and commercial paper. The Company's marketable securities are invested in U.S. Treasury obligations, U.S. government agency securities, foreign government bonds and commercial paper. The Company is not exposed to any significant concentrations of credit risk from these financial instruments. The Company has not experienced any losses on its deposits of cash, cash equivalents or marketable securities. The Company grants unsecured credit to patients, most of whom reside in the service area of the One Medical facilities and are largely insured under third-party payer agreements. The Company's concentration of credit risk is limited by the diversity, geography and number of patients and payers.

The table below presents the customers that individually represented 10% or more of the Company's accounts receivable, net balance as of June 30, 2021 and December 31, 2020.

	June 30, 2021	December 31, 2020
Customer A	13 %	*
Customer E	15 %	12 %
Customer F	16 %	24 %
Customer H	14 %	16 %

* Represents percentages below 10% of the Company's accounts receivable in the period.

The table below presents the customers that individually represented 10% or more of the Company's net revenue for the three and six months ended June 30, 2021 and 2020.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Customer A	12 %	*	12 %	11 %
Customer E	*	11 %	*	11 %
Customer F	12 %	12 %	12 %	12 %

* Represents percentages below 10% of the Company's net revenue in the period.

2. Summary of Significant Accounting Policies

Other than items discussed under *Recently Adopted Pronouncements as of June 30, 2021*, there have been no material changes to the Company's significant accounting policies as discussed in Note 2 "Summary of Significant Accounting Policies" in Item 15 of its Form 10-K for the fiscal year ended December 31, 2020.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, these financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates. The Company will cease to be an emerging growth company, as defined in the JOBS Act, at the end of this fiscal year ending December 31, 2021.

Recently Adopted Pronouncements as of June 30, 2021

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible instruments by removing certain separation models in Subtopic 470-20, *Debt—Debt with Conversion and Other Options*, for convertible instruments and also increases information transparency by making disclosure amendments. The standard is effective for private companies for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years.

The Company early adopted this standard on January 1, 2021 on a modified retrospective basis. Under previous GAAP, instruments that may be partially settled in cash were in the scope of the "cash conversion" model, which required conversion features to be separately reported in equity. Upon the adoption of ASU 2020-06, the cash conversion model was eliminated and the Company no longer separates its convertible senior notes ("the 2025 Notes") into liability and equity components and instead accounts for the 2025 Notes as a single liability instrument. As a result, there is no longer a debt discount or subsequent amortization to be recognized as interest expense. Further, ASU 2020-06 requires the use of the if-converted method for diluted earnings per share calculation, and no longer allows the use of the treasury stock method for instruments with flexible settlement arrangements. Under the previous treasury stock method, only the excess of the average stock price of the Company's common stock for the reporting period over the conversion price was used in determining the impact to the diluted earnings per share denominator. Under the current if-converted method, all underlying shares shall be included in the denominator regardless of the average stock price for the reporting period, in addition to adding back to the numerator the related interest expense from the stated coupon and the amortization of issuance costs, if dilutive.

The prior period consolidated financial statements have not been retrospectively adjusted and continue to be reported under the accounting standards in effect for those periods. Accordingly, the cumulative-effect adjustment to the opening balance of accumulated deficit as of January 1, 2021 was as follows:

	December 31, 2020 As Reported	Effect of the Adoption of ASU 2020-06	January 1, 2021 As Adjusted
Liabilities			
Convertible senior notes	$ 241,233	$ 66,737	$ 307,970
Stockholders' Equity			
Additional paid-in capital	918,118	(73,393)	844,725
Accumulated deficit	(369,785)	6,656	(363,129)

The impact of adoption on the condensed consolidated statements of operations for the three and six months ended June 30, 2021 was primarily a reduction of non-cash interest expense of $3,239 and $6,408, respectively. The reduction in interest expense decreased the net loss attributable to common stockholders and decreased the basic net loss per share. The required use of the if-converted method for earnings per share does not impact the diluted net loss per share as long as the Company is in a net loss position. The adoption had no impact on the condensed consolidated statement of cash flows.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and also issued subsequent amendments to the initial guidance (collectively, Topic 326). Topic 326 replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. Upon adoption of the standard, the Company regularly reviews the adequacy of the allowance for credit losses based on a combination of factors, including historical losses adjusted for current market conditions, the Company's customers' financial condition, delinquency trends, aging behaviors of receivables and credit and liquidity indicators for industry groups, and future market and economic conditions. For available-for-sale debt securities with unrealized losses, the standard limits the amount of credit losses to be recognized to the amount by which carrying value exceeds fair value and requires the reversal of previously recognized credit losses if fair value increases. The Company early adopted the standard on January 1, 2021 using a modified retrospective approach with no material impact to the condensed consolidated financial statements. The adoption of the standard did not significantly change the Company's approach to the valuation of trade receivables, available-for-sale debt securities or other note receivables.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use-software. The Company adopted the standard on January 1, 2021 on a prospective basis. The adoption did not have a material impact on the Company's condensed consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted as of June 30, 2021

There have been no recent accounting pronouncements or changes in accounting pronouncements that are of significance or potential significance to the Company as of June 30, 2021.

3. Variable Interest Entities

1Life's agreements with the PCs generally consist of both Administrative Services Agreements ("ASAs"), which provide for various administrative and management services to be provided by 1Life to the PCs, and Succession Agreements, which provide for transition of ownership of the PCs under certain conditions.

The ASAs typically provide that the term of the arrangements is ten years with automatic renewal for successive one-year terms, subject to termination by 1Life or the PC in certain specified circumstances. The outstanding voting equity instruments of the PCs are owned by nominee shareholders appointed by 1Life (or the PC in one instance) under the terms of the Succession Agreements or other shareholders who are also subject to the terms of the Succession Agreements. 1Life has the right to receive income as an ongoing administrative fee in an amount that represents the fair value of services rendered and has provided all financial support through loans to the PCs. 1Life has exclusive responsibility for the provision of all nonmedical services including facilities, technology and intellectual property required for the day-to-day operation and management of each of the PCs, and makes recommendations to the PC in establishing the guidelines for the employment and compensation of the physicians and other employees of the PCs. In addition, the agreements provide that 1Life has the right to designate a person(s) to purchase the stock of the PCs for a nominal amount in the event of a succession event. Based upon the provisions of these agreements, 1Life determined that the PCs are variable interest entities due to its equity holder having insufficient capital at risk, and 1Life has a variable interest in the PCs.

The contractual arrangement to provide management services allows 1Life to direct the economic activities that most significantly affect the PC. Accordingly, 1Life is the primary beneficiary of the PCs and consolidates the PCs under the VIE model. Furthermore, as a direct result of nominal initial equity contributions by the physicians, the financial support 1Life provides to the PCs (e.g. loans) and the provisions of the nominee shareholder succession arrangements described above, the interests held by noncontrolling interest holders lack economic substance and do not provide them with the ability to participate in the residual profits or losses generated by the PCs. Therefore, all income and expenses recognized by the PCs are allocated to 1Life stockholders. The aggregate carrying value of the current assets and liabilities included in the condensed consolidated balance sheets for the PCs after elimination of intercompany transactions and balances were $50,843 and $42,792, respectively, as of June 30, 2021 and $48,182 and $31,462, respectively, as of December 31, 2020. The PCs did not have noncurrent assets or liabilities.

4. Fair Value Measurements and Investments

Fair Value Measurements

The following tables present information about the Company’s financial assets measured at fair value on a recurring basis:

	Fair Value Measurements as of June 30, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market fund	$ 470,384	$ —	$ —	$ 470,384
Short-term investments:				
U.S. Treasury obligations	60,563	—	—	60,563
Foreign government bonds	—	5,055	—	5,055
Commercial paper	—	84,941	—	84,941
Total financial assets	$ 530,947	$ 89,996	$ —	$ 620,943

	Fair Value Measurements as of December 31, 2020 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market fund	$ 50,761	$ —	$ —	$ 50,761
Commercial paper	—	19,999	—	19,999
Short-term investments:				
U.S. Treasury obligations	416,158	—	—	416,158
U.S. government agency securities	20,000	—	—	20,000
Commercial paper	—	133,865	—	133,865
Total financial assets	$ 486,919	$ 153,864	$ —	$ 640,783

During the three and six months ended June 30, 2021 and 2020, there were no transfers between Level 1, Level 2 and Level 3.

Valuation of Convertible Senior Notes

The Company has $316,250 aggregate principal amount outstanding of 3.0% convertible senior notes due in 2025 (the “2025 Notes”). Please refer to Note 9, “Convertible Senior Notes” for further details on the 2025 Notes.

The fair value of the 2025 Notes was $351,003 and $397,472 as of June 30, 2021 and December 31, 2020, respectively. The fair value was determined based on the closing trading price of the 2025 Notes as of the last day of trading for the period. The fair value of the 2025 Notes is primarily affected by the trading price of the Company's common stock and market interest rates. The fair value of the 2025 Notes is considered a Level 2 measurement as they are not actively traded.

Investments

At June 30, 2021 and December 31, 2020, the Company's cash equivalents and short-term marketable securities were as follows:

	June 30, 2021		
	Amortized cost	Gross unrealized gains (losses)	Fair value
Cash equivalents:			
Money market fund	$ 470,384	$ —	$ 470,384
Short-term marketable securities:			
U.S. Treasury obligations	60,553	10	60,563
Foreign government bonds	5,056	(1)	5,055
Commercial paper	84,941	—	84,941
Total short-term marketable securities	150,550	9	150,559
Total cash equivalents and short-term marketable securities	$ 620,934	$ 9	$ 620,943

	December 31, 2020		
	Amortized cost	Gross unrealized gains (losses)	Fair value
Cash equivalents:			
Money market fund	$ 50,761	$ —	$ 50,761
Commercial paper	19,999	—	19,999
Total cash equivalents	70,760	—	70,760
Short-term marketable securities:			
U.S. Treasury obligations	416,150	8	416,158
U.S. government agency securities	20,000	—	20,000
Commercial paper	133,865	—	133,865
Total short-term marketable securities	570,015	8	570,023
Total cash equivalents and short-term marketable securities	$ 640,775	$ 8	$ 640,783

5. Revenue Recognition

The following table summarizes the Company's net revenue by primary source:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenue:				
Net patient service revenue	$ 43,416	$ 23,927	$ 87,878	$ 58,013
Partnership revenue	56,126	33,993	111,057	63,448
Total net patient service and partnership revenue	99,542	57,920	198,935	121,461
Membership revenue	20,874	17,680	41,070	32,895
Grant income	—	2,400	1,763	2,400
Net revenue	$ 120,416	$ 78,000	$ 241,768	$ 156,756

Net patient service revenue is primarily generated from commercial third-party payers with which the One Medical entities have established contractual billing arrangements. The following table summarizes net patient service revenue by source:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net patient service revenue:				
Commercial and government third-party payers	$ 39,608	$ 20,985	$ 81,843	$ 50,876
Patients, including self-pay, insurance co-pays and deductibles	3,808	2,942	6,035	7,137
Net patient service revenue	$ 43,416	$ 23,927	$ 87,878	$ 58,013

The CARES Act was enacted on March 27, 2020 to provide economic relief to those impacted by the COVID-19 pandemic. The CARES Act includes various tax and lending provisions, among others. Under the CARES Act, the Company received an income grant of $1,763 from the Provider Relief Fund administered by the Health and Human Services ("HHS") during the six months ended June 30, 2021. The Company received an income grant of $2,400 during the three and six months ended June 30, 2020. The Company did not receive any income grants from the HHS for the three months ended June 30, 2021. Management has concluded that the Company met conditions of the grant funds and has recognized it as Grant income for the six months ended June 30, 2021 and June 30, 2020, respectively.

During the three and six months ended June 30, 2021, the Company recognized revenue of $20,041 and $26,187 respectively, which was included in the beginning deferred revenue balances as of April 1, 2021 and January 1, 2021, respectively. During the three and six months ended June 30, 2020, the Company recognized revenue of $15,995 and $17,458, respectively, which was included in the beginning deferred revenue balances as of April 1, 2020 and January 1, 2020, respectively.

As of June 30, 2021, a total of $6,356 is included within deferred revenue related to variable consideration, of which $5,351 is classified as non-current as it will not be recognized within the next twelve months. The estimate of variable consideration is based on the Company’s assessment of historical, current, and forecasted performance.

As summarized in the table below, the Company recorded contract assets and deferred revenue as a result of timing differences between the Company’s performance and the customer’s payment.

	June 30, 2021	December 31, 2020
Balances from contracts with customers:		
Accounts receivable	$ 55,982	$ 67,895
Contract asset (included in prepaid expenses and other current assets)	788	513
Deferred revenue	50,355	43,590

The Company does not disclose the value of remaining performance obligations for (i) contracts with an original contract term of one year or less, (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice when that amount corresponds directly with the value of services performed, and (iii) variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied distinct service that forms part of a single performance obligation. For those contracts that do not meet the above criteria, the Company’s remaining performance obligation as of June 30, 2021, is expected to be recognized as follows:

	Less than or equal to 12 months	Greater than 12 months	Total
As of June 30, 2021	$ 4,676	$ 9,186	$ 13,862

6. Leases

Most leases contain clauses for renewal at the Company’s option with renewal terms that generally extend the lease term from 1 to 7 years. Certain lease agreements contain options to terminate the lease before maturity. The Company does not have any lease contracts with the option to purchase as of June 30, 2021. The Company's lease agreements do not contain any significant residual value guarantees or material restrictive covenants imposed by the leases.

Certain of the Company's furniture and fixtures and lab equipment are held under finance leases. Lease-related assets are included in property and equipment, net in the condensed consolidated balance sheets and are immaterial as of June 30, 2021.

The components of operating lease costs were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease costs	$ 7,856	$ 6,355	$ 15,189	$ 12,315
Variable lease costs	1,222	1,013	2,533	2,029
Total lease costs	$ 9,078	$ 7,368	$ 17,722	$ 14,344

Other information related to leases was as follows:

Supplemental Cash Flow Information

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 7,973	$ 5,920	$ 15,828	$ 11,358
Non-cash leases activity:				
Right-of-use lease assets obtained in exchange for new operating lease liabilities	$ 19,336	$ 7,031	$ 35,422	$ 30,638

Lease Term and Discount Rate

	June 30, 2021	December 31, 2020
Weighted-average remaining lease term (in years)	8.47	8.36
Weighted-average discount rate	7.17 %	7.60 %

At the lease commencement date, the discount rate implicit in the lease is used to discount the lease liability if readily determinable. If not readily determinable or leases do not contain an implicit rate, the Company's incremental borrowing rate is used as the discount rate. Management determines the appropriate incremental borrowing rates for each of its leases based on the remaining lease term at lease commencement.

Future minimum lease payments under non-cancellable operating leases as of June 30, 2021 were as follows (excluding the effect of lease incentives to be received that are recorded in prepaid expenses and other current assets of $7,697 which serve to reduce total lease payments):

		June 30, 2021
Remainder of 2021	$	17,310
2022		34,120
2023		33,150
2024		31,899
2025		29,994
Thereafter		127,922
Total lease payments		274,395
Less: interest		(71,787)
Total lease liabilities	$	202,608

7. Business Combinations

Completed Business Combinations

During the three months ended June 30, 2021, the Company completed two acquisitions for $9,350 of total cash consideration. The acquisitions were each accounted for as a business combination. The Company does not consider these acquisitions to be material, individually or in aggregate, to the Company's unaudited condensed consolidated financial statements. The preliminary purchase price allocations resulted in $5,565 of goodwill and $3,700 of acquired identifiable intangible assets related to customer relationships valued using the income method. Intangible assets are presented in other assets in the condensed consolidated balance sheets and are being amortized over their respective useful lives of seven years. Acquisition-related costs were immaterial and were expensed as incurred in the condensed consolidated statements of operations.

Proposed Business Combination

On June 6, 2021, 1Life entered into a definitive agreement to acquire Iora Health, Inc. ("Iora") pursuant to an Agreement and Plan of Merger (the "Merger Agreement"). Iora is a human-centered, value-based primary care group with built-for-purpose technology focused on serving Medicare populations. Pursuant to the terms of the Merger Agreement, at the closing of the proposed transaction, each outstanding share of Iora capital stock will be converted into the right to receive approximately 0.689 shares of 1Life's common stock, and 1Life will assume outstanding and unexercised options to purchase Iora common stock, will be converted into options to purchase shares of 1Life's common stock at the same ratio. The total number of shares of 1Life's common stock to be issued or reserved for issuance will be approximately 56,100 shares. Based on the number of shares of 1Life common stock and Iora capital stock outstanding on July 13, 2021, upon the completion of the merger, current 1Life stockholders and former Iora stockholders are expected to own approximately 78% and 22% of the combined company, respectively.

The Merger Agreement contains certain customary termination rights for both parties and provides that, in connection with a termination of the Merger Agreement under certain specified circumstances, (a) 1Life will pay Iora a termination fee of $50,000 or a termination fee equal to all reasonable out-of-pocket fees and expenses actually incurred by Iora in connection with the transactions, up to a maximum of $10,000, or (b) Iora will pay 1Life a termination fee of $50,000.

During the six months ended June 30, 2021, the Company incurred approximately $11,148 in expenses related to this proposed transaction. The completion of the merger is subject to customary conditions to closing, including stockholder and regulatory approval. The Company expects the transaction to close in the third quarter of 2021.

8. Goodwill and Intangible Assets

Goodwill

As of June 30, 2021 and December 31, 2020, goodwill was $26,866 and $21,301, respectively. During the three and six months ended June 30, 2021, the Company recorded $5,565 of goodwill in connection with the acquisitions that were completed during the three months ended June 30, 2021. See Note 7 "Business Combinations". No goodwill impairments were recorded during the three and six months ended June 30, 2021.

Goodwill balances as of June 30, 2021 and December 31, 2020 were as follows:

		Goodwill
Balance as of December 31, 2020	$	21,301
Goodwill recorded in connection with acquisitions		5,565
Balance as of June 30, 2021	$	26,866

Intangible Assets

During the three and six months ended June 30, 2021, the Company recorded $3,700 of intangible assets related to acquisitions. See Note 7 "Business Combinations". Amortization expense of intangible assets for the three and six months ended June 30, 2021 was immaterial. The Company had no intangible assets as of December 31, 2020 and did not record any amortization expense of intangible assets for the three and six months ended June 30, 2020.

The following summarizes the Company's intangible assets and accumulated amortization as of June 30, 2021:

	June 30, 2021					
	Original Cost		Accumulated Amortization		Net Book Value	
Customer relationships	$	3,700	$	(88)	$	3,612
Total intangible assets	$	3,700	$	(88)	$	3,612

As of June 30, 2021, estimated future amortization expense related to intangible assets were as follows:

		June 30, 2021
Remainder of 2021	$	264
2022		529
2023		529
2024		529
2025		529
Thereafter		1,320
Total	$	3,700

9. Convertible Senior Notes

In May 2020, the Company issued and sold $275,000 aggregate principal amount of 3.0% convertible senior notes due 2025 in a private offering exempt from the registration requirements of the Securities Act of 1933, and in June 2020, the Company issued an additional $41,250 aggregate principal amount of such notes pursuant to the exercise in full of the over-allotment option by the initial purchasers of the notes (the "2025 Notes"). The 2025 Notes are unsecured obligations and bear interest at a fixed rate of 3.0% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, commencing on December 15, 2020. The 2025 Notes will mature on June 15, 2025, unless earlier converted, redeemed or repurchased. The total net proceeds from the debt offering, after deducting the initial purchasers' commissions and other issuance costs, were $306,868.

Each $1 principal amount of the 2025 Notes will initially be convertible into 22.5052 shares of the Company's common stock, which is equivalent to an initial conversion price of $44.43 per share, subject to adjustment upon the occurrence of specified events but not for any accrued and unpaid interest.

Holders may convert the 2025 Notes at their option at any time prior to the close of business on the business day immediately preceding March 15, 2025 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2020 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period (the “measurement period”) in which the trading price (as defined below) per $1 principal amount of the 2025 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company’s common stock and the conversion rate on each such trading day; (3) if the Company calls such 2025 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. It is the Company’s current intent to settle conversions through combination settlement consisting of cash and equity.

On or after March 15, 2025 until the close of business on the business day immediately preceding the maturity date, holders may convert all or any portion of their 2025 Notes at any time, regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company’s common stock or a combination of cash and shares of the Company’s common stock, at the Company’s election and in accordance with the terms of the indenture governing the 2025 Notes. If the Company satisfies its conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of the Company’s common stock, the amount of cash and shares of common stock, if any, due upon conversion will be based on a daily conversion value calculated on a proportionate basis for each trading day in a 40 trading day observation period. In addition, following certain corporate events that occur prior to the maturity date or if the Company delivers a notice of redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 2025 Notes in connection with such a corporate event or notice of redemption, as the case may be. If the Company undergoes a fundamental change prior to the maturity date, holders of the 2025 Notes may require the Company to repurchase for cash all or any portion of their notes at a repurchase price equal to 100% of the principal amount of the 2025 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

In addition, if specific corporate events occur prior to the applicable maturity date, the Company will increase the conversion rate for a holder who elects to convert their 2025 Notes in connection with such a corporate event in certain circumstances. The Company may not redeem the 2025 Notes prior to June 20, 2023. The Company may redeem for cash all or any portion of the 2025 Notes, at the Company’s option, on or after June 20, 2023 and prior to March 15, 2025, if the last reported sale price of the Company’s common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2025 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the notes. During the three months ended June 30, 2021, the conditions allowing holders of the 2025 Notes to convert have not been met. The 2025 Notes are therefore not convertible as of June 30, 2021 and are classified in long term liabilities in the condensed consolidated balance sheet.

The Company adopted ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40),* ("ASU 2020-06"), as of January 1, 2021. Under ASU 2020-06, the Company is no longer required to bifurcate the equity component from the liability component for the 2025 Notes and instead accounts for it as a single liability instrument. Comparative prior period consolidated financial statements have not been restated for ASU 2020-06 and are not directly comparable to the current period condensed consolidated financial statements. See Note 2 "Summary of Significant Accounting Policies" for details on adoption impact. The Company incurred issuance costs of $9,374 and amortizes the issuance costs to interest expense over the contractual term of the 2025 Notes at an effective interest rate of 0.65%.

The net carrying amount of the 2025 Notes was as follows:

	June 30, 2021
Liabilities:	
Principal	$ 316,250
Unamortized issuance costs	(7,343)
Net carrying amount	$ 308,907

The following table sets forth the interest expense recognized related to the 2025 Notes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Contractual interest expense	$ 2,372	$ 826	$ 4,744	$ 826
Amortization of debt discount	—	1,041	—	1,041
Amortization of issuance costs	468	79	937	79
Total interest expense related to the 2025 Notes	$ 2,840	$ 1,946	$ 5,681	$ 1,946

10. Stock-Based Compensation

Stock Incentive Plan

The Company has the following stock-based compensation plans: the 2007 Equity Incentive Plan (the “2007 Plan”), the 2017 Equity Incentive Plan (the “2017 Plan”), and the 2020 Equity Incentive Plan (the “2020 Plan”, and, together with the 2007 Plan and the 2017 Plan, the “Plans”).

In January 2020, the Company’s stockholders approved the 2020 Plan, which took effect upon the execution of the underwriting agreement for the Company’s IPO in January 2020. The 2020 Plan is intended as the successor to and continuation of the 2007 Plan and the 2017 Plan. No additional stock awards will be granted under these prior plans. The number of shares of common stock reserved for issuance under the Company’s 2020 Plan will automatically increase on January 1 of each year, beginning on January 1, 2021, and continuing through and including January 1, 2030, by 4% of the total number of shares of common stock outstanding on December 31 of the immediately preceding calendar year, or a lesser number of shares determined by the Company’s board prior to the applicable January 1st. The number of shares issuable under the Plans is adjusted for capitalization changes, forfeitures, expirations and certain share reacquisitions. The Plan provides for the grants of incentive stock options (“ISOs”), nonstatutory stock options (“NSOs”), restricted stock awards, and restricted stock unit awards (“RSUs”). ISOs may be granted only to employees, including officers. All other awards may be granted to employees, including officers, non-employee directors and consultants. The 2020 Plan provides that grants of ISOs will be made at no less than the estimated fair value of common stock, as determined by the Board of Directors, at the date of grant. Stock options granted to employees and nonemployees under the Plans generally vest over four years. Options granted under the Plans generally expire ten years after the date of grant.

At June 30, 2021, 11,346 shares were available for future grants.

2020 Employee Stock Purchase Plan

In January 2020, the Company’s stockholders approved the 2020 Employee Stock Purchase Plan (the “ESPP”). The 2020 ESPP became effective upon the execution of the underwriting agreement for the Company’s IPO in January 2020. The Company had initially reserved 2,800 shares of common stock for issuance under the 2020 ESPP. Effective as of January 1, 2021, an additional 2,017 shares of common stock became available for issuance under the ESPP, as a result of the operation of an automatic annual increase provision therein. At June 30, 2021, 4,361 shares were available for future issuance.

The initial offering period ran from January 31, 2020 to August 15, 2020 and the second offering period ran from August 16, 2020 to November 15, 2020. For subsequent periods, the ESPP will provide for separate six-month offering periods beginning on May 16 and November 16 of each year. During the three months ended June 30, 2021, the Company’s employees purchased approximately 107 shares under the ESPP at a weighted-average price of $27.85 per share.

The stock-based compensation expense recognized for the ESPP was $591 and $1,212 during the three and six months ended June 30, 2021 and $597 and $1,006 during the three and six months ended June 30, 2020, respectively.

Stock Options

The following table summarizes stock option activity under the 2020 Plan:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2020	28,273	$ 18.03	8.20	$ 724,339
Granted	545	42.68		
Exercised	(2,937)	5.48		
Canceled	(127)	8.37		
Outstanding as of June 30, 2021	25,754	$ 20.03	7.90	$ 429,423
Options exercisable as of June 30, 2021	8,807	$ 5.77	6.48	$ 240,961
Options vested and expected to vest as of June 30, 2021	15,291	$ 20.62	7.89	$ 390,516

At June 30, 2021 and 2020, there was $14,805 and $32,690, respectively, in unrecognized compensation expense related to service-based options, net of forfeitures, that is expected to be recognized over a weighted-average period of 1.8 years and 2.0 years, respectively.

The fair value of stock option grants with service-based vesting conditions was $50 and $12,218 for the three and six months ended June 30, 2021, and $3,180 and $4,429, respectively, for the three and six months ended June 30, 2020.

Market-based Stock Options

During the year ended December 31, 2020, the Board of Directors (“Board”) approved the grant of a long-term market-based stock option (the “Performance Stock Option”) to the Company’s Chief Executive Officer and President. The Performance Stock Option was granted to acquire up to 8,645 shares of the Company’s common stock upon exercise. The Performance Stock Option consists of four separate tranches and each tranche will vest over a seven-year time period and only if the Company’s stock price sustains achievement of pre-determined increases for a period of 90 consecutive calendar days and the Chief Executive Officer remains employed with the Company. The exercise price per share of the Stock Option is the closing price of a share of the Company’s common stock on the date of grant. The vesting of the Performance Stock Option can also be triggered upon a change in control. The following table presents additional information relating to each tranche of the Performance Stock Option:

Tranche	Stock Price Milestone	Number of Options
Tranche 1	$55 per share	1,330
Tranche 2	$70 per share	1,995
Tranche 3	$90 per share	2,660
Tranche 4	$110 per share	2,660

As of June 30, 2021, no stock price milestones have been achieved. Consequently, no shares subject to the Performance Stock Option have vested as of the date of this filing. The entire 8,645 shares granted are excluded from options vested and expected to vest from the options activity table presented above.

The Company will recognize aggregate stock-based compensation expense of $197,469 over the derived service period of each tranche using the accelerated attribution method as long as the service-based vesting conditions are satisfied. If the market conditions are achieved sooner than the derived service period, the Company will adjust its stock-based compensation to reflect the cumulative expense associated with the vested awards. The Company recorded stock-based compensation expense of $14,924 and $29,850 related to the award for the three and six months ended June 30, 2021, which is included in general and administrative on the condensed consolidated statements of operations. Unamortized stock-based compensation expense related to the award was $167,128 as of June 30, 2021.

Restricted Stock Units

The following table summarizes restricted stock unit activity under the 2020 Plan:

	Number of Shares	Grant Date Fair Value
Unvested and outstanding as of December 31, 2020	1,291	$ 22.14
Granted	1,170	42.00
Vested	(258)	22.54
Canceled and forfeited	(150)	28.55
Unvested and outstanding as of June 30, 2021	2,053	$ 32.94

Stock-Based Compensation Expense

Stock-based compensation expense was classified in the condensed consolidated statements of operations as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Sales and marketing	$ 964	$ 668	$ 1,987	$ 1,268
General and administrative	25,368	7,695	50,673	17,420
Total	$ 26,332	$ 8,363	$ 52,660	$ 18,688

A tax benefit of $2,248 and $32,642 for the three and six months ended June 30, 2021, respectively, and $92 and $372 for the three and six months ended June 30, 2020, respectively, was included in the Company's net operating loss carry-forward that could potentially reduce future tax liabilities.

11. Income Taxes

The Company recorded an income tax benefit of $4,040 and $22 to operations for the three months ended June 30, 2021 and June 30, 2020, respectively. This represents an effective tax rate for the respective periods of 8.913% and 0.075%, respectively. The Company reassessed the ability to realize deferred tax assets by considering the available positive and negative evidence. As of June 30, 2021, the Company maintains a partial valuation allowance against its net deferred tax assets. The effective tax rate differs in 2021 and 2020 from the federal statutory rate due to the change in need for valuation allowance.

The Company recorded an income tax provision of $159 and benefit of $72 to operations for the six months ended June 30, 2021 and June 30, 2020, respectively. This represents an effective tax rate for the respective periods of (0.198)% and 0.124%, respectively. The Company reassessed the ability to realize deferred tax assets by considering the available positive and negative evidence. As of June 30, 2021, the Company maintains a partial valuation allowance against its net deferred tax assets. The effective tax rate differs in 2021 and 2020 from the federal statutory rate due to the change in need for valuation allowance.

12. Net Loss Per Share

Net Loss Per Share Attributable to 1Life Healthcare, Inc. Stockholders

Basic and diluted net loss per share attributable to 1Life Healthcare, Inc. stockholders were calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net loss	$ (41,287)	$ (30,301)	$ (80,605)	$ (64,858)
Less: Net loss attributable to noncontrolling interest	—	—	—	(704)
Net loss attributable to 1Life Healthcare, Inc. stockholders	$ (41,287)	$ (30,301)	$ (80,605)	$ (64,154)
Denominator:				
Weighted average common shares outstanding — basic and diluted	136,788	126,150	137,045	105,517
Net loss per share attributable to 1Life Healthcare, Inc. stockholders — basic and diluted	$ (0.30)	$ (0.24)	$ (0.59)	$ (0.61)

The Company's potentially dilutive securities, which include stock options, unvested RSUs, 2025 Notes, redeemable convertible preferred stock and warrants to purchase shares of redeemable convertible preferred stock, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to 1Life Healthcare, Inc. stockholders is the same. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to 1Life Healthcare, Inc. stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	As of June 30,	
	2021	2020
Options to purchase common stock	25,754	27,636
Unvested restricted stock	2,053	1,320
Warrants to purchase common stock	—	162
2025 Notes (1)	7,117	—
	34,924	29,118

(1) Under the modified retrospective method of adoption of ASU 2020-06, the dilutive impact of convertible senior notes was calculated using the if-converted method for the three and six months ended June 30, 2021. During the three months ended June 30, 2021, the conditions allowing holders of the 2025 Notes to convert have not been met. The 2025 Notes are therefore not convertible as of June 30, 2021. See Note 2 "Summary of Significant Accounting Policies".

13. Commitments and Contingencies

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its Board of Directors and executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. As of June 30, 2021 and December 31, 2020, the Company has not incurred any material costs as a result of such indemnifications.

Legal Matters

In May 2018, a class action complaint was filed by two former members against the Company in the Superior Court of California for the County of San Francisco, or the Court, alleging that the Company made certain misrepresentations resulting in them paying the Annual Membership Fee, or AMF, in violation of California’s Consumers Legal Remedies Act, California’s False Advertising Law and California’s Unfair Competition Law, and seeking damages and injunctive relief. Following trial proceedings and certain appeals and court-ordered mediation proceedings, in June 2021, the parties filed a joint notice of settlement and request for a six month stay in light of reaching a settlement agreement. The parties later executed a class action settlement agreement and release effective June 30, 2021 and a preliminary class settlement approval hearing has been scheduled to take place in August 2021.

The settlement amount of $11,500 is recorded as other current liabilities in the condensed consolidated balance sheets as of June 30, 2021. In addition, the Company's insurers committed to pay $5,950 towards the settlement amount. Because recovery from the insurers is probable, a receivable is also recorded for $5,950 as prepaid expenses and other current assets in the condensed consolidated balance sheets as of June 30, 2021. The settlement amount, net of expected insurance recovery, of $5,550 is recorded as general and administrative expenses in the condensed consolidated statements of operations for the three months ended June 30, 2021.

Stockholder Litigation Related to Iora Health Acquisition

On July 15, 2021, Gary Kosman, a purported stockholder in the Company, filed a complaint in the United States District Court for the Northern District of California, against the Company and its board of directors. The case is captioned Gary Kosman v. 1Life Healthcare, Inc. et al.. On July 19, 2021, Matthew Hopkins, a purported stockholder in 1Life, filed a complaint in the United States District Court for the Southern District of New York against the Company, its board of directors, SB Merger Sub, Inc., and Iora Health, Inc. The case is captioned Matthew Hopkins v. 1Life Healthcare, Inc. et al.. On July 27, 2021, Angel Rodriguez, a purported stockholder in 1Life, filed a complaint in the United States District Court for the Eastern District of New York against the Company and its board of directors. The three complaints allege, among other things, that the disclosures in the Company’s registration statement on Form S-4 regarding the proposed merger are materially misleading and that the defendants therefore violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934, as amended (“Exchange Act”).

Each plaintiff seeks, among other things, injunctive relief, including enjoining the proposed merger, and attorney’s fees and costs. Each plaintiff also seeks rescission of the merger or rescissory damages if the proposed merger is completed and an order directing the individual defendants to disseminate a registration statement that does not contain untrue statements of material fact and states all material facts required to make the statements contained therein not misleading.

Additional lawsuits may be filed against the Company or its directors and officers in connection with the merger. Defending such lawsuits could require the Company to incur significant costs and divert the attention of the management team. Further, the defense or settlement of any lawsuit or claim that remains unresolved at the closing of the proposed merger may adversely affect the Company's business, financial condition, results of operations and cash flows. Such legal proceedings could delay or prevent the closing of the proposed merger from occurring within the contemplated timeframe. The Company cannot predict the outcome of the lawsuits or any others that might be filed subsequent to the date of filing of this Quarterly Report on Form 10-Q and cannot reasonably estimate the possible loss or range of loss with respect to these matters. The Company believes that the lawsuits are without merit and intends to defend against the claims vigorously.

Government Inquiries and Investigations

In March 2021, the Company received (i) requests for information and documents from the United States House Select Subcommittee on the Coronavirus Crisis, (ii) a request for information from the California Attorney General and the Alameda County District Attorney’s Office and (iii) a request for information and documents from the Federal Trade Commission relating to the Company’s provision of COVID-19 vaccinations. The Company has also received inquiries from state and local public health departments regarding its vaccine administration practices and may continue to receive additional requests for information from other governmental agencies relating to its provision of COVID-19 vaccinations. The Company is cooperating with these requests as well as requests received from other governmental agencies, including with respect to the Company's compensation practices and membership generation during the relevant periods. The Company is unable to predict the outcome or timeline of these matters at this time or if any additional requests, inquiries, investigations or other government actions may arise relating to such circumstances. Legal fees have been recorded as general and administrative expenses in the condensed consolidated statements of operations.

Sales and Use Tax

During 2017 and 2018, a state jurisdiction engaged in an audit of 1Life's sales and use tax records applicable to that jurisdiction from March 2011 through February 2017. As of June 30, 2021, the Company estimated a probable loss from the audit and recorded the estimate in accrued expenses related to one aspect of the finding, including interest and penalties. The Company disputes the other finding representing the majority of the state's proposed audit change and has filed a notice of appeal. An administrative law judge with the state's tax division conducted a hearing on the appeal in October 2020. A decision from the judge is expected to be issued in the second half of 2021. At this time, the Company believes it has a compelling basis to dispute the audit finding and it is not able to estimate the amount of loss or range of loss, if any, related to this matter.

In addition, from time to time, the Company has been and may be involved in various legal proceedings arising in the ordinary course of business. The Company currently believes that the outcome of these legal proceedings, either individually or in the aggregate, will not have a material effect on its condensed consolidated financial position, results of operations or cash flows.

14. Related Party Transactions

Certain of the Company's investors are also affiliated with customers of the Company. Revenue recognized under contractual obligations from such customers was immaterial for the three and six months ended June 30, 2021 and June 30, 2020. The outstanding receivable balance from such customers was immaterial as of June 30, 2021 and December 31, 2020, respectively.

15. Note Receivable

In connection with the proposed merger, on June 21, 2021, the Company and Iora have entered into a loan arrangement under which the Company may advance secured loans to Iora to fund working capital, at Iora's request from time to time, in outstanding amounts not to exceed $75,000 in the aggregate. Amounts drawn under the loan agreement are secured by all assets of Iora and are subordinated to Iora's obligations outstanding under its existing credit facility with Silicon Valley Bank ("SVB"). The loan agreement is effective through the earlier of 30 calendar days following any termination of the merger agreement prior to the consummation of the merger ("merger termination"), and the maturity date of borrowed amounts under the loan agreement. Such maturity date is the later of (i) 18 months following any merger termination and (ii) 90 days following the earliest of certain maturity dates set forth in the SVB Facility.

Amounts drawn bear interest at a rate equal to 10% per year, payable monthly. Following a merger termination, the interest rate on outstanding drawn amounts will increase by 5% on the six-month anniversary of the termination date and by another 5% on the 12-month anniversary of the termination date, with the total interest rate capped at 20%. Following the merger termination, accrued and unpaid interest will accrete into outstanding principal at the end of each fiscal quarter unless Iora elects to pay such amounts in cash. Interest receivable as of June 30, 2021 was immaterial.

The loan agreement includes certain customary covenants and events of default generally consistent with those in the SVB Facility. Iora may voluntarily prepay any drawn amounts under the loan agreement without premium or penalty to the extent permitted under the SVB Facility.

As of June 30, 2021, there was $20,000 drawn and outstanding under the loan agreement. The note receivable is valued at amortized cost, net of the allowance for credit losses, and presented in other assets in the condensed consolidated balance sheets. As of June 30, 2021, the Company recorded an immaterial allowance for credit losses for note receivables related to the amount outstanding. The amount drawn is classified as an investing cash outflow in the condensed consolidated statements of cash flows for the six months ended June 30, 2021. On August 2, 2021, the Company advanced an additional $10,000 to Iora.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential" and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. In addition, statements including "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the filing date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with our condensed consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report. This discussion includes both historical information and forward-looking statements based upon current expectations that involve risk, uncertainties and assumptions. Our actual results may differ materially from management's expectations and those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, our ability to timely and successfully achieve the anticipated benefits and potential synergies of our proposed acquisition of Iora Health, Inc. and the continuing impact of the COVID-19 pandemic and societal and governmental responses as well as those discussed in "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q.

Overview

Our vision is to delight millions of members with better health and better care while reducing the total cost of care. Our mission is to transform health care for all through our human-centered, technology-powered model. We are a membership-based primary care platform with seamless digital health and inviting in-office care, convenient to where people work, shop, live and click. We are disrupting health care from within the existing ecosystem by simultaneously addressing the frustrations and unmet needs of key stakeholders, which include consumers, employers, providers, and health networks. As of June 30, 2021, we had approximately 621,000 members in sixteen markets in the United States and greater than 8,000 enterprise clients.

We have developed a modernized healthcare membership model based on direct consumer enrollment as well as employer sponsorship. Our annual membership model includes seamless access to 24/7 digital health services paired with inviting in-office care routinely covered under health insurance programs. Our technology drives high monthly active usage within our membership, promoting ongoing and longitudinal patient relationships for better health outcomes and high member retention. Our technology also helps our service-minded team in building trust and rapport with our members by facilitating proactive digital health outreach as well as responsive on-demand virtual and in-office care. Our digital health services and our well-appointed offices, which tend to be located in highly convenient locations, are staffed by a team of clinicians who are not paid on a fee-for-service basis, and therefore free of misaligned compensation incentives prevalent in health care. Additionally, we have developed clinically integrated partnerships with health networks, better coordinating more timely access to specialty care when needed by members, while advancing value-based care for employers through clinical and digital integration.

Together, these components of our human-centered and technology-powered model allow us to deliver better results for key stakeholders.

Our focus on simultaneously addressing the unfulfilled needs and frustrations of key stakeholders has allowed us to consistently grow the number of members we serve. Since 2007, we have grown to 621,000 members and 124 medical offices in sixteen markets across the United States as of June 30, 2021.

Impact of COVID-19 on Our Business

The COVID-19 pandemic has impacted and may continue to impact our operations, and net revenues, expenses, collectability of accounts receivables and other money owed, capital expenditures, liquidity, and overall financial condition.

During the first half of 2020, we believe the COVID-19 pandemic negatively impacted our business, as many of the communities we serve promoted self-isolation practices, and as shelter-in-place requirements were enacted. These measures and practices reduced in-office visits, and also resulted in temporary closures of certain offices and delays in openings of some of our new medical offices which negatively affected our net revenue. Correspondingly, our cost of care as a percentage of net revenue and loss from operations also increased.

Beginning in the second half of 2020, we believe the COVID-19 pandemic helped drive an increase in membership and increase in total revenue due to new and expanded service offerings and increase in our aggregate billable services.

For example, we believe COVID-19 caused our value proposition to resonate with a broader audience of consumers seeking access to primary care, as well as with a broader audience of employers focusing on safely reopening their workplaces and managing the ongoing health and well-being of employees and their families. As a result, we experienced increased demand for our memberships beginning in the second half of 2020.

In addition, we expanded our service offering in part as a response to COVID-19 and launched several new billable services, including:

- COVID-19 testing, and counseling across all of our markets, including in our offices and in several mobile COVID-19 testing sites;
- COVID-19 vaccinations in select geographies, commencing in January 2021;
- Healthy Together, our COVID-19 screening and testing program for employers, schools and universities;
- Mindset by One Medical, our behavioral health service integrated within primary care;
- One Medical Now, an expansion of our 24/7 on-demand digital health solutions to employees of enterprise clients located in geographies where we are not yet physically present; and,
- Remote Visits, where our providers perform typical primary care visits with our members remotely from either one of our offices or from a provider's home.

We believe some of the precautionary measures and challenges resulting from the COVID-19 pandemic will likely continue for the duration of the pandemic, which is uncertain despite the continued progress of vaccination efforts, and may present additional challenges to our business, financial condition and results of operations while the pandemic continues. As a result, we cannot assure you that our recent increase in membership, aggregate reimbursement and revenue are indicative of future results or will be sustained, including following the COVID-19 pandemic, or that we will not experience additional impacts associated with COVID-19, which could be significant. We expect these and other trends to continue to be subject to volatility.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020. Intended to provide economic relief to those impacted by the COVID-19 pandemic, the CARES Act includes various tax and lending provisions, among others. Under the CARES Act, we received an income grant of $1.8 million from the Provider Relief Fund administered by the Department of Health and Human Services ("HHS"), which we recognized as Grant income during the six months ended June 30, 2021. We did not receive any income grant from the HHS for the three months ended June 30, 2021. Please see Note 5, "Revenue Recognition", to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

As of June 30, 2021, we had cash, cash equivalents and short-term marketable securities of $653.8 million and $316.3 million principal amount of debt outstanding.

Proposed Acquisition

On June 6, 2021, we entered into a definitive agreement to acquire Iora Health, Inc. ("Iora") pursuant to an Agreement and Plan of Merger (the "Merger Agreement"). Iora is a human-centered, value-based primary care group with built-for-purpose technology focused on serving Medicare populations. Pursuant to the terms of the Merger Agreement, at the closing of the proposed transaction, each outstanding share of Iora capital stock will be converted into the right to receive approximately 0.689 shares of our common stock, and we will assume outstanding and unexercised options to purchase Iora common stock,
will be converted into options to purchase shares of our common stock at the same ratio. The total number of shares of our common stock to be issued or reserved for issuance will be approximately $56.1 million shares. We expect the transaction to close in the third quarter of 2021. During the six months ended June 30, 2021, we incurred approximately $11.1 million in expenses related to this proposed transaction. If consummated, the acquisition of Iora will have a significant impact on our

liquidity, financial condition and results of operations. Unless otherwise noted, the following discussion and analysis of our results of operations and our liquidity and capital resources focuses on our existing operations exclusive of the impact of the proposed acquisition of Iora. Any forward-looking statements contained herein do not take into account the impact of such proposed acquisition. See Note 7 to our condensed consolidated financial statements for additional information regarding the proposed transaction with Iora.

Our Business Model

We have developed a modernized healthcare membership model based on direct consumer enrollment as well as employer sponsorship. Our annual membership model includes seamless access to 24/7 digital health paired with inviting in-office care routinely covered under health insurance programs. Our members join either individually as consumers by paying an annual membership fee or are sponsored by an enterprise client who purchases a subscription for its employees and, increasingly, their dependents. All members have actively registered with us. Digital health services are delivered via our mobile app and website, through such modalities as video and voice encounters, chat and messaging, and our in-office care is delivered at any of our medical offices. As of June 30, 2021, we had 124 medical offices, including some on-site medical offices at certain enterprise clients which are closed as a result of the current COVID-19 pandemic, compared to 96 medical offices as of June 30, 2020.

We derive net revenue from multiple stakeholders, including consumers, employers, and health networks. We recognize net revenue as (i) membership revenue from employer and consumer subscription fees, including fees paid for our One Medical Now service offering, (ii) partnership revenue predominantly on a per member per month (“PMPM”) basis from health networks, largely fixed payments from enterprise clients for medical services, COVID-19 on-site testing services for enterprise clients, schools and universities where we typically bill such customers directly for the services we perform and (iii) net patient service revenue on a per visit basis from health insurers and patients, including COVID-19 testing services for members that are being billed to health insurers or patients. We are in-network with most health insurance plans in all of our markets.

We generate a portion of our revenue through membership fees charged to either consumer members or enterprise clients. As of June 30, 2021, our list price for new members for an annual consumer membership was $199. Our enterprise clients typically pay a discounted fee collected in advance, based on a rate per employee per month.

We have entered into clinically integrated care partnerships with health networks, which generate revenue either through fee-for-service reimbursements for member in-office visits under the health network’s contracts or as PMPM payments. For our health network arrangements that provide for PMPM payments, when our medical offices provide professional clinical services to covered members, we, as administrator, perform billing and collection services on behalf of the health network, and the health network receives the fees for services provided, including those paid by members’ insurance plans. In those circumstances, we earn PMPM payments in lieu of per visit fees for services from member office visits.

We generate partnership revenue from (i) our health network partners on a PMPM basis, (ii) largely fixed price or fixed price per employee contracts with enterprise clients for medical services and (iii) COVID-19 on-site testing services for enterprise clients, schools and universities where we typically bill such customers a fixed price per service performed.

Our membership fee revenue and partnership revenue are contractual and, with the exception of our COVID-19 on-site testing services, generally recurring in nature. Membership revenue and partnership revenue as a percentage of total net revenue was 64% and 66% for the three months ended June 30, 2021 and 2020, respectively.

The remainder of our net revenue is primarily received on a per visit fee-for-service basis from member health insurance plans or patients with billing rates based on our agreements with health network partners. We call this net patient service revenue. We use historical patient visit rates, our historical mix of services performed, and current reimbursement rates to help us analyze and explain historical net patient service revenue from this part of our business.

Key Factors Affecting Our Performance

- ***Acquisition of Net New Members and Enterprise Clients.*** We believe that our ability to increase our membership will enable us to drive financial growth as members drive our membership revenue, partnership revenue and net patient service revenue. We continue to have significant opportunities to increase members in our existing markets through (i) new sales to consumers and enterprise clients, (ii) expansion of the number of enrolled members, including dependents, within our enterprise clients, and (iii) adding other potential services. Our ability to enroll new members either as consumer members or through enterprise clients will impact our results of operations. We define estimated activation rate for any enterprise client at a given time as the percentage of eligible lives enrolled as members. Some of our enterprise clients offer membership benefits to the dependents of their employees, for which we assume eligible lives include one dependent per employee. The levels of activation rates at our enterprise clients may also affect the renewal rates of our enterprise clients. While we do not regularly monitor activation rates and related metrics across enterprise clients, we may use these metrics to compare member activation across different enterprise clients and to look for opportunities for additional membership activation within existing enterprise clients. We also intend to grow members by expanding into new markets.
- ***Components of Revenue***. Our ability to maintain or improve pricing levels for our memberships and the pricing under our contracts with health networks will impact our results of operations. As of June 30, 2021, our list price for new members for an annual consumer membership was $199. Our enterprise clients typically pay a discounted fee collected in advance, based on a rate per employee per month. As of June 30, 2021, all of our members were covered by health network partnerships. In geographies where our health network partners pay us on a PMPM basis, to the extent that the PMPM rate changes, our partnership revenue will change. Similarly, if the fixed price or number of employees covered by fixed price per employee arrangements change or the number of COVID-19 on-site tests or vaccinations changes, our net partnership revenue will also change. Our net patient service revenue is dependent on (i) our billing rates and third-party payer contracted rates through agreements with health networks, (ii) the mix of members who are commercially insured and (iii) the nature of visits. In the future, we may add additional services for which we may charge in a variety of ways. To the extent the net amounts we charge our members, partners and clients change, our net revenue will also change.
- ***Care Margin.*** Care margin is driven by net revenue, expansion of new medical offices or new services, average utilization of our services, and provider- and office-related expenses. As we open new medical offices or add new services, our care margin is likely to decrease initially due to a lag in realization of revenue from those new offices or services. In markets where we earn partnership revenue on PMPM contracts, higher patient visits, longer lengths of visits or increased use of medical supplies will typically lower our care margin. In markets where we earn patient service revenue, increased visits typically result in higher care margin. To the extent we need to increase the compensation for our providers, our care margin may decline.
- ***Investments in Growth.*** We expect to continue to focus on long-term growth through investments in sales and marketing, technology research and development, and existing and new medical offices. We are working to enhance our digital health and technology offering and increase the potential breadth of our modernized platform solution. In particular, we plan to launch new offices. As we expand to new markets, we expect to make significant upfront investments in sales and marketing to establish brand awareness and acquire new members. Additionally, we intend to continue to invest in new offices in new and existing markets. As we invest in new markets, in the short term, we expect these activities to increase our operating expenses and cost of care; however, in the long term we anticipate that these investments will positively impact our results of operations.
- ***Seasonality.*** As a result of seasonal trends, we typically experience our highest levels of office visits and patient service revenue during the first and fourth quarters of each year when compared to other quarters of the year. Conversely, the second and third quarters of the year have historically been the period of lower office visits, and as a result, lower patient service revenue relative to the other quarters of the year. However, the effects of this seasonality have historically been partially offset by our partnership revenue and membership revenue, which are recognized ratably over the period of each contract and recurring in nature, as well as our period-over-period growth. In the near term, we expect these seasonal trends to fluctuate due to the COVID-19 pandemic and resulting changes in in-office visits and virtual care utilization.

Key Metrics and Non-GAAP Financial Measures

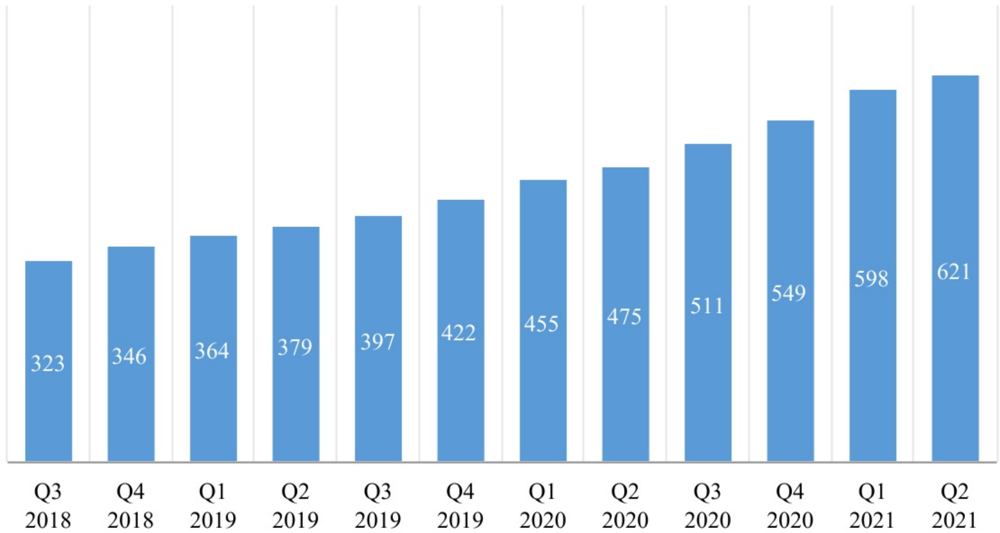
We review a number of operating and financial metrics, including the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate our business plan and make strategic decisions.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands except for members)		(in thousands except for members)	
Members (as of the end of the period)	621,000	475,000	621,000	475,000
Net revenue	$ 120,416	$ 78,000	$ 241,768	$ 156,756
Care margin	$ 52,494	$ 24,550	$ 103,754	$ 51,757
Adjusted EBITDA	$ 6,939	$ (15,175)	$ 11,778	$ (28,665)

Members

A member is a person who has paid for membership themselves or an employee or dependent whose membership has been paid for by an enterprise client for at least one year in a market where we have an office and who has registered with us. Members help drive membership revenue, partnership revenue and patient service revenue. We may offer trial memberships to enterprise clients, particularly for new services, and we offer access to One Medical Now, our 24/7 virtual care platform, to enterprise clients. The fees generated from these services are included in our Membership Revenue, although we do not include these covered employees as members. Our number of members depends, in part, on our ability to successfully market our services directly to consumers and to employers that are not yet enterprise clients and our activation rate within existing clients. While growth in the number of members is an important indicator of expected revenue growth, it also informs our management of the areas of our business that will require further investment to support expected future member growth. Member numbers as of the end of each period are rounded to the thousands.

Members (in thousands)*



* Number of members is shown as of the end of each period.

Care Margin

We define care margin as loss from operations excluding depreciation and amortization, general and administrative expense and sales and marketing expense. We consider care margin to be an important measure to monitor our performance, specific to the direct costs of delivering care. We believe this margin is useful to measure whether we are controlling our direct expenses included in the provision of care sufficiently and whether we are effectively pricing our services. Care margin is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP. Care margin is not a financial measure of, nor does it imply, profitability. We have not yet achieved profitability and, even in periods when our net revenue exceeds our cost of care, exclusive of depreciation and amortization, we may not be able to achieve or maintain profitability. The relationship of operating loss to cost of care, exclusive of depreciation and amortization is not necessarily indicative of future performance. Other companies that present care margin may calculate it differently and, therefore, similarly titled measures presented by other companies may not be directly comparable to ours. In addition, care margin has limitations as an analytical tool, including that it does not reflect depreciation and amortization, stock-based compensation or other overhead allocations.

The following table provides a reconciliation of loss from operations, the most closely comparable GAAP financial measure, to care margin:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
Loss from operations	$ (42,564)	$ (28,713)	$ (74,945)	$ (57,741)
Sales and marketing*	10,570	9,777	23,259	20,933
General and administrative*	77,196	38,311	141,541	78,177
Depreciation and amortization	7,292	5,175	13,899	10,388
Care margin	$ 52,494	$ 24,550	$ 103,754	$ 51,757
Care margin as a percentage of net revenue	44 %	31 %	43 %	33 %

* Includes stock-based compensation

Adjusted EBITDA

We define adjusted EBITDA as net loss excluding interest income, interest expense, depreciation and amortization, stock-based compensation, change in the fair value of our redeemable convertible preferred stock warrant liability, provision for (benefit from) income taxes, certain legal or advisory costs, and acquisition and integration costs that the Company does not consider to be expenses incurred in the normal operation of the business. Such legal or advisory costs may include but are not limited to expenses with respect to evaluating potential business combinations, legal investigations, or settlements. Acquisition and integration costs include expenses incurred in connection with the closing and integration of acquisitions, which may vary significantly and are unique to each acquisition. We made this update to prospectively exclude from our presentation certain legal or advisory costs from the first quarter of 2021 and acquisition and integration costs from the second quarter of 2021, because amounts incurred in the prior periods were insignificant. We include adjusted EBITDA in this Quarterly Report because it is an important measure upon which our management assesses and believes investors should assess our operating performance. We consider adjusted EBITDA to be an important measure because it helps illustrate underlying trends in our business and our historical operating performance on a more consistent basis.

Adjusted EBITDA is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP.

Our definition of adjusted EBITDA may differ from the definition used by other companies and therefore comparability may be limited. In addition, other companies may not publish this or similar metrics. Thus, our adjusted EBITDA should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP, such as net loss.

In addition, adjusted EBITDA has limitations as an analytical tool, including:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash used for capital expenditures for such replacements or for new capital expenditures;
- adjusted EBITDA does not include the dilution that results from stock-based compensation or any cash outflows included in stock-based compensation, including from our purchases of shares of outstanding common stock; and
- adjusted EBITDA does not reflect interest expense on our debt or the cash requirements necessary to service interest or principal payments.

We provide investors and other users of our financial information with a reconciliation of adjusted EBITDA to net loss. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view adjusted EBITDA in conjunction with net loss.

The following table provides a reconciliation of net loss, the most closely comparable GAAP financial measure, to adjusted EBITDA, calculated as set forth above:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
Net loss	$ (41,287)	$ (30,301)	$ (80,605)	$ (64,858)
Interest income	(79)	(366)	(184)	(1,400)
Interest expense	2,842	1,976	5,685	2,029
Depreciation and amortization	7,292	5,175	13,899	10,388
Stock-based compensation	26,332	8,363	52,660	18,688
Change in fair value of redeemable convertible preferred stock warrant liability	—	—	—	6,560
Provision for (benefit from) income taxes	(4,040)	(22)	159	(72)
Legal or advisory costs (1)	11,282	—	15,567	—
Acquisition and integration costs	$ 4,597	$ —	$ 4,597	$ —
Adjusted EBITDA	$ 6,939	$ (15,175)	$ 11,778	$ (28,665)

(1) Approximately $5,550 of the legal or advisory costs relate to a legal settlement during the three and six months ended June 30, 2021. See Note 13 "Commitments and Contingencies".

Components of Our Results of Operations

Net Revenue

We generate net revenue through net patient service revenue, partnership revenue and membership revenue.

Net Patient Service Revenue. We generate net patient service revenue from providing primary care services to patients in our offices when we bill the member or their insurance plan on a fee-for-service basis as medical services are rendered. While substantially all of our patients are members, we occasionally also provide care to non-members.

Partnership Revenue. We generate partnership revenue from (i) our health network partners on a PMPM basis, (ii) largely fixed price or fixed price per employee contracts with enterprise clients for medical services and (iii) COVID-19 on-site testing services for enterprise clients, schools and universities for which we typically bill such customers a fixed price per service performed.

Under our partnership arrangements, we generally receive fees that are linked to PMPM, fixed price, fixed price per employee, fixed price per service, or capitation arrangements. All partnership revenue is recognized during the period in which we are obligated to provide professional clinical services to the member, employee, or participant, as applicable, and associated management, operational and administrative services to the health network partner, enterprise client, schools and universities.

Membership Revenue. Membership revenue is generated from annual membership fees paid by consumer members and from enterprise clients who purchase access to memberships for their employees and dependents. Membership revenue also includes fees we receive from enterprise clients for trial memberships or for access to our One Medical Now service offering. Membership revenue is recognized ratably over the contract period with the individual member or enterprise client.

Grant income. Under the CARES Act, we were eligible for and received grant income from the Provider Relief Fund administered by HHS during the six months ended June 30, 2021. The purpose of the payment is to reimburse us for healthcare-related expenses or lost revenues attributable to the COVID-19 pandemic.

The following table summarizes our net revenue by primary source as a percentage of net revenue. Amounts may not sum due to rounding.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Percentage of net revenue:				
Net patient service revenue	36 %	31 %	36 %	37 %
Partnership revenue	47 %	44 %	46 %	40 %
Total net patient service and partnership revenue	83 %	74 %	82 %	77 %
Membership revenue	17 %	23 %	17 %	21 %
Grant income	— %	3 %	1 %	2 %
Net revenue	100 %	100 %	100 %	100 %

Operating Expenses

Cost of Care, Exclusive of Depreciation and Amortization

Our cost of care, exclusive of depreciation and amortization, also excludes stock-based compensation. Cost of care primarily includes provider and support employee-related costs for both in-office and virtual care, occupancy costs, medical supplies, insurance and other operating costs. A large portion of these costs are fixed relative to member utilization of our services, such as occupancy costs and insurance costs. As a result, as net revenue increases due to improved pricing, which can result from, for example, higher net revenue per member under agreements with enterprise clients and health network partners, or when we provide services to more members without increasing our infrastructure or related costs, cost of care as a percentage of net revenue typically decreases. Providers include doctors of medicine, doctors of osteopathy, nurse practitioners and physician assistants. Support employees include phlebotomists and administrative assistants assisting our members with all non-medical related services. Virtual care includes video visits and other synchronous and asynchronous communication via our app and website. As we open new offices, and expand into new markets, we expect cost of care to increase in absolute dollars.

Sales and Marketing

Sales and marketing expenses consist of employee-related expenses, including salaries and related costs, commissions and stock-based compensation costs for our employees engaged in marketing, sales, account management and sales support. Sales and marketing expenses also include advertising production and delivery costs of communications materials that are produced to generate greater awareness and engagement among our clients and members, third-party independent research, trade shows and brand messages and public relations costs.

We expect our sales and marketing expenses to increase as we strategically invest to expand our business. We expect to hire additional sales personnel and related account management and sales support personnel to capture an increasing amount of our market opportunity. We also expect to continue our brand awareness and targeted marketing campaigns. As we scale our sales and marketing, we expect these expenses to increase in absolute dollars.

General and Administrative

General and administrative expenses include employee-related expenses, including salaries and related costs and stock-based compensation for all employees except sales and marketing teams, which are included in the sales and marketing expenses. In addition, general and administrative expenses include corporate technology, occupancy costs, legal and professional services expenses.

We expect our general and administrative expenses to increase over time due to the additional costs associated with continuing to grow our business.

Depreciation and Amortization

Depreciation and amortization consist primarily of depreciation of property and equipment and amortization of capitalized software development costs.

Other Income (Expense)

Interest Income

Interest income consists of income earned on our cash and cash equivalents, restricted cash and short-term marketable securities.

Interest Expense

Interest expense consists of interest costs associated with our notes payable issued pursuant to the loan and security agreement with an institutional lender (the “LSA”) and our convertible senior notes (the “2025 Notes”). On September 1, 2020, the term loans pursuant to the LSA matured and the remaining outstanding principal was repaid, plus accrued and unpaid interests.

Change in Fair Value of Redeemable Convertible Preferred Stock Warrant Liability

Prior to our initial public offering in January 2020, we classified our redeemable convertible preferred stock warrants as a liability in our condensed consolidated balance sheets. We remeasured the redeemable convertible preferred stock warrant liability to fair value at each reporting date and recognized changes in the fair value of the redeemable convertible preferred stock warrant liability as a component of other income (expense), net in our condensed consolidated statements of operations.

Upon the closing of our initial public offering, the warrants to purchase shares of redeemable convertible preferred stock became exercisable for shares of common stock, at which time we adjusted the redeemable convertible preferred stock warrant liability to fair value prior to reclassifying the redeemable convertible preferred stock warrant liability to additional paid-in capital. As a result, following the closing of our initial public offering, the warrants are no longer subject to fair value accounting.

Provision for (Benefit from) Income Taxes

We account for income taxes using an asset and liability approach. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances are provided when necessary to reduce net deferred tax assets to an amount that is more likely than not to be realized.

In determining whether a valuation allowance for deferred tax assets is necessary, we analyze both positive and negative evidence related to the realization of deferred tax assets and inherent in that, assess the likelihood of sufficient future taxable income. We also consider the expected reversal of deferred tax liabilities and analyze the period in which these would be expected to reverse to determine whether the taxable temporary difference amounts serve as an adequate source of future taxable income to support the realizability of the deferred tax assets. In addition, we consider whether it is more likely than not that the tax position will be sustained upon examination by taxing authorities based on the technical merits of the position.

Net Loss Attributable to Noncontrolling Interest

In September 2014, we entered into a joint venture agreement with a healthcare system to jointly operate physician-owned primary care offices in a market. We had the responsibility for the provision of medical services and for the day-to-day operation and management of the offices, including the establishment of guidelines for the employment and compensation of the physicians. Based upon this and other provisions of the operating agreement that indicated that we directed the economic activities that most significantly affect the economic performance of the joint venture, we determined that the joint venture was a variable interest entity and we were the primary beneficiary. Accordingly, we consolidated the joint venture and the healthcare system's interest was shown within equity (deficit) as noncontrolling interest. The healthcare system's share of earnings was recorded in the condensed consolidated statements of operations as net loss attributable to noncontrolling interest.

Effective April 1, 2020, we terminated the joint venture agreement with the healthcare system and transferred our ownership interest in the joint venture to the healthcare system. As a result, we determined that the joint venture no longer met the definition of a variable interest entity and accordingly, we determined that the joint venture was no longer required to be consolidated under the variable interest entity model. The joint venture was deconsolidated in the condensed consolidated financial statements as of April 1, 2020 and we derecognized all assets and liabilities of the joint venture. We did not record a gain or loss in association with the deconsolidation as we did not retain any noncontrolling interest in the joint venture and no consideration was transferred as a result of the ownership interest transfer to the healthcare system.

The condensed consolidated statement of operations for the six months ended June 30, 2020 include the operations of the joint venture. The condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020 and the condensed consolidated statement of operations for the three and six months ended June 30, 2021 do not include the operations of the joint venture.

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our net revenue for those periods. Percentages presented in the following tables may not sum due to rounding.

Comparison of the Three and Six Months Ended June 30, 2021 and 2020

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(dollar amounts in thousands)				(dollar amounts in thousands)			
Net revenue	$ 120,416	100 %	$ 78,000	100 %	$ 241,768	100 %	$ 156,756	100 %
Operating expenses:								
Cost of care, exclusive of depreciation and amortization shown separately below	67,922	56 %	53,450	69 %	138,014	57 %	104,999	67 %
Sales and marketing (1)	10,570	9 %	9,777	13 %	23,259	10 %	20,933	13 %
General and administrative (1)	77,196	64 %	38,311	49 %	141,541	59 %	78,177	50 %
Depreciation and amortization	7,292	6 %	5,175	7 %	13,899	6 %	10,388	7 %
Total operating expenses	162,980	135 %	106,713	137 %	316,713	131 %	214,497	137 %
Loss from operations	(42,564)	(35)%	(28,713)	(37)%	(74,945)	(31)%	(57,741)	(37)%
Other income (expense), net:								
Interest income	79	— %	366	— %	184	— %	1,400	1 %
Interest expense	(2,842)	(2)%	(1,976)	(3)%	(5,685)	(2)%	(2,029)	(1)%
Change in fair value of redeemable convertible preferred stock warrant liability	—	— %	—	— %	—	— %	(6,560)	(4)%
Total other expense, net	(2,763)	(2)%	(1,610)	(2)%	(5,501)	(2)%	(7,189)	(5)%
Loss before income taxes	(45,327)	(38)%	(30,323)	(39)%	(80,446)	(33)%	(64,930)	(41)%
Provision for (benefit from) income taxes	(4,040)	(3)%	(22)	— %	159	— %	(72)	— %
Net loss	(41,287)	(34)%	(30,301)	(39)%	(80,605)	(33)%	(64,858)	(41)%
Less: Net loss attributable to noncontrolling interest	—	— %	—	— %	—	— %	(704)	— %
Net loss attributable to 1Life Healthcare, Inc. stockholders	$ (41,287)	(34)%	$ (30,301)	(39)%	$ (80,605)	(33)%	$ (64,154)	(41)%

(1) Includes stock-based compensation, as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(dollar amounts in thousands)				(dollar amounts in thousands)			
Sales and marketing	$ 964	1 %	$ 668	1 %	$ 1,987	1 %	$ 1,268	1 %
General and administrative	25,368	21 %	7,695	10 %	50,673	21 %	17,420	11 %
Total	$ 26,332	22 %	$ 8,363	11 %	$ 52,660	22 %	$ 18,688	12 %

Net Revenue

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	(dollar amounts in thousands)				(dollar amounts in thousands)			
Net revenue:								
Net patient service revenue	$ 43,416	$ 23,927	$ 19,489	81 %	$ 87,878	$ 58,013	$ 29,865	51 %
Partnership revenue	56,126	33,993	22,133	65 %	111,057	63,448	47,609	75 %
Total net patient service and partnership revenue	99,542	57,920	41,622	72 %	198,935	121,461	77,474	64 %
Membership revenue	20,874	17,680	3,194	18 %	41,070	32,895	8,175	25 %
Grant income	—	2,400	(2,400)	nm	1,763	2,400	(637)	(27)%
Net revenue	$ 120,416	$ 78,000	$ 42,416	54 %	$ 241,768	$ 156,756	$ 85,012	54 %

nm – not meaningful

Net revenue increased $42.4 million, or 54%, for the three months ended June 30, 2021 compared to the same period in 2020. Net revenue increased $85.0 million, or 54%, for the six months ended June 30, 2021 compared to the same period in 2020. The increases were primarily due to an increase in members by 146,000, or 31%, from 475,000 as of June 30, 2020 to 621,000 as of June 30, 2021. In addition, net revenue per member increased by 18% for both the three and six month periods, attributable to an increase in net patient service revenue per member as the comparable periods in 2020 were negatively impacted by the COVID-19 pandemic, and an increase in partnership revenue per member driven by new and expanded partnerships with health networks and COVID-19 on-site testing services performed during the three and six months ended June 30, 2021. There was a $2.4 million income grant we received from the COVID-19 Provider Relief Fund administered by the HHS during the three months ended June 30, 2020, compared to no income grant received for the three months ended June 30, 2021.

Net patient service and partnership revenue increased $41.6 million, or 72%, for the three months ended June 30, 2021 compared to the same period in 2020. Net patient service and partnership revenue increased $77.5 million, or 64%, for the six months ended June 30, 2021 compared to the same period in 2020. The increases were primarily due to the 31% increase in members, an increase in aggregate billable services driven by an increase in fee-for-service visits including COVID testing visits, new and expanded partnerships with health networks, and an increase in COVID-19 on-site testing services performed during the three and six months ended June 30, 2021.

Net patient service revenue increased $19.5 million, or 81%, for the three months ended June 30, 2021 compared to the same period in 2020. Net patient service revenue increased $29.9 million, or 51%, for the six months ended June 30, 2021 compared to the same period in 2020. The increases were primarily due to an increase in aggregate billable services driven by an increase in fee-for-service visits including COVID testing visits.

Partnership revenue increased $22.1 million, or 65%, for the three months ended June 30, 2021 compared to the same period in 2020. Partnership revenue increased $47.6 million, or 75%, for the six months ended June 30, 2021 compared to the same period in 2020. The increases were primarily a result of the new and expanded partnerships with health networks and increased members, in addition to the COVID-19 on-site testing services for employers, schools and universities during the three and six months ended June 30, 2021.

Membership revenue increased $3.2 million, or 18%, for the three months ended June 30, 2021 compared to the same period in 2020. Membership revenue increased $8.2 million, or 25%, for the six months ended June 30, 2021 compared to the same period in 2020. The increases were primarily due to an increase in members of 146,000, or 31%, from 475,000 as of June 30, 2020 to 621,000 as of June 30, 2021. The increases were partially offset by a lower membership revenue per member as the growth of our enterprise membership, with lower average membership revenue per member, continued to outpace the growth of our consumer members.

Operating Expenses

Cost of Care, Exclusive of Depreciation and Amortization

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	(dollar amounts in thousands)				(dollar amounts in thousands)			
Cost of care, exclusive of depreciation and amortization	$ 67,922	$ 53,450	$ 14,472	27 %	$ 138,014	$ 104,999	$ 33,015	31 %

The $14.5 million, or 27%, increase in cost of care, exclusive of depreciation and amortization, for the three months ended June 30, 2021 compared to the same period in 2020 was primarily due to increases in provider employee and support employee-related expenses of $7.4 million, occupancy costs of $2.0 million, COVID-19 testing site and related security expenses of $2.2 million, and medical supply costs of $2.8 million primarily related to COVID-19 testing. In addition to growth in our existing offices, we added 28 offices since June 30, 2020, bringing our total number of offices to 124 as of June 30, 2021.

The $33.0 million, or 31%, increase in cost of care, exclusive of depreciation and amortization, for the six months ended June 30, 2021 compared to the same period in 2020 was primarily due to increases in provider employee and support employee-related expenses of $15.9 million, occupancy costs of $4.0 million, COVID-19 testing site and related security expenses of $7.4 million, and medical supply costs of $5.1 million. As set forth above, in addition to growth in our existing offices, we added 28 offices since June 30, 2020, bringing our total number of offices to 124 as of June 30, 2021.

Cost of care, exclusive of depreciation and amortization, as a percentage of net revenue decreased from 69% for the three months ended June 30, 2020 to 56% for the three months ended June 30, 2021. Cost of care, exclusive of depreciation and amortization, as a percentage of net revenue decreased from 67% for the six months ended June 30, 2020 to 57% for the six months ended June 30, 2021. This decrease was due to higher net revenue and a relatively lower increase in cost of care as we leveraged our existing infrastructure and related costs to accommodate the increase in members.

Sales and Marketing

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	(dollar amounts in thousands)				(dollar amounts in thousands)			
Sales and marketing	$ 10,570	$ 9,777	$ 793	8 %	$ 23,259	$ 20,933	$ 2,326	11 %

Sales and marketing expenses increased $0.8 million, or 8%, for the three months ended June 30, 2021 compared to the same period in 2020. Sales and marketing expenses increased $2.3 million, or 11%, for the six months ended June 30, 2021 compared to the same period in 2020. These increases were primarily due to increases in salaries and benefits during the three and six months ended June 30, 2021 as we expanded our team to support our growth.

General and Administrative

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	(dollar amounts in thousands)				(dollar amounts in thousands)			
General and administrative	$ 77,196	$ 38,311	$ 38,885	101 %	$ 141,541	$ 78,177	$ 63,364	81 %

The $38.9 million, or 101%, increase in general and administrative expenses for the three months ended June 30, 2021 compared to the same period in 2020 was primarily due to higher stock-based compensation expense of $17.7 million and salaries and benefits of $2.1 million, as we expanded our team to support our growth. In addition, legal and professional services expenses increased by $16.5 million, $5.6 million of which relates to expenses incurred in connection with the legal settlement during three months ended June 30, 2021. See Note 13 "Commitments and Contingencies". The remainder of the increase in legal and professional services expenses is primarily due to expenses incurred with respect to evaluating and closing potential business combinations, and integration efforts.

The $63.4 million, or 81%, increase in general and administrative expenses for the six months ended June 30, 2021 compared to the same period in 2020 was primarily due to higher stock-based compensation expense of $33.2 million and salaries and benefits of $6.6 million, as we expanded our team to support our growth. In addition, legal and professional services expenses increased by $21.1 million, $5.6 million of which relates to expenses incurred in connection with the legal settlement during six months ended June 30, 2021. See Note 13 "Commitments and Contingencies". The remainder of the increase in legal and professional services expenses is primarily due to expenses incurred with respect to evaluating and closing potential business combinations, and integration efforts.

Depreciation and Amortization

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	(dollar amounts in thousands)				(dollar amounts in thousands)			
Depreciation and amortization	$ 7,292	$ 5,175	$ 2,117	41 %	$ 13,899	$ 10,388	$ 3,511	34 %

Depreciation and amortization expenses increased $2.1 million, or 41%, for the three months ended June 30, 2021 compared to the same period in 2020. Depreciation and amortization expenses increased $3.5 million, or 34%, for the six months ended June 30, 2021 compared to the same period in 2020. This was primarily due to depreciation and amortization expenses recognized related to new medical offices, capitalization of software development, and upgraded office software during the three and six months ended June 30, 2021.

Other Income (Expense)

Interest Income

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	(dollar amounts in thousands)				(dollar amounts in thousands)			
Interest income	$ 79	$ 366	$ (287)	(78)%	$ 184	$ 1,400	$ (1,216)	(87)%

Interest income decreased $0.3 million, or 78%, for the three months ended June 30, 2021 compared to the same period in 2020. Interest income decreased $1.2 million, or 87%, for the six months ended June 30, 2021 compared to the same period in 2020. These decreases were due to lower interest rates and investment yields despite higher average cash, cash equivalents and marketable securities balances, as well as higher amortization of premiums from securities.

Interest Expense

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	(dollar amounts in thousands)				(dollar amounts in thousands)			
Interest expense	$ (2,842)	$ (1,976)	$ (866)	nm	$ (5,685)	$ (2,029)	$ (3,656)	180 %

nm – not meaningful

Interest expense increased $0.9 million for the three months ended June 30, 2021 compared to the same period in 2020. Interest expense increased $3.7 million for the six months ended June 30, 2021 compared to the same period in 2020. These increases were primarily due to payment of cash interest and amortization of the issuance costs on our 2025 Notes issued in the second quarter of 2020.

Change in Fair Value of Redeemable Convertible Preferred Stock Warrant Liability

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	(dollar amounts in thousands)				(dollar amounts in thousands)			
Change in fair value of redeemable convertible preferred stock warrant liability	$ —	$ —	$ —	nm	$ —	$ (6,560)	$ 6,560	nm

nm – not meaningful

The $6.6 million decrease in change in fair value of the redeemable convertible preferred stock warrant liability for the six months ended June 30, 2021 compared to the same period in 2020 was due to the change in fair value of the underlying redeemable convertible preferred stock warrant. Upon the closing of our initial public offering in the first quarter of 2020, the warrants to purchase shares of redeemable convertible preferred stock were automatically converted to warrants to purchase shares of common stock, at which time we adjusted the redeemable convertible preferred stock warrant liability to fair value prior to reclassifying the redeemable convertible preferred stock warrant liability to additional paid-in capital. As a result, following the closing of the initial public offering in the first quarter of 2020, the warrants are no longer subject to fair value accounting.

Provision for (Benefit from) Income Taxes

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	(dollar amounts in thousands)				(dollar amounts in thousands)			
Provision for (benefit from) income taxes	$ (4,040)	$ (22)	$ (4,018)	nm	$ 159	$ (72)	$ 231	nm

nm – not meaningful

The $4.0 million decrease in provision for (benefit from) income taxes for the three months ended June 30, 2021 compared to the same period in 2020 was primarily due to decreased profitability of taxable entities during the three months ended June 30, 2021 as a result of updated internal transfer pricing, and state tax law changes. The $0.2 million increase in provision for (benefit from) income taxes for the six months ended June 30, 2021 compared to the same period in 2020 was primarily due to increased profitability of taxable entities, state tax law changes, and benefit from federal law changes available in the prior year only.

Net Loss Attributable to Noncontrolling Interest

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	(dollar amounts in thousands)				(dollar amounts in thousands)			
Net loss attributable to noncontrolling interest	$ —	$ —	$ —	nm	$ —	$ (704)	$ 704	nm

nm – not meaningful

The $0.7 million decrease in net loss attributable to noncontrolling interest for the six months ended June 30, 2021 compared to the same period in 2020 was due to the deconsolidation of the joint venture as of April 1, 2020.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily with the issuance of the 2025 Notes, our initial public offering, the sale of redeemable convertible preferred stock, and to a lesser extent, the issuance of term notes under credit facilities. As of June 30, 2021, we had cash, cash equivalents and short-term marketable securities of $653.8 million, compared to $683.0 million as of December 31, 2020. We believe that our existing cash and cash equivalents and short-term marketable securities will be sufficient to meet our working capital and capital expenditure needs for at least the next twelve months.

On June 6, 2021, we and Iora entered into the Merger Agreement pursuant to which we agreed to acquire Iora in a stock for stock transaction, subject to the terms and conditions set forth therein. The Merger Agreement contains certain customary termination rights for both parties and provides that, in connection with a termination of the Merger Agreement under certain specified circumstances, (a) we will pay Iora a termination fee of $50.0 million or a termination fee equal to all reasonable out-of-pocket fees and expenses actually incurred by Iora in connection with the transactions, up to a maximum of $10.0 million, or (b) Iora will pay us a termination fee of $50.0 million.

If consummated, the acquisition of Iora will have a significant impact on our liquidity, financial condition and results of operations.

In addition, under the terms of the Merger Agreement, we and Iora have entered into a loan arrangement under which we may advance secured loans to Iora to fund working capital, at Iora's request from time to time, in outstanding amounts not to exceed $75.0 million in the aggregate. Any loans made by us to Iora will be subordinated to Iora's obligations outstanding under its existing credit facility with Silicon Valley Bank. As of June 30, 2021, there was $20.0 million drawn and outstanding under the loan agreement. On August 2, 2021, we advanced an additional $10.0 million to Iora. See Note 15, "Note Receivable" to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

We may be required to seek additional equity or debt financing. Our future capital requirements will depend on many factors, including our pace of new member growth and expanded enterprise client and health network relationships, our pace and timing of expansion of new medical offices, the timing and extent of spend to support the expansion of sales, marketing and development activities, acquisitions (including our proposed acquisition of Iora), and the impact of the COVID-19 pandemic. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations would be harmed. See "Part III—Item 1A—Risk Factors — In order to support the growth of our business, we may need to incur additional indebtedness or seek capital through new equity or debt financings, which sources of additional capital may not be available to us on acceptable terms or at all."

In addition, given the uncertainty around the duration and extent of the COVID-19 pandemic, we cannot accurately predict at this time the future potential impact of the pandemic on our business, results of operations, financial condition or liquidity.

Indebtedness

In May 2020, we issued $275.0 million aggregate principal amount of 3.0% convertible senior notes due June 2025 in a private offering and in June 2020, an additional $41.2 million aggregate principal amount of such notes pursuant to the exercise in full of the over-allotment option by the initial purchasers. The 2025 Notes are unsecured obligations and bear interest at a fixed rate of 3.0% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, commencing on December 15, 2020. As of June 30, 2021, the principal amount of debt outstanding from the 2025 Notes was $316.3 million.

Summary Statement of Cash Flows

The following table summarizes our cash flows:

	Six Months Ended June 30,	
	2021	2020
Net cash provided by (used in) operating activities	$ 13,071	$ (10,105)
Net cash provided by (used in) investing activities	358,126	(284,417)
Net cash provided by financing activities	19,050	567,899
Net increase in cash, cash equivalents and restricted cash	$ 390,247	$ 273,377

Cash Flows from Operating Activities

For the six months ended June 30, 2021, our net cash provided by operating activities was $13.1 million, resulting from net cash provided by our working capital of $16.6 million, partially offset by our net loss of $80.6 million as adjusted for non-cash charges of $77.1 million. The cash increase resulting from changes in our working capital consisted primarily of a $17.1 million increase in other liabilities, a $11.4 million decrease in accounts receivable, a $6.8 million increase in deferred revenue, a $3.2 million decrease in inventory and a $8.0 million increase in accounts payable and accrued expenses, partially offset by an increase of $21.3 million in prepaid expenses and other current assets and a decrease of $8.8 million in operating lease liabilities. The increase in prepaid expenses and other current assets is primarily due to a $6.0 million receivable from insurers related to a legal settlement recovery as described in Note 13 "Commitments and Contingencies" to our condensed consolidated financial statements. The increase in other liabilities is primarily due to a legal settlement liability of $11.5 million as described in Note 13 "Commitments and Contingencies". The changes in accounts receivable and deferred revenue are primarily due to timing of billing and cash collections from our health network partners and enterprise clients.

For the six months ended June 30, 2020, our net cash used in operating activities was $10.1 million, resulting from our net loss of $64.9 million, partially offset by net non-cash charges of $43.0 million and net cash provided by changes in our working capital of $11.7 million. Net cash provided by changes in our working capital for the six months ended June 30, 2020 consisted primarily of a $16.1 million increase in deferred revenue, a $10.8 million net increase in accounts payable and accrued expenses, increase of $2.7 million in other liabilities, and a decrease in prepaid and other current assets of $1.1 million, partially offset by a $13.6 million increase in accounts receivable, and a $5.1 million decrease in operating lease liabilities net. The increase in deferred revenue is primarily related to an increase in contract liabilities associated with our health network partnerships and the enterprise and on-site client growth. The increase in accounts payable and accrued expenses is primarily related to timing of payments related to accrued compensation. The increase in accounts receivable is primarily due to receivables from health network partners that have longer invoicing and payment cycles than insurance payers and growth of our enterprise and on-site clients.

Cash Flows from Investing Activities

For the six months ended June 30, 2021, our net cash provided by investing activities was $358.1 million, resulting primarily from sales and maturities of short-term marketable securities of $499.0 million, partially offset by purchases of short-term marketable securities of $80.0 million, purchases of property and equipment of $31.2 million related to leasehold improvements, computer equipment, and furniture and fixtures for new offices, remodels and improvements to existing offices, capitalization of internal-use software development costs, and office hardware and software, a $20.0 million loan receivable from Iora as described in Note 15 "Note Receivable", and cash used in business acquisitions of $9.7 million as described in Note 7 "Business Combinations".

For the six months ended June 30, 2020, our net cash used by investing activities was $284.4 million, resulting primarily from purchases of short-term marketable securities of $367.4 million and purchases of property and equipment of $39.5 million due primarily to leasehold improvements, computer equipment, and furniture and fixtures for new offices, remodels and improvements to existing offices, capitalization of internal-use software development costs, and office hardware and software. This was partially offset by maturities of short-term marketable securities of $123.3 million.

Cash Flows from Financing Activities

For the six months ended June 30, 2021, our net cash provided by financing activities was $19.1 million, resulting primarily from exercise of stock options of $16.1 million and proceeds from employee stock purchase plan of $3.0 million.

For the six months ended June 30, 2020, our net cash provided by financing activities was $567.9 million, resulting primarily from proceeds from the issuance of our 2025 Notes of $307.5 million, net of issuance costs, our initial public offering of $281.8, exercises of stock options and warrants of $2.2 million, offset by payment of offering costs associated with our initial public offering of $21.3 and payment of debt obligation of $2.2 million.

Contractual Obligations and Commitments

There have been no material changes outside the ordinary course of business to our contractual obligations and commitments as of June 30, 2021 as compared to those disclosed as of December 31, 2020 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as filed with the SEC on March 17, 2021.

Critical Accounting Policies and Significant Judgments and Estimates

Our condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

During the three months ended June 30, 2021, there were no significant changes to our critical accounting policies and estimates as described in the notes to the consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on March 17, 2021.

Off-Balance Sheet Arrangements

We did not have during the periods presented any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Emerging Growth Company Status

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that we are (i) no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

We will cease to be an emerging growth company, as defined in the JOBS Act, at the end of this fiscal year ending December 31, 2021.

Recent Accounting Pronouncements

Please see Note 2, “Summary of Significant Accounting Policies” to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Sensitivity

We had cash and cash equivalents of $503.2 million as of June 30, 2021, compared to $113.0 million as of December 31, 2020, held primarily in cash deposits and money market funds for working capital purposes.

We had short-term marketable securities of $150.6 million as of June 30, 2021, compared to $570.0 million as of December 31, 2020, consisting of U.S. Treasury obligations, U.S. government agency securities, foreign government bonds and commercial paper. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes. All our investments are denominated in U.S. dollars.

In May 2020, we issued the 2025 Notes which bear interest at a fixed rate of 3.0% per annum. As of June 30, 2021, the principal amount of debt outstanding from the 2025 Notes was $316.3 million.

Our cash and cash equivalents, short-term marketable securities and debt are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value negatively impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectation due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates.

We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our business, financial condition or results of operations.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded, as of June 30, 2021, that our disclosure controls and procedures were effective to provide reasonable assurance as that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitation on the Effectiveness of Internal Control

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are currently involved in, and may in the future become involved in, legal proceedings, claims and investigations in the ordinary course of our business, including medical malpractice and consumer claims. Although the results of these legal proceedings, claims and investigations cannot be predicted with certainty, we do not believe that the final outcome of any matters that we are currently involved in are reasonably likely to have a material adverse effect on our business, financial condition or results of operations. Regardless of final outcomes, however, any such proceedings, claims, and investigations may nonetheless impose a significant burden on management and employees and be costly to defend, with unfavorable preliminary or interim rulings.

Please see Note 13, "Commitments and Contingencies" to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion of our legal proceedings, claims and investigations.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Quarterly Report, including our consolidated financial statements and related notes included elsewhere in this Quarterly Report, before making an investment decision. If any of the following risks actually occur, it could harm our business, prospects, operating results and financial condition. Unless otherwise indicated, references to our business being harmed in these risk factors will include harm to our business, reputation, financial condition, results of operations, net revenue and future prospects. In such event, the trading price of our common stock could decline and you might lose all or part of your investment.

Risk Factor Summary

Our business is subject to a number of risks and uncertainties which may prevent us from achieving our business and strategic objectives or may adversely impact our business, financial condition, results of operations, cash flows and prospects. These risks include but are not limited to the following:

Risks Related to Our Business and Our Industry

- the impact of the ongoing COVID-19 pandemic;
- our dependence on the success of our strategic relationships with third parties;
- our ability to comply with applicable healthcare laws and government regulations and the impact of regulatory or governmental investigations on our reputation, business, financial condition and results of operations;
- the impact of a decline in the prevalence of private health insurance coverage;
- our ability to cost-effectively develop widespread brand awareness and to maintain our reputation and market acceptance for our healthcare services;
- our history of losses and uncertainty about our future profitability;
- our ability to maintain and expand member utilization of our services;
- the impact of reductions in reimbursement rates paid by third-party payers or federal or state healthcare programs or other policies or initiatives implemented by third-party payers or government payers;
- our ability to compete effectively in the markets in which we participate;
- our ability to grow at the rates we historically have achieved;
- our rapid growth and our ability to effectively manage our growth, including to implement and scale improvements to our internal systems, processes and controls;
- our ability to attract and retain quality primary care providers to support our services;
- our ability to achieve economies of scale in our enterprise client and health network partner relationships;
- the impact of current or future litigation against us, including medical liability claims and class actions;

- the availability of additional debt or capital financings on acceptable terms or at all;
- fluctuations in our quarterly results and our ability to meet the expectations of securities analysts and investors;
- the loss of key members of our senior management team and our ability to attract and retain executive officers, employees, providers and medical support personnel;
- our ability to successfully integrate any acquired businesses or to realize the anticipated benefits from such acquisitions; and
- the impact of natural and man-made disasters and similar events on our business, financial condition and results of operations.

Risks Related to Government Regulation

- the impact of healthcare reform legislation and changes in the healthcare industry and healthcare spending;
- the impact of governmental or regulatory scrutiny of or challenge to our arrangements with health networks;
- our dependence on our relationships with the One Medical PCs, which are affiliated professional entities that we do not own, to provide healthcare services;
- our ability to comply with rules related to billing and related documentation for healthcare services; and
- our ability to comply with regulations governing the use and disclosure of personally identifiable information, or PII, including protected health information, or PHI.

Risks Related to Information Technology

- our reliance on internet infrastructure, bandwidth providers, other third parties and our own systems to provide a proprietary services platform to our members and providers;
- our reliance on third-party vendors to host and maintain our technology platform;
- any breaches of our systems or those of our vendors or unauthorized access to employee, contractor, member, client or partner data;
- our ability to maintain and enhance our proprietary technology platform; and
- our ability to optimize our technology solutions for members, integrate our systems with health network partners or resolve technical issues in a timely manner.

Risks Related to Taxation

- the risk of potentially adverse tax consequences on our operations and structure.

Risks Related to Our Intellectual Property

- our ability to obtain, maintain, protect and enforce our intellectual property rights.

Risks Related Ownership of Our Common Stock

- the impact of volatility in the trading price of our common stock;
- our ability to maintain proper and effective internal control over financial reporting; and
- the impact of substantial future sales of our common stock.

Risks Related to Our Outstanding Notes

- the requirement for us to maintain a significant amount of cash to service our debt; and
- our ability to raise the funds necessary for cash settlements of any conversions of the 2025 Notes or to repurchase the 2025 Notes for cash.

Risks Related to Our Acquisition of Iora

- Failure to complete the merger could negatively affect our stock price and our future business and financial results;
- We and Iora are subject to various uncertainties, including litigation and requirements while the transaction is pending, that could adversely affect our and Iora's business and operations; and
- We and Iora may be unable to successfully integrate our businesses to realize the benefits of the merger.

Risks Related to Our Business and Our Industry

The ongoing coronavirus (COVID-19) pandemic has significantly impacted, and may continue to significantly impact our business, financial condition, results of operations and growth.

The global COVID-19 pandemic and measures introduced by local, state and federal governments to contain the virus and mitigate its public health effects have significantly impacted and may continue to significantly impact our business, our industry and the global economy.

During the first half of 2020, COVID-19 negatively impacted our business as community self-isolation practices and shelter-in-place requirements, as well as the perceived need by individuals to continue such practices to avoid infection, among other factors, reduced our total billable visit volumes, negatively affecting our net revenue. Continued or new shelter-in-place, quarantine, executive order or related measures or practices to combat the spread of COVID-19 could reduce our total billable volumes and harm our results of operations, business and financial condition. In addition, in markets where our health network partners receive visit revenue in return for paying us a fixed price PMPM, a decrease in billable utilization also reduces the visit revenue received by those health network partners. These and other related factors such as supply, resource and capital constraints related to the treatment of COVID-19 patients, could harm the business, results of operations and financial condition of our health network partners and negatively impact our health network partners' ability or willingness to pay us. Given our dependence on our health network partners for a substantial portion of our net revenue, our own business, financial condition and results of operations may be negatively impacted as a result. In addition, sustained remote work policies, quarantines, shelter-in-place requirements and similar government orders have continued to result in temporary closures of certain offices and delays in openings of our new medical offices, and may result in delays in entry into new markets and expansion in existing markets, which may harm our business and growth.

Beginning in the second half of 2020, our total billable volumes exceeded pre-COVID-19 levels, driven partially by routine and preventative care deferred previously due to COVID-19, by increased public awareness of the importance of flu vaccinations and by COVID-19 testing, we cannot be certain whether such volumes will be sustained. Average reimbursement for these billable services has also remained below pre-COVID-19 levels, driven partially by the higher proportional amount of lower-revenue generating services and products, including billable remote visits, COVID-19 testing, and COVID-19 vaccinations, which may not be reimbursable or have lower average reimbursements relative to traditional in-office visits. We cannot assure you that our total billable volumes will continue to exceed pre-COVID-19 levels, and that the average reimbursement for billable services will return to pre-COVID-19 levels. Further, while membership has increased during the COVID-19 pandemic, such increased membership levels may not be sustained, and our consumer membership and enterprise customer retention may fall following the pandemic. Also, as more of the U.S. population receives the COVID-19 vaccination, our COVID testing volumes may decline, which may negatively impact our membership and revenue. Any of these factors and outcomes could harm our business, financial conditions, results of operations and growth.

In response to the COVID-19 pandemic, state and federal regulators have promulgated a variety of different emergency orders, laws, and regulations intended to permit health care providers to provide care to patients during the COVID-19 pandemic, including through the relaxation of licensure requirements and privacy restrictions for telehealth and various waivers intended to limit liability for providers treating patients during the COVID-19 pandemic. Federal, state and local authorities have also issued orders, laws and regulations related to the distribution of COVID-19 vaccines. We have undertaken many new programs to rapidly respond to the COVID-19 pandemic, including telehealth visits, testing and vaccine administration arrangements, in reliance on these orders, laws and regulations. We cannot assure you that such orders, laws and regulations will continue to apply or that regulators or other governmental entities will agree with our interpretations of these orders laws and regulations. In March 2021, we received (i) requests for information and documents from the United States House Select Subcommittee on the Coronavirus Crisis, (ii) a request for information from the California Attorney General and the Alameda County District Attorney's Office relating to our provision of COVID-19 vaccinations and (iii) a request for information and documents from the Federal Trade Commission relating to the Company's provision of COVID-19 vaccinations, or, collectively, the Vaccine Inquiries. We have also received inquiries from state and local public health departments regarding our vaccine administration practices and may continue to receive additional requests for information from other governmental agencies relating to our provision of COVID-19 vaccinations. We are cooperating with these requests as well as requests received from other governmental agencies, including with respect to our compensation practices and membership generation during the relevant periods. We are unable to predict the outcome or timeline of these matters or if any additional requests, inquiries, investigations or other government actions may arise relating to such circumstances. The Vaccine Inquiries, together with any additional inquiries, regulatory or governmental investigations or other disputes that result from our provision of COVID-19 vaccinations or any other arrangements entered into in reliance on these orders, laws and regulations, or the failure of various waivers for limitations of liability or other provisions under such orders, laws and regulations to apply to us could divert resources and harm our reputation, business, financial condition and results of operations. In addition, the reversal of such orders, laws or regulations, or the resumption of pre-COVID-19 licensure and other requirements and restrictions, may also require us to divert resources or revamp certain of our new programs to ensure compliance, which could harm our business, financial condition and results of operations.

As part of our rapid response to the COVID-19 pandemic, we have implemented new services and products as described above based on continuously evolving regulatory standards. Some of these new services and products could result in inaccurate results and our medical offices and virtual care teams could also become overburdened with inquiries and requests, which may result in longer phone wait times or other service delivery delays leading to member or enterprise client dissatisfaction. In order to provide testing and vaccination services in certain markets and to comply with certain local requirements, we opened temporary testing facilities and partnered with local departments of public health and various other enterprises and organizations to set up testing and vaccination sites. To continue providing such services, we will be required to comply with federal, state and local rules, mandates and guidelines, which are subject to rapid change and may vary across jurisdictions. Failure to remain in compliance, or even the perception of non-compliance, may curtail or result in restrictions on our ability to provide any such services, result in time-consuming and potentially costly inquiries, further investigations or disputes, and damage to our reputation, any of which could harm our business, financial condition and results of operations. Further, we may be required in the future to make further alterations to our operations to address the changing needs of our members during the pandemic, which could increase our costs and divert resources from managing our business and growth.

The pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, potentially reducing our ability to access capital, which could in the future negatively affect our liquidity. The COVID-19 pandemic may also continue to impact our operations, and net revenues, expenses, collectability of accounts receivables and other money owed, capital expenditures, liquidity, and overall financial condition by disrupting or delaying delivery of materials and products in the supply chain for our offices, by causing staffing shortages, by increasing our risk for workers' compensation claims, by increasing capital expenditures due to the need to buy incremental hardware, or by reducing the liquidity and value of our short-term marketable securities.

Our business model and future growth are substantially dependent on the success of our strategic relationships with third parties.

We will continue to substantially depend on our relationships with third parties, including health network partners, enterprise clients and distribution partners to grow our business. In particular, our growth depends on maintaining existing, and developing new, strategic affiliations with health network partners. We also rely on a number of partners such as benefits enrollment platforms, professional employment organizations, consultants and other distribution partners in order to sell our solutions and services and enroll members onto our platform.

Our agreements with our enterprise clients often provide for fees based on the number of members that are covered by such clients' programs each month, known as capitation arrangements. Certain of our enterprise clients and partners also pay us a fixed fee per year regardless of the number of registered members. The number of individuals who register as members through our enterprise clients is often affected by factors outside of our control, such as plan endorsement by the employer, member outreach and retention initiatives. Enterprise clients may also prohibit us from engaging in direct outreach with employees as potential members, or we may be unsuccessful in spreading brand awareness among employees who perceive competitors as offering better solutions and services, which would decrease growth in membership and reduce our net revenue. Increasing rates of unemployment may also result in loss of members at our enterprise clients, and economic recessions or slowdowns can result in our enterprise clients terminating their employee sponsorship arrangements with us. In addition, during periods of economic slowdown, enterprise clients may face less competition for new hires or may not need to hire as many employees and as a result, they may not need to sponsor memberships with us as a means to attract new hires. Even if the markets in which our enterprise clients operate experience growth, it is possible that a such client's program membership could fail to grow at similar rates, if at all. If the number of members covered by one or more of such clients' programs were to be reduced, including due to benefits reductions or layoffs during and after the COVID-19 pandemic, it would lead to a reduction of membership fees, a decrease in our patient service revenue and partnership revenue, and may also result in the enterprise client electing not to renew our contract for another year. In addition, the growth forecasts of our clients are subject to significant uncertainty, including after the COVID-19 pandemic and any prolonged ensuing economic recession, and are based on assumptions and estimates that may prove to be inaccurate. Further, historical activation rates within a given enterprise client may not be indicative of future membership levels at that enterprise client or activation rates of similarly situated enterprise clients. High activation rates (i.e., the percentage of individuals eligible for membership who are enrolled as members) do not necessarily result in increased net patient service revenue and do not typically result in increased membership revenue.

Health network partnerships also comprise a significant portion of our revenue. Under these contracts, we closely collaborate with a health network on certain strategic initiatives such as the expansion of practice sites in a particular jurisdiction or service area, and clinical and digital integration between our primary care and their specialty care services. Our contracts with the health network partners are typically bespoke, with varying terms across health network partners. However, each contract generally provides for fees on a PMPM basis or a fee-for-service basis. Under contracts providing for PMPM fees, when our medical offices provide professional clinical services to covered members, we, as administrator, perform billing and collection services on behalf of the health network, and the health network receives the fees for services provided, including those paid by members' insurance plans. If we do not adequately satisfy the objectives of our partners or perform against contractual obligations, we may lose revenue under the applicable health network partner contract and the health network partner may become dissatisfied with the terms or our performance under the contract, which could result in its early termination or amendment, if permitted, and as a result, harm to our business and results of operations, including a reduction in net revenue. Even regardless of our performance under the contracts, we cannot guarantee that our health network partners will continue to be satisfied with the terms or circumstances under existing contracts, particularly given constraints and challenges posed by the COVID-19 pandemic. We have experienced contractual disputes and renegotiations with health network partners in the past and may experience additional disputes and renegotiations in the future. Our contracts with health network partners are often exclusive in the applicable jurisdiction; as a result, in new potential markets, should we pursue a health network partnership, we would need to successfully contract with a sufficiently competitively viable health network partner, as we may not be able to terminate any such contract for several years without penalty or be able to partner with other health network partners in the same market due to competitive pressures or lack of counterparties. If we are unable to successfully continue our strategic relationships with our health network partners on terms favorable to us or at all, or if we do not successfully contract with health network partners in new jurisdictions, our business and results of operations could be harmed.

Most of our enterprise clients and health network partners have no obligation to renew their agreements with us after the initial term expires. In addition, our health network partners and enterprise clients may negotiate terms less advantageous to us upon renewal, which may reduce our revenue from these entities. If our health network partners or enterprise clients fail to renew their contracts, renew their contracts upon less favorable terms or at lower fee levels or fail to purchase new solutions and services from us, our revenue may decline or our future revenue growth may be constrained. In addition, our health network partner and enterprise client contracts generally allow partners to terminate such agreements for cause. If a partner or customer terminates its contract early and revenue and cash flows expected from a partner or enterprise client are not realized in the time period expected or not realized at all, our business could be harmed.

Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. Our competitors may be more effective in executing such relationships and performing against them. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our net revenue could be impaired and our results of operations may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased member use of our solutions and services or increased net revenue.

We conduct business in a heavily regulated industry, and any failure to comply with applicable healthcare laws and government regulations, could result in financial penalties, exclusion from participation in government healthcare programs and adverse publicity, or could require us to make significant operational changes, any of which could harm our business.

The U.S. healthcare industry is heavily regulated and closely scrutinized by federal, state and local authorities. Comprehensive statutes and regulations govern the manner in which we provide and bill for services and collect reimbursement from governmental programs and private payers, our contractual relationships with our providers, vendors, health network partners and customers, our marketing activities and other aspects of our operations. Of particular importance are:

- state laws that prohibit general business corporations, such as us, from practicing medicine, controlling physicians' medical decisions or engaging in practices such as splitting fees with physicians;

- federal and state laws pertaining to non-physician practitioners, such as nurse practitioners and physician assistants, including requirements for physician supervision of such practitioners and licensure and reimbursement-related requirements;

- the federal physician self-referral law, commonly referred to as the Stark Law, which, subject to certain exceptions, prohibits physicians from referring Medicare or Medicaid patients to an entity for the provision of certain "designated health services" if the physician or a member of the physician's immediate family has a direct or indirect financial relationship (including an ownership interest or a compensation arrangement) with the entity;

- the federal Anti-Kickback Statute, which, subject to certain exceptions known as "safe harbors," prohibits the knowing and willful offer, payment, solicitation or receipt of any bribe, kickback, rebate or other remuneration, in cash or in kind, in return for the referral of an individual for, or the lease, purchase, order or recommendation of, items or services covered, in whole or in part, by government healthcare programs such as Medicare and Medicaid;

- the federal False Claims Act, which imposes civil and criminal liability on individuals or entities that knowingly or recklessly submit false or fraudulent claims to Medicare, Medicaid, and other government-funded programs or make or cause to be made false statements in order to have a claim paid;

- a provision of the Social Security Act that imposes criminal penalties on healthcare providers who fail to disclose or refund known overpayments;

- the criminal healthcare fraud provisions of the federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their implementing regulations, or collectively, HIPAA, and related rules that prohibit knowingly and willfully executing a scheme or artifice to defraud any healthcare benefit program or falsifying, concealing or covering up a material fact or making any material false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services;

- the Civil Monetary Penalties Law, which prohibits the offering or giving of remuneration to Medicare and Medicaid beneficiaries that is likely to influence the beneficiary's selection of a particular provider or supplier;

- federal and state laws that prohibit providers from billing and receiving payment from Medicare and Medicaid for services unless the services are medically necessary, adequately and accurately documented, and billed using codes that accurately reflect the type and level of services rendered;

- federal and state laws and policies related to healthcare providers' licensure, certification, accreditation, Medicare and Medicaid program enrollment and reassignment of benefits;

- federal and state laws and policies related to the prescribing and dispensing of pharmaceuticals and controlled substances;

- state laws related to the advertising and marketing of services by healthcare providers;

- federal and state laws related to confidentiality, privacy and security of personal information, including medical information and records, that limit the manner in which we may use and disclose that information, impose obligations to safeguard such information and require that we notify third parties in the event of a breach;

- federal laws that impose civil administrative sanctions for, among other violations, inappropriate billing of services to government healthcare programs or employing or contracting with individuals who are excluded from participation in government healthcare programs;

- laws and regulations limiting the use of funds in health savings accounts for individuals with high deductible health plans;

- state laws pertaining to anti-kickback, fee splitting, self-referral and false claims, some of which are not limited to relationships involving government-funded programs; and

- state laws governing healthcare entities that bear financial risk.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. Achieving and sustaining compliance with these laws requires us to implement controls across our entire organization and it may prove costly and challenging to monitor and enforce compliance. In particular, given the prevalence of laws, rules and regulations restricting the corporate practice of medicine in certain of the states that we operate, we are prohibited from interfering with or inappropriately influencing providers' professional judgment and are reliant on the providers and other healthcare professionals at the One Medical PCs to operate in compliance with applicable laws related to the practice of medicine and the provision of healthcare services. The risk of our being found in violation of healthcare laws and regulations is increased by the fact that many of them have not been fully interpreted by regulatory authorities or the courts, and their provisions are sometimes complex and open to a variety of interpretations. Failure to comply with these laws and other laws can result in civil and criminal penalties such as fines, damages, recoupments of overpayments, imprisonment, loss of enrollment status and exclusion from the Medicare and Medicaid programs.

To enforce compliance with the federal laws, the U.S. Department of Justice and the Office of Inspector General for the HHS regularly scrutinize healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. The One Medical PCs' operation of medical practices is also subject to various state laws enforced by state regulators, including state attorneys general, boards of professional licensure and departments of health. A review of our business by judicial, law enforcement, regulatory or accreditation authorities could result in challenges or actions against us that could harm our business and operations. Responding to and managing government investigations can be time- and resource-consuming, divert management's attention from the business and generate adverse publicity. Any action against us for violation of these laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and result in adverse publicity. Moreover, if one of our health system partners or another third party fails to comply with applicable laws and becomes the target of a government investigation, government authorities could require our cooperation in the investigation, which could cause us to incur additional legal expenses and result in adverse publicity.

In addition, because of the potential for large monetary exposure under the federal False Claims Act, which provides for treble damages and penalties of $11,665 to $23,331 per false claim or statement (as of 2020, and subject to annual adjustments for inflation), healthcare providers often resolve allegations without admissions of liability for significant amounts to avoid the uncertainty of treble damages that may be awarded in litigation proceedings. Such settlements often contain additional compliance and reporting requirements as part of a consent decree, settlement agreement or corporate integrity agreement. Given the significant size of actual and potential settlements, it is expected that the government will continue to devote substantial resources to investigating healthcare providers' compliance with the healthcare reimbursement rules and fraud and abuse laws.

Further, our ability to provide our full range of services in each state is dependent upon a state's treatment of telehealth and emerging technologies (such as digital health services), which are subject to changing political, regulatory and other influences. Many states have laws that limit or restrict the practice of telehealth, such as laws that require a provider to be licensed and/or physically located in the same state where the patient is located. Failure to comply with these laws could result in denials of reimbursement for our services (to the extent such services are billed), recoupments of prior payments, professional discipline for our providers or civil or criminal penalties.

The laws, regulations and standards governing the provision of healthcare services may change significantly in the future and may harm our business and operations. For example, we have had to adapt our business as a result of the CARES Act and other emergency orders, laws and regulations enacted in response to the COVID-19 pandemic. While some of these changes have allowed us to rapidly respond to the COVID-19 pandemic including via expanded telehealth visits and testing arrangements, they have also required us to adapt to new offerings, processes and procedures. We cannot assure you that such emergency orders, laws and regulations will continue to apply or that regulators or other governmental entities will agree with our interpretation of these arrangements under applicable law. The Vaccine Inquiries or any other regulatory or governmental investigations or other disputes as a result of these arrangements, or the failure of various waivers for limitations of liability or other provisions under such emergency orders, laws and regulations to apply to us could divert resources and harm our reputation, business, financial condition and results of operations.

If the prevalence of private health insurance coverage declines, including due to a decline in the prevalence of employer-sponsored health care, our revenue may be reduced.

Private third-party payers, including health maintenance organizations, or HMOs, preferred provider organizations and other managed care plans, as well as medical groups and independent practice associations that contract with HMOs, typically reimburse healthcare providers at a higher rate than Medicare or other government healthcare programs. These payers utilize plan structures to encourage or require the use of in-network providers. The One Medical PCs enter into contracts with certain of these payers either directly, or indirectly through our health network partners, which allow them to participate in the payers' respective networks and set forth reimbursement rates for services rendered thereunder. As a result, our ability to maintain or increase patient volumes covered by private third-party payers and to maintain and obtain favorable contracts with private third-party payers significantly affects our revenue and operating results.

We currently derive a large portion of our revenue from members acquired under contracts with enterprise clients that purchase health care for their employees (either via insurance or self-funded benefit plans). A large part of the demand for our solutions and services among enterprise clients depends on the need of these employers to manage the costs of healthcare services that they pay on behalf of their employees. While the percentage of employers who are self-insured has been increasing over the past decade, this trend may not continue. Over time, employees may also increasingly decide to obtain their own insurance through state-sponsored insurance marketplaces rather than through their employers. While such employees may remain members, our reimbursement from providing services to these members would likely decrease. Employees who obtain their own insurance may also cancel their memberships, which may decrease the fees we receive under our contracts with health network partners as fewer members engage in their healthcare networks. If any of these trends accelerate, there is no guarantee that we would be able to compensate for the loss in revenue derived from enterprise clients and health network partners by increasing retail member acquisition. A decline in overall prevalence of private health insurance coverage, including due to the passage of healthcare reform proposals such as "Medicare for All," could further harm our revenue, particularly if accompanied by a reduction in employer-sponsored health insurance. In addition, health network partners who rely on patient use of their networks, particularly specialty care, through our contracts with them, may become dissatisfied with the terms under the applicable contract and seek to amend or terminate, or elect not to renew, these contracts. In these cases, our business and results of operations would be harmed.

If we fail to cost-effectively develop widespread brand awareness and maintain our reputation, or if we fail to achieve and maintain market acceptance for our healthcare services, our business could suffer.

We believe that developing and maintaining widespread awareness of our brand and maintaining our reputation for providing access to high quality and efficient health care in a cost-effective manner is critical to attracting new members and enterprise clients and maintaining existing members. Our business and revenue are heavily reliant on growing and maintaining our membership base. We have historically derived a significant portion of net revenue from patient visits at the One Medical PCs. In addition, we have a growing number of strategic relationships with health systems and health plans, or collectively, health networks. Market acceptance of our solutions and services and member acquisition depends on educating people, as well as enterprise clients and health networks, as to the distinct features, ease-of-use, positive lifestyle impact, cost savings, quality, and other perceived benefits of our solutions and services as compared to alternative avenues for health care. In particular, market acceptance is highly dependent on our ability to sufficiently saturate a particular geographic area with medical offices to provide services to local members, which may be customized based on the needs and preferences of the local market and the healthcare preferences of the members in that market. Further, our marketing efforts depend significantly on word of mouth and informal member referrals among the employees of our enterprise clients to spread awareness of our solutions and services. If we are not successful in demonstrating to existing and potential members and enterprise clients the benefits of our solutions and services, are not able to sufficiently saturate a market with medical offices in convenient locations, or are not able to achieve the support of enterprise clients, health networks, healthcare providers and insurance carriers for our solutions and services, we could experience lower than expected sales of new memberships and a higher rate of existing membership termination, including termination of membership purchases by enterprise clients. Further, the loss or dissatisfaction of a significant contingent of our members, adverse media reports or negative feedback about our solutions and services may substantially harm our brand and reputation, inhibit widespread adoption of our solutions and services, reduce our revenue from enterprise clients and health networks, and impair our ability to attract new members and maintain existing members.

Our brand promotion activities may not generate awareness or increase revenue and, even if they do, any increase in revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, we may fail to attract or retain members, health networks and enterprise clients necessary to realize a sufficient return on our brand-building efforts or to achieve the widespread brand awareness that is critical for broad adoption of our solutions and services. Even if we are successful in our brand promotion activities and deliver high quality and efficient service through the One Medical PCs, we cannot guarantee the quality and efficiency of healthcare service, particularly specialty healthcare, from our health network partners, over which we have no control. Many of our health network partners are large institutions with significant operations across a wide network of patients and may be unable to provide consistent levels of service to our members. Patients who experience poor quality healthcare provision from such partners may impute such dissatisfaction to our solutions and services, which could negatively impact member retention and acquisition, reduce our revenue and harm our business.

Our solutions and services may also be perceived by our members or enterprise clients to be more complicated or less effective than traditional approaches, and people may be unwilling to deviate from traditional or competing healthcare access options. Accordingly, healthcare providers may not recommend our solution or services until there is sufficient evidence to convince them to alter their current approach. Moreover, enterprise clients may be unwilling to market our solutions and services, or may prohibit us from marketing our solutions and services, to their employees. Any such resistance to adoption of our solutions and services, or impediment to our ability to market our solutions and services, may harm our business and results of operations.

We have a history of losses, which we expect to continue, and we may never achieve or sustain profitability.

We have incurred significant losses in each period since our inception. We incurred net losses of $80.6 million, $53.7 million and $89.4 million for the six months ended June 30, 2021 and the years ended December 31, 2019 and 2020, respectively. As of June 30, 2021, we had an accumulated deficit of $444.2 million. Our net losses and accumulated deficit reflect the substantial investments we made to acquire new health network partners and members, build our proprietary network of healthcare providers and develop our technology platform. We intend to continue scaling our business to increase our customer, member and provider bases, broaden the scope of our partnerships and expand our applications of technology through which members can access our services. Accordingly, we anticipate that our cost of care and other operating expenses will continue to increase in the foreseeable future. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. We cannot assure you that we will achieve profitability in the future or that, if we do become profitable, we will be able to sustain or increase profitability. Our prior net losses, combined with our expected future net losses, have had and will continue to have a negative impact on our total (deficit) equity and working capital. As a result of these factors, we may need to raise additional capital through debt or equity financings in order to fund our operations, and such capital may not be available on reasonable terms, if at all.

Our net revenue depends in part on the number of members enrolled or patient visits, and a decrease in member utilization of our services could harm our business, financial condition and results of operations.

Historically, we have relied on patient visits at the One Medical PCs for a substantial portion of our net revenue. For the six months ended June 30, 2021 and the years ended December 31, 2019 and 2020, net patient service revenue accounted for 36%, 53% and 39% of our net revenue, respectively. As we develop additional digital health solutions through our mobile platform and continue providing and expanding availability of remote visits, we cannot guarantee that our members will consistently make in-office visits in addition to using our digital health solutions, particularly after the COVID-19 pandemic and as related shelter-in-place and quarantine measures and orders are relaxed or lifted. Further, it may be difficult for us to accurately forecast future patient in-office visits over time, which may vary across geographies and depend on patient demographics within a given market. In part due to the reduction of in-office visits observed due to COVID-19, we have introduced billable remote visits. We cannot predict with any certainty the number of remote billable services and their impact on our in-office visits. As remote billable services on average generate lower reimbursement than in-office visits, this may impact our operations and financial results. In addition, we will continue to rely on our reputation and recommendations from members and key enterprise clients to promote our solutions and services to potential new members. A substantial portion of our members hold subscriptions through their respective employers with which we have membership arrangements. The loss of any of our key enterprise clients, or a failure of some of them to renew or expand their arrangements with us, could have a significant impact on the growth rate of our revenue. If we are unable to attract and retain sufficient members in any given market, we may have reduced visits, which could harm our results of operations, reduce our revenue and harm our business.

In addition, under certain of our contracts with enterprise clients, we base our fees on the number of individuals to whom our clients provide benefits. Under certain of our health network partner agreements, we also collect fees from members who receive healthcare services within the health network partner's network. Many factors, most of which we do not control, may lead to a decrease in the number of individuals covered by our enterprise clients, including, but not limited to, the following:

- changes in the nature or operations of our enterprise clients or the failure of our enterprise clients to adopt or maintain effective business practices;
- changes of control of our enterprise clients;
- reduced demand in particular geographies;
- shifts away from employer-sponsored health plans toward employee self-insurance;
- shifting regulatory climate and new or changing government regulations; and
- increased competition or other changes in the benefits marketplace.

If the number of members covered by our enterprise clients and health network partners decreases, our revenue will likely decrease.

If reimbursement rates paid by third-party payers are reduced or if third-party payers otherwise restrain our ability to obtain or provide services to members, our business could be harmed.

Private third-party payers pay for the services that we provide to many of our members. We estimate that as of December 31, 2020, over 95% of our members were commercially insured. If any commercial third-party payers reduce their reimbursement rates or elect not to cover some or all of our services, our business may be harmed.

Private third-party payers often use plan structures, such as narrow networks or tiered networks, to encourage or require members to use in-network providers. In-network providers typically provide services through private third-party payers for a negotiated lower rate or other less favorable terms. Private third-party payers generally attempt to limit use of out-of-network providers by requiring members to pay higher copayment and/or deductible amounts for out-of-network care. Additionally, private third-party payers have become increasingly aggressive in attempting to minimize the use of out-of-network providers by disregarding the assignment of payment from members to out-of-network providers (i.e., sending payments directly to members instead of to out-of-network providers), capping out-of-network benefits payable to members, waiving out-of-pocket payment amounts and initiating litigation against out-of-network providers for interference with contractual relationships, insurance fraud and violation of state licensing and consumer protection laws. If we become out of network for insurers, our business could be harmed and our patient service revenue could be reduced because members could stop using our services.

If reimbursement rates paid by federal or state healthcare programs are reduced or if government payers otherwise restrain our ability to obtain or provide services to members, our business, financial condition and results of operation could be harmed.

A portion of our revenue comes from government healthcare programs, principally Medicare. Payments from federal and state government programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, requirements for utilization review and federal and state funding restrictions, each of which could increase or decrease program payments, as well as affect the cost of providing service to patients and the timing of payments to the One Medical PCs. We are unable to predict the effect of recent and future policy changes on our operations. In addition, the uncertainty and fiscal pressures placed upon federal and state governments as a result of, among other things, deterioration in general economic conditions and the funding requirements from the federal healthcare reform legislation, may affect the availability of taxpayer funds for Medicare programs. Changes in government healthcare programs may reduce the reimbursement we receive and could adversely impact our business and results of operations.

We operate in a competitive industry, and if we are not able to compete effectively our business would be harmed.

The market for healthcare solutions and services is highly fragmented and intensely competitive, with direct and indirect competitors offering varying levels of impact to key stakeholders such as consumers, employers, providers, and health networks. Our competitive success is contingent on our ability to simultaneously address the needs of key stakeholders efficiently while delivering superior outcomes at scale compared with competitors. We compete across various segments within the healthcare market, including with respect to traditional healthcare providers and medical practices, technology platforms, care management and coordination, digital health, telehealth and telemedicine and health information exchange.

Our future growth and the success of our business are highly dependent on gaining new members and retaining existing members in both existing and target markets. We currently face competition from a range of companies and providers, including traditional healthcare providers and medical practices that offer similar services, often at lower prices, and that are continuing to develop additional products and becoming more sophisticated and effective. We face competition from primary care providers who are employed by or affiliated with health networks, including our health network partners, unaffiliated freestanding outpatient centers and specialty hospitals (some of which are physician-owned) for market share in specialty services and for quality providers and personnel. Our indirect competitors include episodic consumer-driven point solutions such as telemedicine as well as urgent care providers, which may typically pay providers on a fee-for-service basis rather than the salary-based model we employ. In addition, large, well-financed health plans have in some cases developed their own health care or expert medical service tools and may provide these solutions to their customers at discounted prices. In recent years, the number of freestanding specialty hospitals, surgery centers, emergency departments, urgent care centers and diagnostic imaging centers has increased significantly in the geographic areas in which we serve and may provide services similar to those we offer. In some cases, these competitors are more established, may offer a broader array of services or newer or more desirable facilities to patients and providers, and may have larger or more specialized medical staff to admit and refer patients, among other things. Some of the clinics and medical offices that compete with the One Medical PCs are also owned by government agencies or not-for-profit organizations supported by endowments and charitable contributions and can finance capital expenditures and operations on a tax-exempt basis. We expect to continue to encounter competition from system-affiliated hospitals, healthcare companies, and health insurers as well as private equity companies seeking to acquire providers in specific geographical markets.

Because healthcare consumers are now able to access hospital performance data on quality measures and patient satisfaction, as well as standard charges for services, to compare competing providers, if any of the One Medical PCs achieve poor results (or results that are lower than our competitors') on quality measures or patient satisfaction surveys, or if our standard charges are or are perceived to be higher than our competitors, we may attract fewer members. Additional quality measures and trends toward clinical or billing transparency, including recent price transparency proposals that would require third-party payers and hospitals to make their pricing information publicly available, may also have a negative impact on our competitive position and patient volumes, as patients may prefer to use lower cost healthcare providers if they deliver services that are perceived to be similar in quality to ours. Moreover, our enterprise clients or health network partners may elect to terminate their arrangements with us and enter into arrangements with our competitors, particularly in primary care. For example, our health network partners may wish to enter into competitor arrangements that are more favorable from a fee or price perspective or that provide greater exposure to, or volume of, patients. In addition, in any geographic area, we may enter into an exclusive contractual arrangement with a single health network partner, which could allow competitors to contract with other health network partners in the same area and gain market share for potential patients. Competitors may also be better positioned to contract with leading health network partners in our target markets, including existing markets after our current contracts expire. If our competitors are better able to attract patients, contract with health network partners, recruit providers, expand services or obtain favorable managed care contracts at their facilities than we are, we may experience an overall decline in member volumes and net revenue. Competition from specialized providers, health plans, medical practices, digital health companies and other parties will result in continued member acquisition and patient visit and utilization volume pressure, which could negatively impact our revenue and market share.

Some of our competitors may have greater name recognition, longer operating histories and significantly greater resources than we do. In addition, our current or potential competitors may be acquired by third parties with greater available resources. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements and may have the ability to initiate or withstand substantial price competition. In light of the COVID-19 pandemic, existing or new competitors have developed or further invested in telemedicine and remote medicine programs and ventures, which would compete with our virtual care offerings. Also, current and potential competitors have established, and may in the future establish, cooperative relationships with vendors of complementary technologies or services to increase the availability of their solutions in the marketplace. Accordingly, new competitors or alliances may emerge that have greater market share, a larger member or patient base, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources and larger sales forces than we have, which could put us at a competitive disadvantage. Our competitors could also be better positioned to serve certain segments of the healthcare market, which would limit our member and patient growth. In light of these factors, even if our solution is more effective than those of our competitors, current or potential members, health network partners and enterprise clients may accept competitive solutions in lieu of purchasing our solution. If we are unable to successfully compete in the healthcare market, our business would be harmed.

Competition in our market also involves rapidly changing technologies, evolving regulatory requirements and industry expectations, frequent new product and service introductions and changes in customer requirements. If we are unable to keep pace with the evolving needs of our clients, members and partners and continue to develop, enhance and market new applications and services in a timely and efficient manner, demand for our solutions and services may be reduced and our business and results of operations would be harmed. We cannot guarantee that we will possess the resources, either financial or personnel, for the research, design and development of new applications or services, or that we will be able to utilize these resources successfully and avoid technological or market obsolescence. Further, we cannot assure you that technological advances by one or more of our competitors or future competitors will not result in our present or future applications and services becoming uncompetitive or obsolete.

We may not grow at the rates we historically have achieved or at all, even if our key metrics may imply future growth, which could have a negative impact on our business, financial condition and results of operations.

We have experienced significant growth in our recent history. Future revenue may not grow at these same rates or may decline. Our future growth will depend, in part, on our ability to grow consumer and enterprise members in existing markets, expand into new markets, expand our services offering and grow our health network partnerships. We are continually executing a number of growth initiatives, strategies and operating plans designed to enhance our business. For example, we are expanding our strategic relationships with health network partners to build integrated delivery networks for broad access to their networks of specialists and hospitals. The anticipated benefits from these efforts are based on several assumptions that may prove to be inaccurate. We may not be able to successfully complete these growth initiatives, strategies and operating plans and realize all of the benefits, including growth targets and cost savings, that we expect to achieve, or it may be more costly to do so than we anticipate. We can provide no assurances that even if our key metrics indicate future growth, we will continue to grow our revenue or to generate net income. Moreover, our continued implementation of these programs may disrupt our operations and performance. If, for any reason, the benefits we realize are less than our estimates or the implementation of these growth initiatives, strategies and operating plans negatively impact our operations or cost more or take longer to effectuate than we expect, or if our assumptions prove inaccurate, our business, financial condition and results of operations may be harmed.

If we fail to manage our growth effectively, our expenses could increase more than expected, our revenue may not increase proportionally or at all, and we may be unable to implement our business strategy.

We have experienced significant growth in recent periods, which puts strain on our business, operations and employees. For example, we grew from 1,340 employees as of December 31, 2018 to 1,957 employees as of December 31, 2020. We have also increased our customer and membership bases significantly over the past two years. We anticipate that our operations will continue to rapidly expand. To manage our current and anticipated future growth effectively, we must continue to maintain and enhance our IT infrastructure, financial and accounting systems and controls. In particular, in order for our providers to provide quality healthcare services and longitudinal care to patients and avoid burn-out, we need to provide them with adequate IT and technology support, which requires sufficient staffing for these areas. In addition, as we expand in existing markets and move into new markets, we will need to attract and retain an increasing number of quality healthcare professionals and providers. Failure to retain a sufficient number of providers may result in overworking of existing personnel leading to burn-out or poor quality of healthcare services. In addition, our strategy is to provide longitudinal care to members and patients, which requires substantial time and attention from our providers. We must also attract, train and retain a significant number of qualified sales and marketing personnel, customer support personnel, professional services personnel, software engineers, technical personnel and management personnel, and the availability of such personnel, in particular software engineers, may be constrained.

A key aspect to managing our growth is our ability to scale our capabilities to implement our solutions and services satisfactorily with respect to both large and demanding enterprise clients and health network partners as well as individual consumers. Large clients and partners often require specific features or functions unique to their membership base, which, at a time of significant growth or during periods of high demand, may strain our implementation capacity and hinder our ability to successfully provide our services to our clients and partners in a timely manner. We may also need to make further investments in our technology to decrease our costs. If we are unable to address the needs of our clients, partners or members, or our clients, partners or members are unsatisfied with the quality of our solutions or services, they may not renew their contracts or memberships, seek to cancel or terminate their relationship with us or may renew on less favorable terms, any of which could harm our business and results of operations.

Failure to effectively manage our growth could also lead us to over-invest or under-invest in development and operations, result in weaknesses in our infrastructure, internal systems, processes or controls, give rise to operational mistakes, financial losses, loss of productivity or business opportunities and result in loss of employees and reduced productivity of remaining employees. In order to manage the increasing complexities of our business, we will need to continue to scale and adapt our operational, financial and management controls, as well as our reporting systems and procedures. We may not be able to successfully implement and scale improvements to our systems, processes and controls or in connection with third party software in a timely or efficient manner or in a manner that does not negatively affect our operating results. For example, we may not be able to effectively monitor certain extraordinary contract requirements or provisions that are individually negotiated as the number of transactions continues to grow. In addition, our systems and processes may not prevent or detect all errors, omissions, or fraud, including any fraudulent activities conducted or facilitated by our employees or the providers or staff at the One Medical PCs. Any of these events could result in our expenses increasing more than expected, lack of growth or slower than expected growth in our revenue, and inability to implement our business strategies. The quality of our services may also suffer, which could negatively affect our reputation and harm our ability to attract and retain members, clients and partners.

Investment of significant capital expenditures to support our growth may also divert financial resources from other projects such as the development of new applications and services. In particular, as we enter new markets or seek to expand our presence in existing markets, we will need to make upfront capital expenditures, including to lease and furnish medical office space, acquire medical equipment, staff providers at such medical offices and incur related expenses. As we do not recognize patient revenue until those offices open and begin receiving patients, our margins may be reduced during the periods in which such capital expenditures were incurred. Expansion in new or existing markets can be lengthy and cost-intensive, and we may encounter difficulties or unanticipated issues during the process of opening such new medical offices. We cannot assure you that we will be able to open our planned new medical offices, in existing or new markets, within our operating budgets and planned timelines, or at all. Cost overruns in the process of opening new offices can result in higher than expected cost of care, exclusive of depreciation and amortization, and operating expenses as compared to revenue in the applicable quarter. In addition, we cannot assure you that new medical offices will operate efficiently or be strategically placed to attract the optimal number of patients. If an office is underperforming for any reason, we could incur additional costs to relocate or shut down that office.

It is essential to our ongoing business that we attract and retain an appropriate number of quality primary care providers to support our services and that we maintain good relations with those providers.

The success of our business depends in significant part on the number, quality, specialties and admitting and scheduling practices of the licensed providers who have been admitted to the medical staffs of the One Medical PCs, as well as providers who affiliate with us and use the One Medical PCs as an extension of their practices. Medical staff of the One Medical PCs are free to terminate their association at any time. In addition, although providers who own interests in the One Medical PCs are generally subject to agreements restricting them from owning an interest in competitive facilities or transferring their ownership interests in the One Medical PCs without our consent, we may not learn of, or may be unsuccessful in preventing, our provider partners from acquiring interests in competitive facilities or making transfers without our consent. Moreover, in certain states in which we operate, such as California, non-competition and other restrictive covenants may be limited in their enforceability, particularly against physicians and providers.

If we are unable to recruit and retain board-certified providers and other healthcare professionals, our business and results of operations could be harmed and our ability to grow could be impaired. In any particular market, providers could demand higher payments or take other actions that could result in higher medical costs, less attractive service for our members or difficulty meeting regulatory or accreditation requirements. Our ability to develop and maintain satisfactory relationships with providers also may be negatively impacted by other factors not associated with us, such as changes in Medicare reimbursement levels and other pressures on healthcare providers and consolidation activity among hospitals, provider groups and healthcare providers.

We expect to encounter increased competition from health insurers and private equity companies seeking to acquire providers in the markets where we operate practices and, where permitted by law, employ providers. In some of our markets, provider recruitment and retention are affected by a shortage of providers and the difficulties that providers can experience in obtaining affordable malpractice insurance or finding insurers willing to provide such insurance. Providers may also leave the One Medical PCs or perceive them as providing a poor quality of life if the One Medical PCs do not adequately manage causes of provider burnout and workload, some of which we have little to no control over under the ASAs. Our business is dependent on providing longitudinal and long-term care for members and requires providers to consistently follow members over time, track overall long-term health and be available 24/7 for virtual care questions and services. If we are unable to efficiently manage provider workload and capacity to provide longitudinal and long-term care, our providers may depart and our patients may experience lower quality of care, which would harm our business. Furthermore, our ability to recruit and employ providers is closely regulated. For example, the types, amount and duration of compensation and assistance we can provide to recruited providers are limited by the Stark law, the Anti-kickback Statute, state anti-kickback statutes and related regulations. If we are unable to attract and retain sufficient numbers of quality providers by providing adequate support personnel, technologically advanced equipment and facilities that meet the needs of those providers and their patients, memberships and patient visits may decrease, our enterprise clients may alter or terminate their membership contracts with us and our operating performance may decline.

We incur significant upfront costs in our enterprise client and health network partner relationships, and if we are unable to maintain and grow these relationships over time, we are likely to fail to recover these costs, which could have a negative impact on our business, financial condition and results of operations.

Our business model and growth depend heavily on achieving economies of scale because our initial upfront investment for any enterprise client or health network partner is costly and the associated revenue is recognized on a ratable basis. We devote significant resources to establishing relationships with our clients and partners and implementing our solutions and services. This is particularly so in the case of large enterprises that, to date, have contributed a large portion of our membership base and revenue as well as health network partners, who often require specific features or functions unique to their particular processes or under the terms of their contracts with us, including significant systems integration and interoperability undertakings. Accordingly, our results of operations will depend in substantial part on our ability to deliver a successful experience for these clients and related members and partners to persuade our clients and partners to maintain and grow their relationship with us over time. Additionally, as our business is growing significantly, our new customer and partner acquisition costs could outpace our revenue growth and we may be unable to reduce our total operating costs through economies of scale such that we are unable to achieve profitability. If we fail to achieve appropriate economies of scale or if we fail to manage or anticipate the evolution and in future periods, demand of our clients and partners, our business may be harmed.

Our marketing cycle can be long and unpredictable and requires considerable time and expense, which may cause our results of operations to fluctuate.

The marketing cycle for our solutions and services from initial contact with a potential enterprise client or health network partner to contract execution and implementation varies widely by enterprise client or partner. Some of our partners undertake a significant and prolonged evaluation process, including to determine whether our solutions and services meet their unique healthcare needs, which evaluation can be complex given the size and scale of our clients and partners. Our contractual arrangements with our health network partners are often highly specific to each partner depending on their needs, the characteristics and patient demographics of the market they serve, their growth plans and their operations, among other things. As a result, our marketing efforts to any new health network partner must be tailored to meet its specific strategic demands, which can be time consuming and require significant upfront cost. These efforts also must address interoperability between our IT infrastructure and systems and such partner's systems, which can result in substantial cost without any assurance that we will ultimately enter into a contractual arrangement with any such partner.

Our large enterprise clients often initially restrict direct access by us to their employees to curb information overflow. As a result, we may not be able to directly market our solutions and services to, and educate, employees at our enterprise clients until much later after execution of an agreement with such clients. This can result in limited membership acquisition at any such enterprise client for a significant period of time following contract execution, and we cannot assure you that we will be able to gain sufficient membership acquisition to justify our upfront investments. Further, even after contract execution with a particular enterprise client, we generally compete with other health service providers who market to the same employees at such enterprise client, and our marketing and employee education efforts may not be successful in winning members from other competing services, many of which are traditional healthcare models that employees are more familiar with. We also incur significant marketing costs to grow awareness of our solution and services in both existing markets and new geographic markets for potential new members. Our marketing efforts for member acquisition are dependent in part on word of mouth, which may take substantial time to spread. In addition, for both new and existing geographic markets, we will need to continuously open medical offices in targeted locations to build awareness, which is both time-intensive and requires substantial upfront fixed costs. If our substantial upfront marketing and implementation investments do not result in sufficient sales to justify our investments, it could harm our business and results of operations.

We could experience losses or liability, including medical liability claims, causing us to incur significant expenses and requiring us to pay significant damages if not covered by insurance.

Our business entails the risk of medical liability claims against the One Medical PCs, their providers, and 1Life and we have in the past been subject to such claims in the ordinary course of business. Although 1Life, the One Medical PCs and individual providers carry insurance at the entity level and at the provider level covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to our business, successful medical liability claims could result in substantial damage awards that exceed the limits of the One Medical PCs' insurance coverage. Professional liability insurance is expensive and insurance premiums may increase significantly in the future, particularly as we expand our services and as the professional liability insurance market becomes more challenging due to COVID-19. As a result, adequate professional liability insurance may not be available to our providers or to us in the future at acceptable costs or at all. Any claims made against us that are not fully covered by insurance could be costly to defend against, result in substantial damage awards against us and divert the attention of our management and our providers from our operations, which could harm our business. In addition, any claims may significantly harm our business or reputation.

Moreover, we do not control the providers and other healthcare professionals at the One Medical PCs with respect to the practice of medicine and the provision of healthcare services. While we seek to attract high quality professionals, the risk of liability, including through unexpected medical outcomes, is inherent in the healthcare industry, and negative outcomes may result for any of our members. We attempt to limit our liability to members, clients and partners by contract; however, the limitations of liability set forth in the contracts may not be enforceable or may not otherwise protect us from liability for damages. Additionally, we may be subject to claims that are not explicitly covered by such contractual limits.

We also maintain general liability coverage for certain risks, claims and litigation proceedings. However, this coverage may not continue to be available on acceptable terms or in sufficient amounts to cover one or more large claims against us, and may include larger self-insured retentions or exclusions. In addition, the insurer might deny coverage for the claims we submit or disclaim coverage as to any future claim. Any liability claim brought against us, or any ensuing litigation, regardless of merit, could result in a substantial cost to us, divert management's attention from operations and could also result in an increase of our insurance premiums and damage to our reputation. A successful claim not fully covered by our insurance could have a negative impact on our liquidity, financial condition, and results of operations.

Current or future litigation against us could be costly and time-consuming to defend.

We are subject, and in the future may become subject from time to time, to legal proceedings and claims that arise in the ordinary course of business such as claims brought by our members, clients or partners in connection with commercial disputes, consumer class action claims, employment claims made by our current or former employees or other litigation matters. In particular, as we grow our base of consumer members, we may be subject to an increasing number of consumer claims, disputes and class action complaints, including an ongoing claim alleging misrepresentations with respect to our membership fees. While our membership terms generally require individual arbitration, we cannot assure you that such terms will be enforced, which may result, and has resulted in the past, in costly class action litigation. Litigation may result in substantial costs, settlement and judgments and may divert management's attention and resources, which may substantially harm our business, financial condition and results of operations. Insurance may not cover such claims, may not provide sufficient payments to cover all of the costs to resolve one or more such claims and may not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby leading analysts or potential investors to reduce their expectations of our performance, which could reduce the market price of our common stock.

Our labor costs could be negatively impacted by competition for staffing, the shortage of experienced nurses and labor union activity.

The operations of the One Medical PCs are dependent on the efforts, abilities and experience of our management and medical support personnel, including nurses, therapists and lab technicians, as well as our providers. We compete with other healthcare providers in recruiting and retaining employees, and, like others in the healthcare industry, we continue to experience a shortage of nurses in certain disciplines and geographic areas. As a result, from time to time, we may be required to enhance wages and benefits to recruit and retain experienced employees, make greater investments in education and training for newly licensed medical support personnel, or hire more expensive temporary or contract employees. Furthermore, state-mandated nurse-staffing ratios in California affect not only our labor costs, but, if we are unable to hire the necessary number of experienced nurses to meet the required ratios, they may also cause us to limit patient volumes, which would have a corresponding negative impact on our net revenue. In addition, while none of our employees are represented by a labor union as of June 30, 2021, our employees may seek to be represented by one or more labor unions in the future. If some or all of our employees were to become unionized, it could increase labor costs, among other expenses, and may require us to adjust our employee policies and protocols. In general, our failure to recruit and retain qualified management, experienced nurses and other medical support personnel, or to control labor costs, could harm our business.

In order to support the growth of our business, we may need to incur additional indebtedness or seek capital through new equity or debt financings, which sources of additional capital may not be available to us on acceptable terms or at all.

Our operations have consumed substantial amounts of cash since inception and we intend to continue to make significant investments to support our business growth, respond to business challenges or opportunities, expand our services in new geographic locations, enhance our operating infrastructure and existing solutions and services and potentially acquire complementary businesses and technologies. For the six months ended June 30, 2021 and the years ended December 31, 2019 and 2020, our net cash provided by operating activities was $13.1 million, net cash used in operating activities was $31.7 million and net cash used in operating activities was $4.4 million, respectively. As of June 30, 2021, we had $503.2 million of cash and cash equivalents and $150.6 million of short-term marketable securities, which are held for working capital purposes. As of June 30, 2021, we had $316.3 million aggregate principal amount of debt outstanding under our convertible senior notes issued in May 2020, or the 2025 Notes.

As of June 30, 2021, we have also deferred payroll taxes in the amount of $5.0 million and received $4.3 million in grants as part of the Coronavirus Aid, Relief and Economic Security Act, or CARES Act, through the Provider Relief Fund, or PRF, of the U.S. Department of Health and Human Services, or HHS, to help offset the impact of increased healthcare related expenses and lost revenues attributable to the COVID-19 pandemic. We are not required to repay this grant, provided we attest to and comply with certain terms and conditions, including the use of PRF funds for only permitted purposes and only after funds from other sources obligated to reimburse recipients have been applied. If we are unable to attest to or comply with current or future terms and conditions, our ability to retain some or all of the PRF funds received may be impacted.

Our future capital requirements may be significantly different from our current estimates and will depend on many factors, including our growth rate, membership renewal activity and growth, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new or enhanced services, expansion of services to new geographic locations, addition of new health network partners and the continuing market acceptance of our healthcare services. Accordingly, we may need to engage in equity or debt financings or collaborative arrangements to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Moreover, while we are not restricted from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions under the terms of the indenture governing the 2025 Notes, such actions could have the effect of diminishing our ability to make payments on the notes when due.

Any debt financing secured by us in the future could involve additional restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, during times of economic instability, including the recent disruptions to, and volatility in, the credit and financial markets in the United States and worldwide resulting from the ongoing COVID-19 pandemic, it has been difficult for many companies to obtain financing in the public markets or to obtain debt financing, and we may not be able to obtain additional financing on commercially reasonable terms, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, it could harm our business and growth prospects.

Our revenues have historically been concentrated among our top customers, and the loss of any of these customers could reduce our revenues and adversely impact our operating results.

Historically, our revenue has been concentrated among a small number of customers. In 2019 and 2020, our top three customers accounted for 36% and 35% of our net revenue, respectively. These customers included an enterprise customer, which accounted for 10% of our net revenue for 2020, a commercial payer, and a health network partner. As a result, the loss of one or more of these customers could reduce our revenue, harm our results of operations and limit our growth.

Our quarterly results may fluctuate significantly, which could adversely impact the value of our common stock.

Our quarterly results of operations, including our net revenue, loss from operations, net loss and cash flows, have varied and may vary significantly in the future, and period-to-period comparisons of our results of operations may not be meaningful. Accordingly, our quarterly results should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, including, without limitation, the following:

- the addition or loss of health network partners or enterprise clients, including through acquisitions or consolidations of such entities;

- the addition or loss of contracts with, or modification of contract terms with, payers, including the reduction of reimbursements for our services or the termination of our network contracts with payers;

- seasonal and other variations in the timing and volume of patient visits, such as the historically higher volume of use of our service during peak cold and flu season months;

- fluctuations in unemployment rates resulting in reductions in total members;

- slowdown in the overall economy resulting in losses of enterprise clients as they scale back on expenses;

- new enterprise sponsorships and renewal of existing enterprise sponsorships and the timing thereof as well as enterprise and consumer member activation and renewal and timing thereof;

- the timing of recognition of revenue;

- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure, including upfront capital expenditures and other costs related to expanding in existing markets or entering new markets, as well as providing administrative and operational services to the One Medical PCs under the ASAs;

- our ability to effectively manage the size and composition of our proprietary network of healthcare professionals relative to the level of demand for services from our members;

- the timing and success of introductions of new applications and services by us or our competitors, including well-known competitors with significant market clout and perceived ability to compete favorably due to access to resources and overall market reputation;

- changes in the competitive dynamics of our industry, including consolidation among competitors, health network partners or enterprise clients; and

- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies.

A large portion of our net revenue in any given quarter is derived from contracts entered into with our partners and clients during previous quarters as well as membership fees that are recognized ratably over the term of each membership. Consequently, a decline in new or renewed contracts or memberships in any one quarter may not be fully reflected in our net revenue for that quarter. Such declines, however, would negatively affect our net revenue in future periods and the effect of loss of members, and potential changes in our rate of renewals or renewal terms, may not be fully reflected in our results of operations until future periods. While we encourage enterprise clients to purchase memberships off of their periodic enrollment cycle, we cannot guarantee that they will do so. Accordingly, the effect of changes in the industry impacting our business or loss of members may not be reflected in our short-term results of operations. Any fluctuation in our quarterly results may not accurately reflect the underlying performance of our business and could cause a decline in the trading price of our common stock.

If we lose key members of our senior management team or are unable to attract and retain executive officers and employees we need to support our operations and growth, our business and growth may be harmed.

Our success depends largely upon the continued services of our key executive officers, particularly our Chair, Chief Executive Officer and President and 1Life's Chief Medical Officer. These executive officers are at-will employees and therefore they may terminate employment with us at any time with no advance notice. We also do not maintain any key person life insurance policies. Further, we rely on our leadership team in the areas of research and development, marketing, services and general and administrative functions. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. The replacement of one or more of our executive officers or other key employees would likely involve significant time and costs and may significantly delay or prevent the achievement of our business objectives. We are particularly dependent on 1Life's Chief Medical Officer, who is the sole director and officer of a majority of the One Medical PCs and is responsible for overseeing the operation of several of the One Medical PCs, among other roles. While we have succession plans in place and have employment or service arrangements with a limited number of key executives, these measures do not guarantee that the services of these or suitable successor executives will continue to be available to us.

To continue to execute our growth strategy, we also must attract and retain highly skilled personnel. Competition is intense for qualified professionals and we may not be successful in continuing to attract and retain qualified personnel. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled personnel with appropriate qualifications. The pool of qualified personnel with experience working in the healthcare market is limited overall. In addition, many of the companies with which we compete for experienced personnel have greater resources than we have. As a result, our success is dependent on our ability to evolve our culture, align our talent with our business needs, engage our employees and inspire our employees to be open to change, to innovate and to maintain member- and customer-focus when delivering our services.

In addition, job candidates often consider the value of the stock options or other equity-based awards they are to receive in connection with their employment. Volatility in the price of our stock may, therefore, negatively impact our ability to attract or retain highly skilled personnel. Further, the requirement to expense stock options and other equity-based compensation may discourage us from granting the size or type of stock option or equity awards that job candidates require to join our company. Our business would be harmed if we fail to adequately plan for succession of our executives and senior management; or if we fail to effectively recruit, integrate, retain and develop key talent and/or align our talent with our business needs and the current rapidly changing environment.

We may acquire other companies or technologies, which could divert our management's attention, result in dilution to our stockholders and otherwise disrupt our operations and we may have difficulty integrating any such acquisitions successfully or realizing the anticipated benefits therefrom, any of which could harm our business.

We may seek to acquire or invest in businesses, applications and services or technologies that we believe could complement or expand our business, enhance our technical capabilities or otherwise offer growth opportunities. For example, we have entered into the Merger Agreement with Iora and if that transaction closes, our stockholders will incur substantial dilution. For additional risks related to the proposed acquisition of Iora, please refer to "—Risks Related to the Acquisition of Iora." The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. We do not have a history of acquiring or investing in businesses, applications and services or technologies and may not have the experience or capabilities to successfully execute such transactions or integrate them following consummation.

In addition, if we acquire additional businesses, we may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including, but not limited to:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- lack of experience in making acquisitions and integrating acquired businesses or assets;
- unanticipated costs or liabilities associated with the acquisition;
- difficulty integrating the accounting systems, operations and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- diversion of management's attention from other business concerns;
- negative impacts to our existing relationships with enterprise clients or health network partners as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business;
- deficiencies associated with the assets or companies we acquire or ineffective or inadequate controls, procedures or policies at any acquired business that were not identified in advance and may result in significant unanticipated costs; and
- use of substantial portions of our available cash to consummate the acquisition.

The effectiveness of our due diligence review of potential acquisitions and assessments of potential benefits or synergies are dependent upon the accuracy and completeness of statements and disclosures made or actions taken by the companies we acquire or their representatives. We may fail to accurately forecast the financial impact of an acquisition transaction, including tax and accounting charges. In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our results of operations based on this impairment assessment process, which could harm our results of operations.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could harm our results of operations. In addition, if an acquired business fails to meet our expectations, our business may be harmed.

The estimates of market opportunity and forecasts of market and revenue growth included in this Quarterly Report may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. In particular, the size and growth of the overall U.S. healthcare market is subject to significant variables, including a changing regulatory environment and population demographic, which can be difficult to measure, estimate or quantify. Our business depends on member acquisition and retention, which further drives revenue from our contracts with health network partners. Estimates and forecasts of these factors in any given market is difficult and affected by multiple variables such as population growth, concentration of enterprise clients and population density, among other things. Further, we cannot assure you that we will be able to sufficiently penetrate certain market segments included in our estimates and forecasts, including due to limited deployable capital, ineffective marketing efforts or the inability to develop sufficient presence in a given market to gain members or contract with employers and health network partners in that market. Once we acquire a member, apart from fixed annual membership fees and payments from health care partners, we primarily derive revenue from patient in-office visits, which may be difficult to forecast over time, particularly as our billable service mix continues to expand, including due to the COVID-19 pandemic. Finally, our contractual arrangements with health network partners typically have highly tailored capitation and other fee structures which vary across health network partners and are dependent on the number of members that receive healthcare services in a health network partner's network. As a result, we may not be able to accurately forecast revenue from our health network partners. For these reasons, the estimates and forecasts in this Quarterly Report relating to the size and expected growth of our target markets may prove to be inaccurate. Even if the markets in which we compete meet our size estimates and forecasted growth, our business could fail to grow at similar rates, if at all.

Natural or man-made disasters and other similar events may significantly disrupt our business and negatively impact our business, financial condition and results of operations.

Our offices and facilities may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, extreme weather conditions, power outages, fires, floods, protests and civil unrest, nuclear disasters and acts of terrorism or other criminal activities, which may result in temporary office closures and render it difficult or impossible for us to operate our business for some period of time. In particular, certain of the facilities we lease to house our computer and telecommunications equipment are located in the San Francisco Bay Area, a region known for seismic activity, and our insurance coverage may not compensate us for losses that may occur in the event of an earthquake or other significant natural disaster. Any disruptions in our operations related to the repair or replacement of our offices, could negatively impact our business and results of operations and harm our reputation. Although we maintain an insurance policy covering damages to our property and, in certain situations, interruptions to our business, such insurance may not be available or sufficient to compensate for the different types of associated losses that may occur, including business interruption losses. Any such losses or damages could harm our business, financial condition and results of operations. In addition, our health network partners' facilities may be harmed or rendered inoperable by such natural or man-made disasters, which may cause disruptions, difficulties or other negative effects on our business and operations.

Our financial results may be adversely impacted by changes in accounting principles applicable to us.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, or FASB, the SEC and other various bodies formed to promulgate and interpret appropriate accounting principles. For example, in May 2014, the FASB issued accounting standards update No. 2014-09 (Topic 606), Revenue from Contracts with Customers, which supersedes nearly all existing revenue recognition guidance under GAAP and specifies that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services; this new accounting standard also impacts the recognition of sales commissions.

We have adopted this standard as of January 1, 2019 using the modified retrospective method. The adoption of this standard did not have a material impact on our consolidated financial statements. As a result of adopting this standard, we recorded an adjustment to deferred contract costs of $65 thousand as of January 1, 2019, to reflect an increase in the amount of commission costs previously recorded. The application of this new guidance could harm our operating results in one or more periods as compared to what they would have been under previous standards.

Under Topic 606, more estimates, judgments, and assumptions are required within the revenue recognition process than were previously required. Our reported financial position and financial results may be harmed if our estimates or judgments prove to be wrong, assumptions change, or actual circumstances differ from those in our assumptions. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm our business.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be harmed.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Judgments and Estimates.” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, determination of useful lives for property and equipment, allowance for doubtful accounts, valuation of common stock, stock option valuations, contingent liabilities and income taxes. Our results of operations may be harmed if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our common stock.

Risks Related to Government Regulation

The impact of healthcare reform legislation and other changes in the healthcare industry and in healthcare spending is currently unknown, but may harm our business.

Our revenue is dependent on the healthcare industry and could be affected by changes in healthcare spending and policy. The healthcare industry is subject to changing political, regulatory and other influences. The Patient Protection and Affordable Care Act, or ACA, made major changes in how health care is delivered and reimbursed, and increased access to health insurance benefits to the uninsured and underinsured populations in the United States. ACA, among other things, increased the number of individuals with Medicaid and private insurance coverage.

ACA has been subject to legislative and regulatory changes and court challenges and there is uncertainty regarding whether, when, and how ACA may be changed, the ultimate outcome of court challenges and how the law will be interpreted and implemented. Changes by Congress or government agencies could eliminate or alter provisions beneficial to us, while leaving in place provisions reducing our reimbursement or otherwise negatively impacting our business.

In addition, current and prior healthcare reform proposals have included the concept of creating a single payer such as “Medicare for All” or a public option for health insurance. If enacted, these proposals could have an extensive impact on the healthcare industry, including us and may impact our business, financial condition, results of operations, cash flows and the trading price of our security. We are unable to predict whether such reforms may be enacted or their impact on our operations.

We are also impacted by the Medicare Access and CHIP Reauthorization Act, under which physicians must choose to participate in one of two payment formulas, Merit-Based Incentive Payment System, or MIPS, or Alternative Payment Models, or APMs. Beginning in 2019, MIPS allows eligible physicians to receive upward or downward adjustments to their Medicare Part B payments based on certain quality and cost metrics, among other measures. As an alternative, physicians can choose to participate in an Advanced APM. Advanced APMs are exempt from the MIPS requirements, and physicians who are meaningful participants in APMs will receive bonus payments from Medicare pursuant to the law.

We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the number of individuals who qualify for health care coverage and amounts that federal and state governments and other third-party payers will pay for healthcare services, which could harm our business, financial condition and results of operations.

Our arrangements with health networks may be subject to governmental or regulatory scrutiny or challenge.

Some of our relationships with health networks involve risk arrangements, such as capitated payments designed to achieve alignment of financial incentives and to encourage close collaboration on clinical care for patients. Although we believe that our health network contracts involving capitated payments comply with the federal Anti-Kickback Statute and the Stark Law, we cannot assure you that regulators or other governmental entities will agree with our interpretation of these arrangements under applicable law. Our health network partnerships may be subject to scrutiny or investigation from time to time by regulators or other governmental entities, which may be lengthy, costly, and divert resources and our management’s attention from managing our business and growth. If our health network partnerships are challenged and found to violate the Anti-Kickback Statute or the Stark Law, we could incur substantial financial penalties, reimbursement denials, repayments or recoupments, or exclusion from participation in government healthcare programs, any of which could harm our business.

Evolving government regulations may increase costs or negatively impact our results of operations.

Our operations may be subject to direct and indirect adoption, expansion, revision or reinterpretation of various laws and regulations. In the event any such changes in law or interpretation impacts our services or contractual arrangements, we may be required to modify such services, or revise our arrangements, in a manner that undermines the attractiveness of services or may not preserve the same economics, or may be required to discontinue such arrangements. In each case, our revenue may decline and our business may be harmed. Compliance with changes in interpretation of and laws and regulations may require us to change our practices at an undeterminable and possibly significant initial and recurring monetary expense. These additional monetary expenditures may increase future overhead, which could harm our results of operations.

We have identified what we believe are areas of government regulation that, if changed, could be costly to us. These include: fraud, waste and abuse laws; rules governing the practice of medicine by providers; licensure standards for primary care providers and behavioral health professionals; laws limiting the corporate practice of medicine and professional fee splitting; tax laws and regulations applicable to our annual membership fees; cybersecurity and privacy laws; laws and rules relating to the distinction between independent contractors and employees (including recent developments in California that have expanded the scope of workers that are treated as employees instead of independent contractors); and tax and other laws encouraging employer-sponsored health insurance and group benefits. There could be laws and regulations applicable to our business that we have not identified or that, if changed, may be costly to us, and we cannot predict all the ways in which implementation of such laws and regulations may affect us.

We are dependent on our relationships with the One Medical PCs, which are affiliated professional entities that we do not own, to provide healthcare services, and our business would be harmed if those relationships were disrupted or if our arrangements with the One Medical PCs become subject to legal challenges.

The corporate practice of medicine prohibition exists in some form, by statute, regulation, board of medicine or attorney general guidance, or case law, in certain of the states in which we operate. These laws generally prohibit the practice of medicine by lay persons or entities and are intended to prevent unlicensed persons or entities from interfering with or inappropriately influencing providers' professional judgment. As a result, the One Medical PCs that deliver health care services to our members are wholly owned by providers licensed in their respective states, including Andrew Diamond, M.D., Ph.D., 1Life's Chief Medical Officer who oversees the operation of several of the One Medical PCs as the sole director and officer of a majority of the One Medical PCs. Under the administrative services agreements, or ASAs, between 1Life and each One Medical PC, we provide various administrative and operations support services in exchange for scheduled fees at the fair market value of our services provided to each One Medical PC. As a result, our ability to receive cash fees from the One Medical PCs is limited to the fair market value of the services provided under the ASAs. To the extent our ability to receive cash fees from the One Medical PCs is limited, our ability to use that cash for growth, debt service or other uses at the One Medical PC may be impaired and, as a result, our results of operations and financial condition may be adversely affected.

Our ability to perform medical and digital health services in a particular U.S. state is directly dependent upon the applicable laws governing the practice of medicine, healthcare delivery and fee splitting in such locations, which are subject to changing political, regulatory and other influences. The extent to which a U.S. state considers particular actions or contractual relationships to constitute the practice of medicine is subject to change and to evolving interpretations by medical boards and state attorneys general, among others, each of which has broad discretion. There is a risk that U.S. state authorities in some jurisdictions may find that our contractual relationships with the One Medical PCs, which govern the provision of medical and digital health services and the payment of administrative and operations support fees, violate laws prohibiting the corporate practice of medicine and fee splitting. Accordingly, we must monitor our compliance with laws in every jurisdiction in which we operate on an ongoing basis, and we cannot provide assurance that our activities and arrangements, if challenged, will be found to be in compliance with the law. Additionally, it is possible that the laws and rules governing the practice of medicine, including the provision of digital health services, and fee splitting in one or more jurisdictions may change in a manner adverse to our business. While the ASAs prohibit us from controlling, influencing or otherwise interfering with the practice of medicine at each One Medical PC, and provide that physicians retain exclusive control and responsibility for all aspects of the practice of medicine and the delivery of medical services, we cannot assure you that our contractual arrangements and activities with the One Medical PCs will be free from scrutiny from U.S. state authorities, and we cannot guarantee that subsequent interpretation of the corporate practice of medicine and fee splitting laws will not circumscribe our business operations. State corporate practice of medicine doctrines also often impose penalties on physicians themselves for aiding the corporate practice of medicine, which could discourage providers from participating in our network of physicians. If a successful legal challenge or an adverse change in relevant laws were to occur, and we were unable to adapt our business model accordingly, our operations in affected jurisdictions would be disrupted, which could harm our business.

Any material changes in our relationship with or among the One Medical PCs, whether resulting from a dispute among the entities, a challenge from a governmental regulator, a change in government regulation, or the loss of these relationships or contracts with the One Medical PCs, could impair our ability to provide services to our members and could harm our business. For example, our arrangements in place to help ensure an orderly succession of the owner or owners of the One Medical PCs upon the occurrence of certain events may be challenged, which may impact our relationship with the One Medical PCs and harm our business and results of operations. The ASAs and these succession arrangements could also subject us to additional scrutiny by federal and state regulatory bodies regarding federal and state fraud and abuse laws. Any scrutiny, investigation or litigation with regard to our arrangement with the One Medical PCs, and any resulting penalties, including monetary fines and restrictions on or mandated changes to our current business and operating arrangements, could harm our business.

Noncompliance with billing and documentation requirements could result in non-payment or subject us to billing or other compliance investigations by government authorities, private insurers or health network partners.

Payers typically have differing and complex billing and documentation requirements. If we fail to comply with these payer-specific requirements, we may not be paid for our services or payment may be substantially delayed or reduced. Moreover, federal and state laws, rules and regulations impose substantial penalties, including criminal and civil fines, monetary penalties, exclusion from participation in government healthcare programs and imprisonment, on entities or individuals (including any individual corporate officers or physicians deemed responsible) that fraudulently or wrongfully bill government-funded programs or other third-party payers for healthcare services. Both federal and state government agencies have heightened and coordinated civil and criminal enforcement efforts as part of numerous ongoing investigations of healthcare companies, as well as their executives and managers, with enforcement actions covering a variety of topics, including referral and billing practices. Further, the federal False Claims Act and a growing number of state laws allow private parties to bring qui tam or "whistleblower" lawsuits against companies for false billing violations. Some of our activities could become the subject of governmental investigations or inquiries.

From time to time in the ordinary course of business, governmental agencies and private insurers also conduct audits of healthcare providers like us. Such audits could result in the incurrence of additional costs and diversion of management's time and attention. In addition, such audits could trigger repayment demands based on findings that our services were not medically necessary, were billed at an improper level or otherwise violated applicable billing requirements. Our health network partners also conduct audits under their agreements with us, which audits can also result in disgorgement of fees paid to us under such agreements based on findings that our services were not performed in accordance with the applicable agreement or that we were otherwise not in compliance with any terms of the applicable agreement. Our failure to comply with rules related to billing or adverse findings from audits by our health network partners could result in, among other penalties, non-payment for services rendered or recoupments or refunds of amounts previously paid for such services. We cannot predict whether any future audits, inquiries or investigations, or the public disclosure of such matters, likely would negatively impact our business, financial condition, results of operations, cash flows and the trading price of our securities.

Our use and disclosure of PII, including PHI, is subject to federal and state privacy and security regulations, and our failure to comply with those regulations or to adequately secure such information we hold could result in significant liability or reputational harm and, in turn, substantial harm to our health network partner and enterprise client base, membership base and revenue.

We receive, collect, store, process and use personal information as part of our business. Numerous state and federal laws and regulations inside the United States govern the collection, dissemination, use, privacy, confidentiality, security, availability and integrity of PII including PHI. These laws and regulations include HIPAA, as amended by the HITECH Act, and its implementing regulations, as well as state privacy and data protection laws. HIPAA establishes a set of baseline national privacy and security standards for the protection of PHI, by health plans, healthcare clearinghouses and certain healthcare providers, referred to as covered entities, which includes the One Medical PCs, and the business associates with whom such covered entities contract for services that involve the use or disclosure of PHI, which includes 1Life. States may enforce more stringent privacy and data protection laws exceeding the requirements of HIPAA.

Compliance with data protection laws and regulations in the United States could cause us to incur substantial costs or require us to change our business practices and compliance procedures in a manner adverse to our business. We strive to comply with applicable laws, regulations, policies and other legal obligations relating to privacy, data protection and information security. However, the various regulatory frameworks for privacy and data protection are, and are likely to remain, uncertain for the foreseeable future, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules and subject our business practices to uncertainty.

Penalties for violations of these laws vary. For example, penalties for violations of HIPAA and its implementing regulations are assessed at varying rates per violation, subject to a statutory cap for violations of the same standard in a single calendar year. Such penalties may be subject to periodic adjustments. However, a single breach incident can result in violations of multiple standards, which could result in significant fines. HIPAA also authorizes state attorneys general to file suit on behalf of their residents. Courts may award damages, costs and attorneys' fees related to violations of HIPAA in such cases, which may be significant. While HIPAA does not create a private right of action allowing individuals to sue us in civil court for violations of HIPAA, its standards have been used as the basis for duty of care in state civil suits such as those for negligence or recklessness in the misuse or breach of PHI. Any such penalties or lawsuits could harm our business, financial condition, results of operations and prospects.

In addition, HIPAA mandates that the Secretary of HHS conduct periodic compliance audits of HIPAA covered entities or business associates for compliance with the HIPAA Privacy and Security Standards and Breach Notification Rule. It also tasks HHS with establishing a methodology whereby harmed individuals who were the victims of breaches of unsecured PHI may receive a percentage of the civil monetary penalty fine or settlement paid by the violator.

HIPAA further requires that patients be notified of any unauthorized acquisition, access, use or disclosure of their unsecured PHI that compromises the privacy or security of such information, with certain exceptions related to unintentional or inadvertent use or disclosure by employees or authorized individuals or where there is a good faith belief that the person who received the impermissible disclosure would not have been able to retain the information. HIPAA specifies that such notifications must be made "without unreasonable delay and in no case later than 60 calendar days after discovery of the breach." If a breach affects 500 patients or more, it must be reported to HHS without unreasonable delay, and HHS will post the name of the breaching entity on its public web site. Breaches affecting 500 patients or more in the same state or jurisdiction must also be reported to the local media. If a breach involves fewer than 500 people, the covered entity must record it in a log and notify HHS at least annually. Any such notifications, including notifications to the public, could harm our business, financial condition, results of operations and prospects.

Numerous other federal and state laws protect the confidentiality, privacy, availability, integrity and security of personal information, including health information. For example, various states, such as California and Massachusetts, have implemented privacy laws and regulations that in many cases are more restrictive than, and may not be preempted by, the HIPAA rules and may be subject to varying interpretations by courts and government agencies, creating complex compliance issues for us and our health network partners and enterprise clients and potentially exposing us to additional expense, adverse publicity and liability. The cost of compliance could be significant and require investments to enhance our technology and security infrastructure. In addition, in certain situations, regulators, partners, clients and consumer may disagree with our analysis of, and response to, data-related incidents, which may cause disputes, liability and negative publicity and harm our business, operations and prospects.

If our security measures, some of which are managed by third parties, are breached or fail, and unauthorized access to personal information or PHI occurs, our reputation could be severely damaged, harming member, client and partner confidence and may result in members curtailing their use of our services. In addition, we could face litigation, significant damages for contract breach, significant penalties and regulatory actions for violation of HIPAA and other applicable laws or regulations and significant costs for remediation, notification to individuals and the public and measures to prevent future occurrences. Any potential security breach could also result in increased costs associated with liability for stolen assets or information, repairing system damage that may have been caused by such breaches, remediation offered to employees, contractors, health network partners, enterprise clients or members in an effort to maintain our business relationships after a breach and implementing measures to prevent future occurrences, including organizational changes, deploying additional personnel and protection technologies, training employees and engaging third-party experts and consultants.

We outsource important aspects of the storage and transmission of personal information and PHI, and thus rely on third parties to manage functions that have material cybersecurity risks. We require our vendors who handle personal information and PHI to sign information protection addenda and business associate agreements to contractually commit to safeguarding personal information and PHI, to the same extent that applies to us and require such vendors to undergo security examinations. In addition, we periodically hire third-party security experts to assess and test our security posture.

However, we cannot assure that these contractual measures and other safeguards will adequately protect us from the risks associated with the storage and transmission of employees', contractors', patients' and members' personal information and PHI. Any violation of applicable laws, regulations or policies by these parties, including violations that cause us to incur significant liability and put sensitive data at risk, could in turn harm our business.

We also publish statements to our members that describe how we handle and protect personal information. If federal or state regulatory authorities or private litigants consider any portion of these statements to be untrue, we may be subject to claims of misrepresentation and/or deceptive practices, which could lead to significant liabilities and consequences, including, without limitation, significant costs of responding to investigations, defending against litigation, settling claims and complying with regulatory or court orders.

As public and regulatory focus on privacy issues continues to increase, we expect that there will continue to be new laws, regulations and industry standards concerning privacy, data protection and information security. For example, California's Consumer Privacy Act of 2018, or the CCPA, which affords consumers expanded privacy protections went into effect on January 1, 2020, which compliance obligations will be expanded by the California Privacy Right Act, or the CPRA, approved by California voters in November 2020 and expected to go into effect on January 1, 2023. The potential effects of the CCPA and CPRA are far-reaching and will require us to modify our data processing practices and policies and to incur substantial costs and expenses to comply. Further, obligations under new laws and regulations may not be clear, creating uncertainty and risk despite our efforts to comply. If we do not comply with existing or new laws, regulations and industry standards related to privacy, data protection and information security, we could be subject to regulatory enforcement, litigation, contract breach claims as well as reputational harm.

Any significant change to applicable laws, regulations or industry practices regarding the collection, use, retention, security or disclosure of our members' data content, or regarding the manner in which the express or implied consent for the collection, use, retention or disclosure of such data is obtained, could increase our costs to comply and require us to modify our services and features, possibly in a material manner, which we may be unable to complete and may limit our ability to store and process member data, optimize our operations or develop new services and features. Any of the foregoing could harm our competitive position, business, financial condition, results of operations and prospects.

Individuals may claim our call and text messaging services are not compliant with applicable law, including the Telephone Consumer Protection Act.

We call and send short message service, or SMS, text messages to members and potential members who are eligible to use our service. While we obtain consent from these individuals to call and send text messages, federal or state regulatory authorities or private litigants may claim that the notices and disclosures we provide, form of consents we obtain or our call and SMS texting practices are not adequate to comply with, or violate applicable law, including the Telephone Consumer Protection Act, or TCPA. These call and SMS texting campaigns are potential sources of risk for class action lawsuits and liability for our company. Numerous class-action suits under federal and state laws have been filed in recent years against companies who conduct call and SMS texting programs, with many resulting in multi-million-dollar settlements to the plaintiffs. While we strive to adhere to strict policies and procedures, the Federal Communications Commission, as the agency that implements and enforces the TCPA, may disagree with our interpretation of the TCPA and subject us to penalties and other consequences for noncompliance. Determination by a court or regulatory agency that our call or SMS text messaging violate the TCPA could subject us to civil penalties, could require us to change some portions of our business and could otherwise harm our business. Even an unsuccessful challenge by members, consumers or regulatory authorities of our activities could result in adverse publicity and could require a costly response from and defense by us.

Risks Related to Information Technology

We rely on internet infrastructure, bandwidth providers, other third parties and our own systems to provide a proprietary services platform to our members and providers, and any failure or interruption in the services provided by these third parties or our own systems could expose us to liability and hurt our reputation and relationships with members and clients.

Our ability to maintain our proprietary services platform, including our digital health services, is dependent on the development and maintenance of the infrastructure of the internet and other telecommunications services by third parties, including bandwidth and telecommunications equipment providers. This includes maintenance of a reliable network connection with the necessary speed, data capacity and security for providing reliable internet access and services and reliable telephone and facsimile services. We exercise limited control over these third party providers.

Our platform is designed to operate without perceptible interruption in accordance with our service level commitments. We have, however, experienced limited interruptions in these systems in the past, including server failures that temporarily slowed down or diminished the performance of our platform, and we may experience similar or more significant interruptions in the future. We do not currently maintain redundant systems or facilities for some of these services. Interruptions to third party systems or services, whether due to system failures, cyber incidents (the risk of which has been higher due to the significant increase in remote work across the technology industry as a result of the COVID-19 pandemic and related shelter-in-place orders), physical or electronic break-ins or other events, could affect the security or availability of our platform or services and prevent or inhibit the ability of our members or providers to access our platform or services. In the event of a catastrophic event with respect to one or more of these systems or facilities, we may experience an extended period of system unavailability, which could result in substantial costs to remedy those problems or harm our relationship with our members and our business.

Additionally, any disruption in the network access, telecommunications or co-location services provided by third-party providers or any failure of or by third-party providers' systems or our own systems to handle current or higher volumes of use could significantly harm our business. The reliability and performance of our third-party providers' systems and services may be harmed by increased usage or by denial-of-service attacks or related cyber incidents, which has increased due to more opportunities created by remote work necessitated by the COVID-19 pandemic and related shelter-in-place orders. Any errors, failures, interruptions or delays experienced in connection with these third-party services or our own systems could hurt our ability to deliver our services platform and damage our relationships with health network partners, enterprise clients and members and expose us to third-party liabilities, which could in turn harm our competitive position, business, financial condition, results of operations and prospects.

We rely on third-party vendors to host and maintain our technology platform.

We rely on third-party vendors to host and maintain our technology platform. Our ability to operate our business is dependent on maintaining our relationships with third-party vendors and entering into new relationships to meet the changing needs of our business. Any deterioration in our relationships with such vendors or our failure to enter into agreements with vendors in the future could significantly disrupt our operations or hinder our ability to execute our growth strategies. Because we rely on certain vendors to store and process our data, it is possible that, despite precautions taken at our vendors' facilities, the occurrence of a natural disaster, cyber incident, decision to close the facilities without adequate notice or other unanticipated problems could result in our non-compliance with privacy laws and regulations, loss of proprietary information, personal information, and other confidential information, and disruption to our technology platform. These service interruptions could also cause our platform to be unavailable to our health network partners, enterprise clients and members, and impair our ability to deliver services and negatively impact our relationships with new and existing health network partners, enterprise clients and members.

Some of our vendor agreements may be unilaterally terminated by the vendor for convenience, including with respect to Amazon Web Services, and if such agreements are terminated, we may not be able to enter into similar relationships in the future on reasonable terms or at all. We may also incur substantial costs, delays and disruptions to our business in transitioning such services to ourselves or other third-party vendors. In addition, third-party vendors may not be able to provide the services required in order to meet the changing needs of our business. Any of the foregoing could harm our competitive position, business, financial condition, results of operations and prospects.

If our or our vendors' security measures fail or are breached and unauthorized access to our employees', contractors', members', clients' or partners' data is obtained, our services may be perceived as insecure, we may incur significant liabilities, including through private litigation or regulatory action, our reputation may be harmed, and we could lose members, clients and partners.

Our services and operations involve the storage and transmission of confidential and sensitive data, including the personal information (including health information) of employees, contractors, clients, partners, members and others. Because of the sensitivity of the information we store and transmit, the security features of our and our third-party vendors' computer, network, and communications systems infrastructure are critical to the success of our business. A breach or failure of our or our third-party vendors' security measures could result from a variety of circumstances and events, including third-party action, employee negligence or error, malfeasance, computer viruses, cyber-attacks by computer hackers, failures during the process of upgrading or replacing software and databases, power outages, hardware failures, telecommunication failures, user errors, or catastrophic events. Some cybersecurity or other breach incidents may remain undetected for an extended period of time. Additionally, despite our efforts, human errors, latent bugs, or other unavoidable issues may occur and create privacy, security, and operational issues for the Company. For example, system misconfigurations can unintentionally expose certain personal information, and development of new software can trigger a latent bug in a manner that creates unintentional and undesirable outcomes. Resolution of these issues would require us to divert resources to incident response and remediation, and we may incur liability and suffer reputational damage which could adversely impact our business, financial condition, results of operations, and prospects.

Information security risks have generally increased in recent years because of the proliferation of new technologies and the increased number, sophistication and activities of perpetrators of cyber-attacks. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched, we or our third-party vendors may be unable to anticipate these techniques or to implement adequate preventive measures. The risk of cyber-attacks is heightened during the COVID-19 pandemic as we and our vendors move to remote work which poses more vulnerabilities susceptible to exploitation. As cyber threats continue to evolve, we may be required to expend additional resources to further enhance our information security measures and/or to investigate and remediate any information security vulnerabilities. If our or our third-party vendors' security measures fail or are breached, it could result in unauthorized access to sensitive confidential information and personal information (including health information), a loss of or damage to our data, an inability to access data sources, or process data or provide our services. Such failures or breaches of our or our third-party vendors' security measures, or our or our third-party vendors' inability to effectively resolve such failures or breaches in a timely manner, could severely damage our reputation, adversely impact customer, partner, member or investor confidence in us, and reduce the demand for our services. In addition, we could face litigation, significant damages for contract breach or other breaches of law, significant monetary penalties, or regulatory actions for violation of applicable laws or regulations, and incur significant costs for remedial or preventative measures. Although we maintain insurance covering certain security and privacy damages and claim expenses, we may not carry insurance or maintain coverage sufficient to compensate for all liability. Moreover, coverage disputes could occur and, in any event, insurance coverage would not address the reputational damage that could result from a security incident. If an actual or perceived breach of our or our third-party vendors' security occurs, or if we or our third-party vendors are unable to effectively resolve a breach in a timely manner, we could lose current and potential members, partners and clients, which could harm our business, results of operations, financial condition and prospects.

Our proprietary technology platform may not operate properly, which could damage our reputation, subject us to claims or require us to divert application of our resources from other purposes, any of which could harm our business and growth.

Our proprietary technology platform provides members with the ability to, among other things, register for our services, request a visit (either scheduled or on demand) and communicate and interact with providers, and allows our providers to, among other things, chart patient notes, maintain medical records, and conduct visits (via video, phone or the internet). Proprietary software development is time-consuming, expensive and complex, and may involve unforeseen difficulties. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our proprietary software from operating properly. Due to the COVID-19 pandemic, use of virtual care, including remote visits, has increased, which places a heavier demand on our technology platform and may cause performance levels to deteriorate. In addition, we are quickly introducing new features and functions within our technology platform to meet the needs of our members and providers during the COVID-19 pandemic. These features and functions may contain bugs or errors that could impact usability as well as technology and clinical operations. We continue to implement software with respect to a number of new applications and services. The operation of our technology also depends in part on the performance of third-party service providers. If our technology platform does not function reliably or fails to achieve member, provider, partner or client expectations in terms of performance, we may be required to divert resources allocated for other business purposes to address these issues, may suffer reputational harm, lose or fail to grow member usage, fail to retain or grow provider talent, members, partners and clients, and may be subject to liability claims.

The information that we provide to our health network partners, enterprise clients and members could be inaccurate or incomplete, which could harm our business, financial condition and results of operations.

We provide healthcare-related information for use by our health network partners, enterprise clients and members. Because data in the healthcare industry is fragmented in origin, inconsistent in format and often incomplete, the overall quality of data in the healthcare industry is poor, and we frequently discover data issues and errors. If the data that we provide to our health network partners, enterprise clients and members is incorrect or incomplete or if we make mistakes in the capture or input of this data, our reputation may suffer and our ability to attract and retain health network partners, enterprise clients and members may be harmed. In addition, a court or government agency may take the position that our storage and display of health information exposes us to personal injury liability or other liability for wrongful delivery or handling of healthcare services or erroneous health information, which could harm our business, financial condition and results of operations.

If we cannot implement or optimize our technology solutions for members, integrate our systems with health network partners or resolve technical issues in a timely manner, we may lose clients and partners and our reputation may be harmed.

Our health network partners utilize a variety of data formats, applications, systems and infrastructure. Moreover, each health network partner may have a unique technology ecosystem and infrastructure. To maintain our strategic relationships with such partners, our services must be seamlessly integrated and interoperable with our partners' complex systems, which may cause us to incur significant upfront and maintenance costs. Additionally, we do not control our partners' integration schedules. As a result, if our partners do not allocate the internal resources necessary to meet their integration responsibilities, which resources can be significant as many of them are large healthcare institutions with substantial operations to manage, or if we face unanticipated integration difficulties, the integration may be delayed. In addition, competitors with more efficient operating models with lower integration costs could jeopardize our partner relationships. If the integration process with our partners is not executed successfully or if execution is delayed, we could incur significant costs, partners could become dissatisfied and decide not to continue a strategic contractual relationship with us beyond an initial period during their term commitment or, in some cases, revenue recognition could be delayed, any of which could harm our business and results of operations.

Our members depend on our digital health platform, including our mobile app, web portal, and support services to access on-demand digital health services or schedule in-office visits. We may be unable to quickly accommodate increases in member technology usage, particularly as we increase the size of our membership base and as the COVID-19 pandemic drives more member demand for our digital health services and virtual care. We also may be unable to modify the format of our technology solutions and support services to compete with developments from our competitors. If we are unable to further develop and enhance our technology solutions or maintain effective technical support services to address members' needs or preferences in a timely fashion, our members, clients and partners may become dissatisfied, which could damage our ability to maintain or expand our membership and business. While any refunds or credits we have issued historically have not had a significant impact on net revenue, we cannot assure you as to whether we may need to issue additional refunds or credits for membership fees in the future as a result of member or client dissatisfaction. For example, our members expect on-demand healthcare services through our mobile app and rapid in-office visit scheduling. Failure to maintain these standards or negative publicity related to our technology solutions, regardless of its accuracy, may reduce our overall NPS, harm our reputation and cause us to lose current or potential members, enterprise clients or partners. In addition, our enterprise clients expect our technology solutions to facilitate long-term cost of care reductions through high employee digital engagement, which we market as potential benefits for employers in providing employees with One Medical memberships. If employers do not perceive our solutions and services as providing such efficiencies and cost savings, they may terminate their contracts with us or elect not to renew. Any such outcomes could also negatively affect our ability to contract with new enterprise clients through damage to our reputation. If any of these were to occur, our revenue may decline and our business, results of operations, financial condition and prospects could be harmed.

Risks Related to Taxation

Certain U.S. state tax authorities may assert that we have a state nexus and seek to impose state and local income taxes which could harm our results of operations.

As of June 30, 2021, we are qualified to operate in, and file income tax returns in, 14 states as well as Washington, D.C. There is a risk that certain state tax authorities where we do not currently file a state income tax return could assert that we are liable for state and local income taxes based upon income or gross receipts allocable to such states. States are becoming increasingly aggressive in asserting a nexus for state income tax purposes. We could be subject to state and local taxation, including penalties and interest attributable to prior periods, if a state tax authority successfully asserts that our activities give rise to a nexus. Such tax assessments, penalties and interest may adversely impact our results of operations.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. As of December 31, 2020, we have $398.1 million of federal net operating loss carryforwards and $465.2 million of state and local net operating loss carryforwards. The federal net operating loss carryforwards of $261.4 million arising after 2017 carry forward indefinitely, but the deduction for these carryforwards is limited to 80% of post-2020 current-year taxable income. The federal net operating loss carryforwards of $136.7 million from prior years will begin to expire in 2025. The state and local net operating loss carryforwards begin to expire in 2024. The Company has identified $25.2 million and $31.7 million of the above federal and state net operating losses, respectively, in the PCs that will expire unused due to prior ownership changes. In addition, future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code, further limiting our ability to utilize NOLs arising prior to such ownership change in the future. There is also a risk that due to statutory or regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. We have recorded a full valuation allowance against the deferred tax assets attributable to our NOLs.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use or similar taxes for our membership, enterprise and other service offerings, which could negatively impact our results of operations.

We do not collect sales and use and similar taxes in any states for our membership, enterprise and other service offerings based on our belief that our services are not subject to such taxes in any state. Sales and use and similar tax laws and rates vary greatly from state to state. Certain states in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest with respect to past services, and we may be required to collect such taxes for services in the future. For example, the State of New York audited our sales and use tax records from March 2011 through February 2017 and issued a determination that we owe back taxes, penalties and interest. While we are disputing the results of the audit, we may not be successful, in which case we may be required to make payments in tax assessments, penalties or interest, and may be required to collect sales and use taxes in the future. Such tax assessments, penalties and interest or future requirements may negatively impact our results of operations.

Risks Related to Our Intellectual Property

If we are unable to obtain, maintain and enforce intellectual property protection for our business assets or if the scope of our intellectual property protection is not sufficiently broad, others may be able to develop and commercialize technology and solutions substantially similar to ours, and our ability to conduct business may be compromised.

Our business depends on proprietary technology and other business assets, including software, processes, databases, confidential information and know-how, the protection of which is crucial to the success of our business. We rely on a combination of trademark, trade-secret and copyright laws, confidentiality policies and procedures, cybersecurity practices and contractual provisions to protect our intellectual property. We do not currently own any issued patents. Third parties, including our competitors, may have or obtain patents relating to technologies that overlap or compete with our technology, which they may assert against us to seek licensing fees or preclude the use of our technology.

We may, over time, increase our investment in protecting our intellectual property through additional trademark, patent, copyright and other intellectual property filings, which could be expensive and time-consuming. While our operations are currently based in the United States, we may also be required to protect our intellectual property in foreign jurisdictions, a process that can be prolonged and costly, and one that we may choose not to pursue in every instance. We may not be able to obtain protection for our technology and even if we are successful, it is expensive to maintain intellectual property rights and the costs of defending our rights could be substantial. Moreover, these measures may not be sufficient to offer us meaningful protection or provide us with any competitive advantage. Furthermore, changes to U.S. intellectual property laws may jeopardize the enforceability and validity of our intellectual property portfolio and harm our ability to obtain patent protection of certain inventions.

If we are unable to adequately protect our intellectual property and other proprietary rights, our competitive position and our business could be harmed, as competitors may be able to commercialize similar offerings without having incurred the development and licensing costs that we have incurred. Any of our owned or licensed intellectual property rights could be challenged, invalidated, circumvented, infringed, misappropriated or violated, our trade secrets and other confidential information could be disclosed in an unauthorized manner to third parties, which could result in costly redesign efforts, business disruptions, discontinuance of some of our offerings or other competitive harm.

We may become involved in lawsuits to protect or enforce or defend our intellectual property rights, which could be expensive, time consuming and unsuccessful.

Third parties, including our competitors, could infringe, misappropriate or otherwise violate our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly. From time to time, we seek to analyze our competitors' solutions and services, and may in the future seek to enforce our rights against potential infringement, misappropriation or violation of our intellectual property. However, the steps we have taken to protect our proprietary rights may not be adequate to enforce our rights as against such infringement, misappropriation or violation of our intellectual property. We may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Any inability to meaningfully enforce our intellectual property rights could harm our ability to compete and reduce demand for our services.

In recent years, companies are increasingly bringing and becoming subject to lawsuits and proceedings alleging infringement, misappropriation or violation of intellectual property rights, particularly patent rights. Our competitors and other third parties may hold patents or other intellectual property rights, which could be related to our business. We expect that we may receive in the future notices that claim we or our partners, clients or members using our solutions and services have misappropriated or misused other parties' intellectual property rights, particularly as the number of competitors in our market grows and the functionality of applications amongst competitors overlaps. If we are found to infringe, misappropriate or violate another party's intellectual property rights, we could be prohibited, including by court order, from further use of the intellectual property asset or be required to obtain a license from such third party to continue commercializing or using such technologies, solutions or services, which may not be available on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us, and it could require us to make substantial licensing and royalty payments. Accordingly, we may be forced to design around such violated intellectual property, which may be expensive, time-consuming or infeasible. In addition, we could be found liable for significant monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent or other intellectual property right. Claims that we have misappropriated the confidential information or trade secrets of third parties could similarly harm our business. Any adverse outcome in such cases could affect our competitive position, business, financial condition, results of operations and prospects.

Litigation or other legal proceedings relating to intellectual property claims, regardless of merits and even if resolved in our favor, can be expensive, time consuming, and resource intensive. In addition, there could be public announcements of the results of hearings, motions, or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing, or other business activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources and more mature and developed intellectual property portfolios. Uncertainties resulting from the initiation and continuation of intellectual property proceedings could harm our ability to compete in the marketplace. In addition, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. Any of the foregoing could harm our competitive position, business, financial condition, results of operations and prospects.

If we fail to comply with our license obligations, if our license rights are challenged, or if we cannot license rights to use technologies on reasonable terms, we may experience business disruption, increased costs, or inability to commercialize certain services.

We license certain intellectual property, including content, technologies and software from third parties, that are important to our business. In the future we may need to enter into additional agreements that provide us with licenses and rights to valuable intellectual property or technology. If we fail to comply with any of the obligations under our license agreements, or if our use or license rights are challenged, we may be required to pay damages, the licensor may have the right to terminate the license and the owner of the intellectual property asset may assert claims against us. Termination by the licensor or dispute with an owner of an intellectual property asset would cause us to lose valuable rights, and could disrupt or prevent us from providing our services, or adversely impact our ability to commercialize future solutions and services. In addition, our rights to certain technologies are licensed to us on a non-exclusive basis. The owners of these non-exclusively licensed technologies are therefore free to license them to third parties, including our competitors, on terms that may be superior to those offered to us, which could place us at a competitive disadvantage. Our licensors may also own or control intellectual property that has not been licensed to us and, as a result, we may be subject to claims, regardless of their merit, that we are infringing or otherwise violating the licensor's rights. In addition, the agreements under which we license intellectual property or technology from third parties are generally complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement.

Moreover, the licensing or acquisition of third-party intellectual property rights is a competitive area, and established companies may have a competitive advantage over us due to their size, capital resources and greater development or commercialization capabilities. Companies that perceive us to be a competitor may also be unwilling to license or grant rights to us. Even if such licenses are available, we may be required to pay the licensor substantial fees or royalties. Such fees or royalties will become a cost of our operations and may affect our margins. If we are unable to obtain licenses on acceptable terms or at all, if any licenses are subsequently terminated, if our licensors fail to abide by the terms of the licenses, if our licensors fail to prevent infringement by third parties, or if the licensed intellectual property rights are found to be invalid or unenforceable, we could be restricted from commercializing our solutions and services and may be required to incur substantial costs to seek or develop alternatives. Any of the foregoing could harm our business, financial condition, results of operations, and prospects.

If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest and our competitive position may be harmed.

The registered or unregistered trademarks or trade names that we own may be challenged, infringed, circumvented, declared generic, lapsed or determined to be infringing on or dilutive of other marks. We may not be able to protect our rights in these trademarks and trade names, which we need in order to build name recognition with the public. In addition, third parties have filed, and may in the future file, for registration of trademarks similar or identical to our trademarks, thereby impeding our ability to build brand identity and possibly leading to market confusion. If they succeed in registering or developing common law rights in such trademarks, and if we are not successful in challenging such third-party rights, we may not be able to use these trademarks to develop brand recognition of our services or be required to expend substantial resources and expenses to rebrand. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. If we are unable to establish or protect our trademarks and trade names, or if we are unable to build name recognition based on our trademarks and trade names, we may not be able to compete effectively, which could harm our competitive position, business, financial condition, results of operations and prospects.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

We rely heavily on trade secrets and confidentiality agreements to protect our unpatented know-how, technology, and other proprietary information, including our technology platform, and to maintain our competitive position. With respect to our technology platform, we consider trade secrets and know-how to be one of our primary sources of intellectual property. However, trade secrets and know-how can be difficult to protect. We seek to protect these trade secrets and other proprietary technology, in part, by implementing topical policies and processes and by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, contractors, consultants, advisors, clients, prospects, partners, and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary information. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive, and time-consuming, and the outcome is unpredictable. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that technology or information to compete with us. If any of our trade secrets are misappropriated, improperly disclosed, or independently developed by a competitor or other third party, it could harm our competitive position, business, financial condition, results of operations, and prospects.

We may be subject to claims that our employees, consultants, or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employers or claims asserting ownership of what we regard as our own intellectual property.

Many of our employees, consultants, and advisors are currently or were previously employed at other companies in our field, including our competitors or potential competitors. Although we try to ensure that our employees, consultants, and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these individuals have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual’s current or former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. The assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property. Any of the foregoing could harm our competitive position, business, financial condition, results of operations and prospects.

Our use of open source software could compromise our ability to offer our services and subject us to possible litigation.

We use open source software in connection with our solutions and services. Companies that incorporate open source software into their solutions have, from time to time, faced claims challenging the use of open source software and compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or claiming noncompliance with open source licensing terms. Some open source software licenses require users who distribute software containing open source software to publicly disclose all or part of the source code to the licensee’s software that incorporates, links or uses such open source software, and make available to third parties for no cost, any derivative works of the open source code created by the licensee, which could include the licensee’s own valuable proprietary code. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, or could be claimed to have occurred, in part because open source license terms are often ambiguous. There is little legal precedent in this area and any actual or claimed requirement to disclose our proprietary source code or pay damages for breach of contract could harm our business and could help third parties, including our competitors, develop solutions and services that are similar to or better than ours. Any of the foregoing could harm our competitive position, business, financial condition, results of operations and prospects.

Risks Related to Ownership of Our Common Stock

Our stock price may be volatile, and the value of our common stock may decline.

The market price of our common stock may be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, some of which are beyond our control or are related in complex ways, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- variance in our financial performance from expectations of securities analysts or investors;
- changes in the pricing we offer our members;
- changes in our projected operating and financial results;
- the impact of COVID-19 on our financial performance, financial condition and results of operations, and the financial performance and financial condition of our health network partners, on our payers, our enterprise clients and others;
- the impact of protests and civil unrest;
- our relationships with our health network partners and any changes to or terminations of our contracts with the health network partners;
- changes in laws or regulations applicable to our industry and our solutions and services;
- announcements by us or our competitors of significant business developments, acquisitions, or new offerings;
- publicity associated with issues with our services and technology platform;
- our involvement in litigation, including medical malpractice claims and consumer class action claims;
- any governmental investigations or inquiries into our business and operations or challenges to our relationships with the One Medical PCs under the ASAs or to our relationships with health network partners;
- future sales of our common stock or other securities, by us or our stockholders;
- changes in senior management or key personnel;
- developments or disputes concerning our intellectual property or other proprietary rights, including allegations that we have infringed, misappropriated or otherwise violated any intellectual property of any third party;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally, including competition or perceived competition from well-known and established companies or entities;
- the trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market;
- rates of unemployment; and

- general economic, regulatory and market conditions, including economic recessions or slowdowns.

Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In addition, given the relatively small public float of shares of our common stock on The Nasdaq Global Select Market, or Nasdaq, the trading market for our shares may be subject to increased volatility. In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us, because companies reliant on technology solutions have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

As a result of being a public company, we are obligated to maintain proper and effective internal control over financial reporting and any failure to maintain the adequacy of these internal controls may negatively impact investor confidence in our company and, as a result, the value of our common stock.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of Nasdaq. In particular, we are required pursuant to Section 404 of the Sarbanes-Oxley Act to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our annual report on Form 10-K required to be filed with the SEC for our year ended December 31, 2021, to be filed in the first part of 2022. We will cease to be an "emerging growth company," as defined in the JOBS Act, at the end of this fiscal year. We have commenced but not yet completed the costly and challenging process of compiling the system and process documentation necessary to perform the evaluation required under Section 404. Also, we currently do not have an internal audit group, and we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404. Any failure to maintain effective internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities and our access to the capital markets could be restricted in the future.

We reported in our Annual Report on Form 10-K as of December 31, 2019, material weaknesses in our internal control over financial reporting as we did not effectively design, implement and maintain: (i) adequate controls over the accounting for significant and unusual transactions, (ii) adequate controls to address segregation of duties and (iii) adequate information technology, or IT, general controls including the following: program change management, user access, computer operations and program development. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. During 2020, we completed the remediation measures related to our previously reported material weaknesses and concluded that our internal control over financial reporting was effective as of December 31, 2020. However, remediation of these material weaknesses does not provide assurance that our remediated controls will continue to operate properly or that our financial statements will be free from error.

We cannot assure you that the measures we have taken will be sufficient to avoid potential future material weaknesses. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business and we may discover weaknesses in our disclosure controls and internal control over financial reporting in the future. Any failure to develop or maintain effective internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. Accordingly, there could continue to be a possibility that a material misstatement of our financial statements would not be prevented or detected on a timely basis.

If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities and our access to the capital markets could be restricted in the future.

A significant portion of our total outstanding common stock may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. If our stockholders sell, or the market perceives that our stockholders intend to sell, substantial amounts of our common stock in the public market, the market price of our common stock could decline significantly.

In addition, on February 4, 2020, we filed a registration statement on Form S-8 registering the issuance of approximately 47.7 million shares of common stock subject to options or other equity awards issued or reserved for future issuance under our equity incentive plans. Shares registered under this registration statement on Form S-8 will be available for sale in the public market subject to vesting arrangements and exercise of options and, in the case of our affiliates, the restrictions of Rule 144.

Certain holders of our common stock and warrants to purchase common stock, or their transferees, also have rights, subject to some conditions, to require us to file one or more registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. If we were to register the resale of these shares, they could be freely sold in the public market without limitation. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Concentration of ownership of our common stock among our executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.

Certain stockholders, including our executive officers, directors and holders of greater than 5% of our common stock outstanding, will continue to own a large portion of our outstanding common stock. These stockholders, acting together, will be able to significantly influence all matters requiring stockholder approval, including the election and removal of directors and any merger or other significant corporate transactions. The interests of this group of stockholders may not coincide with the interests of other stockholders.

If securities or industry analysts do not publish research or publish unfavorable or inaccurate research about our business, our common stock price and trading volume could decline.

Our stock price and trading volume will be heavily influenced by the way analysts and investors interpret our financial information and other disclosures. If securities or industry analysts do not publish research or reports about our business, delay publishing reports about our business or publish negative reports about our business, regardless of accuracy, or cease covering us, our common stock price and trading volume could decline.

Even if our common stock is actively covered by analysts, we do not have any control over the analysts or the measures that analysts or investors may rely upon to forecast our future results. Over-reliance by analysts or investors on any particular metric to forecast our future results may result in forecasts that differ significantly from our own. Regardless of accuracy, unfavorable interpretations of our financial information and other public disclosures could have a negative impact on our stock price. If our financial performance fails to meet analyst estimates, for any of the reasons discussed above or otherwise, or one or more of the analysts who cover us downgrade our common stock or change their opinion of our common stock, our stock price would likely decline.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and may be restricted by the terms of any outstanding debt obligations. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

We are an emerging growth company and our compliance with the reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and we expect to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including the auditor attestation requirements of Section 404 reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved and extended adoption period for accounting pronouncements. We cannot predict whether investors will find our common stock less attractive as a result of our reliance on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We will cease to be an "emerging growth company," as defined in the JOBS Act, at the end of this fiscal year.

We incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. We expect such expenses to further increase after we are no longer an emerging growth company. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq, and other applicable securities rules and regulations impose various requirements on public companies. Furthermore, the senior members of our management team do not have significant experience with operating a public company. As a result, our management and other personnel will have to devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company or the timing of such costs. If, notwithstanding our efforts, we fail to comply with new laws, regulations and standards, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Failure to comply with these rules might also make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we might be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on committees of our board of directors or as members of senior management.

Anti-takeover provisions in our charter documents, under Delaware law and under the indenture governing our 2025 Notes could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- provide for a classified board of directors whose members serve staggered terms;
- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights, and preferences determined by our board of directors that may be senior to our common stock;
- require that any action to be taken by our stockholders be affected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, or our chief executive officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed for cause only upon the vote of the holders of at least 66 2⁄3% of our outstanding shares of common stock;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- require the approval of our board of directors or the holders of at least 66 2/3% of our outstanding shares of common stock to amend our bylaws and certain provisions of our certificate of incorporation.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder. Furthermore, the indenture governing our 2025 Notes requires us to repurchase such notes for cash if we undergo certain fundamental changes and, in certain circumstances, to increase the conversion rate for a holder of our 2025 Notes. A takeover of us may trigger the requirement that we purchase our 2025 Notes and/or increase the conversion rate, which could make it more costly for a potential acquiror to engage in a business combination transaction with us. Any delay or prevention of a change of control transaction or changes in our management could cause the market price of our common stock to decline.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware or, under certain circumstances, the federal district courts of the United States of America will be the exclusive forums for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) is the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty;
- any action arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws; and
- any action asserting a claim against us that is governed by the internal-affairs doctrine.

These provisions would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any claim for which the federal district courts of the United States of America have exclusive jurisdiction. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims.

Our stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our amended and restated certificate of incorporation described in the preceding sentences.

To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation further provides that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive forum provisions may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could harm our business.

Risks Related to Our Outstanding Notes

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the 2025 Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Regulatory actions and other events may adversely impact the trading price and liquidity of the 2025 Notes.

We expect that many investors in, and potential purchasers of, the 2025 Notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors would typically implement such a strategy by selling short the common stock underlying the 2025 Notes and dynamically adjusting their short position while continuing to hold the notes. Investors may also implement this type of strategy by entering into swaps on our common stock in lieu of or in addition to short selling the common stock.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules and take other actions, that may impact those engaging in short selling activity involving equity securities (including our common stock). Such rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a “Limit Up-Limit Down” program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts the ability of investors in, or potential purchasers of, the notes to effect short sales of our common stock, borrow our common stock or enter into swaps on our common stock could adversely impact the trading price and the liquidity of our 2025 Notes.

We may not have the ability to raise the funds necessary to settle conversions of the 2025 Notes in cash or to repurchase the notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the 2025 Notes.

Subject to limited exceptions, holders of the 2025 Notes will have the right to require us to repurchase all or a portion of their 2025 Notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the 2025 Notes to be repurchased, plus accrued and unpaid interest, if any, as described under Note 7 to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. In addition, upon conversion of the 2025 Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the 2025 Notes being converted as described under Note 7 to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of 2025 Notes surrendered therefor or 2025 Notes being converted. In addition, our ability to repurchase the 2025 Notes or to pay cash upon conversions of the 2025 Notes may be limited by law, by regulatory authority or by agreements governing our existing or future indebtedness. Our failure to repurchase 2025 Notes at a time when the repurchase is required by the indenture or to pay any cash payable on future conversions of the 2025 Notes as required by the indenture would constitute a default under the indenture governing the 2025 Notes. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our existing or future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the 2025 Notes or make cash payments upon conversions thereof.

The conditional conversion feature of the 2025 Notes, if triggered, may adversely impact our financial condition and operating results.

In the event the conditional conversion feature of the 2025 Notes is triggered, holders of 2025 Notes will be entitled to convert the 2025 Notes at any time during specified periods at their option. If one or more holders elect to convert their 2025 Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely impact our liquidity. In addition, even if holders do not elect to convert their 2025 Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2025 Notes as a current rather than long-term liability, which would result in a significant reduction of our net working capital.

Risks Related to Our Acquisition of Iora

Failure to complete the merger could negatively affect our stock price and future business and financial results.

If the merger is not completed, our ongoing business may be adversely affected and we will be subject to several risks, including the following:

- the possibility that we could be required to pay Iora a termination fee of $50 million, or be required to reimburse expenses up to $10 million and advance any undrawn amounts in accordance with the terms of the loan agreement, in each case, if the merger is terminated under qualifying circumstances;

- the incurrence of costs and expenses relating to the proposed merger, such as financing, legal, accounting, financial advisor, filing, printing and mailing fees and expenses, including the potential expense reimbursement obligations described above, without the expected benefits of the merger;

- the possibility of a change in the trading price of our common stock to the extent current trading prices reflects a market assumption that the merger will be completed;

- the possibility that we could suffer potential negative reactions from our employees, enterprise clients, patients, members, vendors or partners; and

- the possibility that we could suffer adverse consequences associated with our management’s focus on the merger instead of on pursuing other opportunities that could have been beneficial to us without realizing any of the benefits contemplated by the merger.

In addition, if the merger is not completed, we could be subject to litigation related to any failure to complete the merger or to perform our obligations under the merger agreement.

If the merger is not completed, we cannot assure our stockholders that these risks will not materialize and will not materially affect our business and financial results or our stock price.

We are subject to various uncertainties, including litigation and requirements while the transaction is pending, that could adversely affect our and Iora's business and operations.

In connection with the merger, some of our and Iora's enterprise clients, patients, members, vendors or partners may delay or defer decisions or reduce their level of business with either or both of the companies, any of which could negatively affect our or Iora's revenues, earnings, cash flows and expenses, regardless of whether the merger is completed. Similarly, while reductions in force are not planned, our and Iora's current and prospective employees may nevertheless experience uncertainty about their future roles with the combined company following the merger, which may materially and adversely affect our and Iora's ability to attract and retain key management, sales, marketing, operational and technical personnel during the pendency of the merger.

In addition, due to operating covenants in the merger agreement, we and Iora may be unable, during the pendency of the merger, to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions that are not in the ordinary course of business, even if such actions would prove beneficial. Any of these effects could adversely affect the ability to generate revenue at anticipated levels prior to the completion of the merger. Moreover, the pursuit of the merger and the preparation for the integration of the companies may place a significant burden on the management and personnel of both companies. The diversion of management’s attention away from operating the companies in the ordinary course could adversely affect our and Iora’s financial results.

We, Iora and our respective affiliates may also be involved in disputes, governmental and/or regulatory inspections, investigations and proceedings and litigation matters that arise from time to time. Litigation and investigations may result in substantial costs, settlement and judgments and may divert management’s attention and resources, which may substantially harm our or Iora’s business, financial condition and results of operations. For example, we recently entered into a settlement agreement relating to a class action complaint, which agreement remains subject to court approval, as described further under

Note 13. Commitments and Contingencies to the condensed consolidated financial statements included elsewhere in this Quarterly Report. In addition, we have received various information and document requests from governmental authorities, including states attorneys general, a U.S. congressional subcommittee, the Federal Trade Commission and state and local public health departments regarding our vaccine administration practices and related matters. we are responding to these requests as well as requests received from other governmental agencies, including with respect to our compensation practices and membership generation during the relevant periods. Such inquiries and information requests remain ongoing and we are unable to predict the outcome or timeline of these matters or if any additional requests, inquiries, investigations or other government actions may arise relating to such circumstances.

Following the merger, we and Iora may be unable to successfully integrate our businesses and realize the anticipated benefits of the merger.

The proposed transaction involves the merger of two companies which currently operate as independent companies. The combined company will be required to devote significant management attention and resources to integrating our and Iora's business practices and operations to effectively realize synergies as a combined company, including opportunities to maintain members as they become Medicare eligible, sign up incremental members, reduce combined costs, and reduce combined capital expenditures compared to both companies' standalone plans. Potential difficulties the combined company may encounter in the integration process include the following:

- the inability to successfully combine our and Iora's businesses in a manner that permits the combined company to realize the growth, operations and cost synergies anticipated to result from the merger, which would result in the anticipated benefits of the merger, including projected financial targets, not being realized in the time frames currently anticipated, previously disclosed or at all;

- lost patients or members, or a reduction in the increase in patients or members as a result of certain enterprise clients, patients, members or partners of either of the two companies deciding to terminate or reduce their business with the combined company or not to engage in business in the first place;

- a reduction in the combined company's ability to recruit or maintain providers;

- an inability of the combined company to maintain its health network partnerships or payer contracts on substantially the same terms;

- the complexities associated with managing the larger combined businesses and integrating personnel from the two companies, while at the same time attempting to (i) provide consistent, high quality services under a unified culture and (ii) focus on other ongoing transactions;

- the additional complexities of combining two companies with different histories, regulatory restrictions, operating structures and markets;

- the failure to retain key employees of either of the two companies;

- compliance by us with additional regulatory regimes and with the rules and regulations of additional regulatory entities, including the Centers for Medicare and Medicaid Services, which we refer to as CMS;

- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the merger; and

- performance shortfalls at one or both of the two companies as a result of the diversion of management's attention caused by completing the merger and integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of the combined company's management, the disruption of the combined company's ongoing business or inconsistencies in the combined company's services, standards, controls, procedures and policies, any of which could adversely affect the ability of the combined company to maintain relationships with enterprise clients, patients, members, vendors, partners, employees or providers or to achieve the anticipated benefits of the merger, or could otherwise adversely affect the business and financial results of the combined company.

We expect to incur substantial expenses related to the merger.

We expect to incur substantial expenses in connection with completing the merger and integrating the business, operations, networks, systems, technologies, policies and procedures of Iora with our business, operation, networks, systems, technologies, policies and procedures.

While we have assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of our integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. In addition, the combined company may need significant additional capital in the form of equity or debt financing to implement or expand its business plan and there can be no assurance that such capital will be available to the combined company on terms acceptable to it, or at all. If the combined company issues additional capital stock in the future in connection with financing activities, stockholders will experience dilution of their ownership interests and the per share value of the combined company's common stock may decline. Due to these factors, the transaction and integration expenses could be greater or could be incurred over a longer period of time than we currently expect.

If the combined company is unable to compete effectively, the results of operations of the combined company will be materially and adversely affected.

The market for healthcare solutions and services is highly fragmented and intensely competitive. Our and Iora's competitors include a range of companies and providers, including traditional healthcare providers and medical practices that offer similar services, often at lower prices, and that are continuing to develop additional products and becoming more sophisticated and effective. Our and Iora's competitiveness as a combined company is based on factors including technology, innovation, performance, price, quality, reliability, brand, reputation, distribution, range of services, ease of use of services, enterprise client relationships, service and support, and security. If the combined company is unable to compete based on such factors, the combined company's results of operations and business prospects could be harmed.

The combined company will have a large and complex service offering, addressing multiple stakeholders in the U.S. healthcare system, and will need to allocate financial, personnel and other resources across such services while competing with companies that have smaller portfolios or specialize in one or more of the combined company's service lines. For example, prior to the merger, we have not previously contracted with or derived significant revenue from Medicare, Medicare Advantage or CMS. As a result, the combined company may invest less in certain business areas than competitors do, and competitors may have greater financial, technical and marketing resources available to them compared to the resources allocated to the combined company's products and services that compete against their products and services. Industry consolidation may also affect competition by creating larger, more homogeneous and potentially stronger competitors in the markets in which the combined company operates.

The combined company may face aggressive price competition and may have to lower prices of services to stay competitive, while simultaneously seeking to maintain or improve revenue and grow its customer base. The combined company's cash flows, results of operations and financial condition may be adversely affected by these and other industry-wide pricing pressures.

We and Iora will be targets of securities class action and derivative lawsuits which could result in substantial costs and may delay or prevent the merger from being completed.

Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into merger agreements. Even if the lawsuits are without merit, defending against these claims could result in substantial costs and divert management time and resources. An adverse judgment could result in monetary damages, which could have a negative impact on One Medical's and Iora's respective liquidity and financial condition. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting completion of the merger, then that injunction may delay or prevent the merger from being completed, which may adversely affect One Medical's and Iora's respective business, financial position and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sale of Unregistered Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

None.

Use of Proceeds from Registered Securities

On January 30, 2020, our registration statement on Form S-1 (File No. 333- 235792) relating to the initial public offering of our common stock was declared effective by the SEC. Pursuant to such registration statement, we issued and sold an aggregate of 20,125,000 shares of our common stock at a price of $14.00 per share for aggregate cash proceeds of approximately $258.1 million, net of underwriting discounts and commissions and offering costs, which includes the full exercise by the underwriters of their option to purchase additional shares of common stock. No payments for offering expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates. J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC acted as joint-book running managers for the offering.

There has been no material change in the expected use of the net proceeds from our initial public offering, as described in our final prospectus filed with the SEC on February 3, 2020 pursuant to Rule 424(b) under the Securities Act of 1933, as amended.

Repurchase of Shares of Company Equity Securities

None.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1*	Agreement and Plan of Merger, dated June 6, 2021, by and among 1Life Healthcare, Inc., SB Merger Sub, Inc., Iora Health, Inc. and Fortis Advisors LLC, solely in its capacity as the representative of the stockholders of Iora Health, Inc.	8-K	001-39203	2.1	6/7/2021	
3.1	Amended and Restated Certificate of Incorporation of 1Life Healthcare, Inc.	8-K	001-39203	3.1	2/4/2020	
3.2	Amended and Restated Bylaws of 1Life Healthcare, Inc.	8-K	001-39203	3.4	2/4/2020	
10.1	Form of Joinder Agreement	8-K	001-39203	10.1	6/7/2021	
10.2	Form of One Medical Voting Agreement	8-K	001-39203	10.2	6/7/2021	
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1†	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	XBRL Taxonomy Schema Linkbase Document					X
101.CAL	XBRL Taxonomy Definition Linkbase Document					X
101.DEF	XBRL Taxonomy Calculation Linkbase Document					X
101.LAB	XBRL Taxonomy Labels Linkbase Document					X
101.PRE	XBRL Taxonomy Presentation Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					

* The Schedules and exhibits have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the Securities and Exchange Commission upon request.

† The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q, is deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of 1Life Healthcare, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

1LIFE HEALTHCARE, INC.

Date: August 4, 2021	By:	/s/ Amir Dan Rubin
		Amir Dan Rubin
		Chief Executive Officer and President *(Principal Executive Officer)*
Date: August 4, 2021	By:	/s/ Bjorn Thaler
		Bjorn Thaler
		Chief Financial Officer *(Principal Financial and Accounting Officer)*

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Amir Dan Rubin, certify that

1. I have reviewed this Quarterly Report on Form 10-Q of 1Life Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2021 By: /s/ Amir Dan Rubin

Amir Dan Rubin
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bjorn Thaler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 1Life Healthcare, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2021 By: /s/ Bjorn Thaler

Bjorn Thaler
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of 1Life Healthcare, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Amir Dan Rubin, Chief Executive Officer and President of the Company, and Bjorn Thaler, Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2021	By:	/s/ Amir Dan Rubin
		Amir Dan Rubin **Chief Executive Officer and President** **(Principal Executive Officer)**
Date: August 4, 2021	By:	/s/ Bjorn Thaler
		Bjorn Thaler **Chief Financial Officer** **(Principal Financial and Accounting Officer)**