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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the 1Life Healthcare (One Medical) Third Quarter 2020 Earnings Results Conference Call. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Rose Salzwedel, Director of Investor Relations. Please go ahead, ma'am.

Rose Salzwedel ***1Life Healthcare, Inc. - Director of IR***

Thank you, operator. Hello, everyone, and welcome to One Medical's Fiscal 2020 Third Quarter Earnings Call. I am joined today by Amir Dan Rubin, Chair and CEO of One Medical; and Bjorn Thaler, Chief Financial Officer of One Medical.

A complete disclosure of our results can be found in our press release issued earlier today as well as in our related Form 8-K, all of which are available on our website at investor.onemedical.com. As a reminder, today's call is being recorded and a replay will be available on our website.

As part of our comments today, we will make forward-looking statements. These statements are based on management's current views, expectations and assumptions and are subject to various risks and uncertainties. Actual results may differ materially, and we disclaim any obligation to update any forward-looking statements or outlook. Please refer to the risk factors in our most recent annual report as updated from time to time by our other reports and filings with the SEC, including our quarterly reports.

We believe that the COVID-19 pandemic creates particular complexity when it comes to providing a forward-looking view of the business, and we are providing our guidance on a good faith basis per recent SEC recommendations. We would like to specifically caution investors that our future performance will be harder to predict for the foreseeable future. Our forward-looking statements are based on assumptions that we believe to be reasonable as of today's date, November 10, 2020. Of note, it is One Medical's policy to neither reiterate nor adjust the financial guidance provided on today's call unless it is also done through a public disclosure such as a press release or through the filing of a Form 8-K.

Today, we will discuss certain non-GAAP metrics that we believe aid in the understanding of our financial results. A historical reconciliation to comparable GAAP metrics can be found in today's earnings release.

Finally, during the call, we may offer incremental metrics to provide greater insights into the dynamic of our business. These details may be onetime in nature, and we may or may not provide updates in the future.

And with that, I shall turn the call over to Amir and Bjorn for their prepared remarks and to take your questions.

Amir Dan Rubin ***1Life Healthcare, Inc. - Chair, CEO & President***

Welcome, everyone. Today, we are pleased to share results from our fiscal third quarter in 2020 and an excellent third quarter, demonstrating strong financial performance across our key metrics and achieving several notable milestones.

With 511,000 members, our membership count in the quarter surpassed the half a million mark. Q3 membership growth accelerated to 29% year-over-year with momentum across both consumer and enterprise channels, allowing us to reach our year-end membership guidance a quarter early.

We also surpassed $100 million in net revenue for the first time in a single quarter, delivering $102 million in total net revenue in Q3, which grew 46% year-over-year. We delivered a care margin of $42.9 million or 42% of net revenue and positive adjusted EBITDA of $3.5 million or 3% of net revenue. These margin results demonstrate the strong leverage components of our model.

Given the strength of our Q3 results and our momentum heading into Q4, we expect to end 2020 with between 530,000 to 540,000 members and to deliver total full year 2020 net revenue of $362 million to $367 million, with both members and revenue exceeding our initial expectations at the start of the year. Our momentum and investments in our member-based and technology-powered model further supports our work in transforming health care for multiple key stakeholders, including consumers, employers, providers and health networks.

Let us review how our member-centered and technology-powered model supported these stakeholders in Q3. For consumers and employee members, our differentiated primary care model supports longitudinal care and population health both digitally and in-person. As previously shared, we enhanced our model throughout 2020, including through the following approaches. We launched Healthy Together, our COVID-19 screening and testing program. We launched Remote Visits, supporting members with scheduled longer video appointments with their primary care provider. We launched One Medical Now, an expansion of our 24/7 on-demand synchronous and asynchronous digital health solution to employees located outside of our physical market. We expanded Mindset by One Medical, our behavioral health service, integrated within primary care.

We deepened our on-demand digital health services, including further extending asynchronous care through our app to new prescription requests, sexual health screenings and care for allergies, among other conditions. And we added more health network partners to advance our clinically and digitally interconnected system of care for our members, further owning the complexity of navigating care across time and setting. Through our enhanced multimodal model of care, we have furthered our reach and impact to delight even more members with our 90-plus Net Promoter Scores.

In addition to seeing continued strong member satisfaction with One Medical, employers have also continued to recognize the power of our model to support the well-being and productivity of their employees, reduce health benefits spending and facilitate workplace re-entry during COVID-19. Employers can add our services at any point during the year as our program fits with an existing insurance network and is not restricted to launching solely in open enrollment period. We continue to hear enterprise clients share how they love the One Medical benefit and how we support seamless access to care for employees and dependents.

Simultaneously, we also advanced employee health outcomes and productivity levels while reducing benefit costs. As you may recall, we have demonstrated total employer savings of 8% plus in a case study with the seminal study published in JAMA Network Open earlier this year showing 45% in employer cost savings.

Accordingly, we see our model applying broadly to clients of all sizes across diverse industries and across economic cycles. During Q3, we began new relationships with clients across education, financial services, entertainment, commerce, media, real estate, biotech, hospitality and the nonprofit sector, among others. Furthermore, with our Healthy Together COVID-19 program, we are supporting enterprise clients with a clinically driven approach for employee screening, testing and medical care. In Q3, Healthy Together also drove additional interest from the educational sector and drove strong engagement in flu vaccination campaign.

Turning to our providers. Our model supports delivery of outstanding acute and chronic care, inbound responsive care and outbound population health as well as seamless coordination of specialty care with our health network partners. We have continued to see our salary provider model with our streamlined workflows and innovative technology attract even more clinicians to our team. Moreover, our technology platform has been built from the ground up to support outstanding patient care, population health and care coordination across time, teams and settings.

In Q3, we continue to showcase these strengths. For example, our technology platform and team, together with our membership model, enabled us to analytically identify members who needed cancer screenings or chronic disease management follow-up, to digitally offer up personalized care plans to address such gaps in care and then to engage members to address these care gaps through the modalities of their choosing, in-person or remotely, digitally synchronously or asynchronously.

During Q3, our population health action items included follow-ups on deferred annual exams, chronic condition check-ins, cancer screenings, women's health issues and immunizations, to name a few. This population health activation contributed in part to our strong results while also promoting positive health outcomes and strengthening the value of One Medical membership. As we like to say about our membership model, better health starts here.

During the quarter, we also advanced partnerships with more of the nation's top health network. Our members, employer clients, providers and partners have benefited from our clinical and digital integration that facilitate better coordination across primary care, diagnostics, specialty and acute care settings. At the same time, we have helped reduce administrative burdens and avoid duplicative testing while facilitating in-network access.

Our members appreciate our role in navigating the complexity of health care referrals, scheduling, authorization and the exchange of medical information with our partners. Employers appreciate reduced wait times for employees, improved employee productivity levels and support in addressing employee benefits questions. And for health networks, partnering with One Medical can be a more expeditious, economical and less risky way to develop coordinated care networks.

We are now operating in 12 markets across the United States, up 50% over the last 18 months. Throughout 2020, we have expanded into new markets in partnership with both new and existing health network partners. For example, last year, we began partnering with Providence St. Joseph Health in Seattle and Los Angeles. And this year, we further expanded our partnership into Portland, Oregon in Q1 and Orange County, California in Q3. We also went live with a new partner in Q3, MedStar Health in Washington, D.C. With that partnership, 100% of our members across our 12 markets are now covered under health network partnerships.

Building on our successes in 2020, we have already announced plans to expand into 5 new markets with health network partners in 2021. Our new markets in 2021 will include: Austin, Raleigh-Durham, Milwaukee, Columbus and Houston. We currently have virtual presence across the nation. And by the end of 2021, we plan to have established physical presence in 17 markets, a 40% increase from our 12 markets today and more than double the markets from where we were 18 months ago. Our partnerships and market expansion provide long runways for growth, impact and returns as they increase our reach and value proposition to companies and consumers while leveraging our technology and operating infrastructure.

In closing, I'd like to share my gratitude to our entire team for their continued efforts in supporting our key stakeholders, consumers, employers, providers and health networks. Through their perseverance and innovation, we are delivering a better experience and better health outcomes for consumers. We are improving employee well-being and reducing benefit costs for employers. We are creating a more fulfilling work environment for our providers and teams, and we are advancing primary and specialty care coordination in partnership with leading health networks. Through these efforts, we achieved new milestones this quarter, serving more than half a million members and delivering north of $100 million in quarterly revenue, while at the same time advancing margin and profitability. To those following our advancement, we thank you for your continued engagement in our mission to transform health care.

Now let me turn the call over to Bjorn, our CFO.

Bjorn B. Thaler ***1Life Healthcare, Inc. - CFO***

Thank you, Amir, and hello to everyone on today's call. I appreciate the opportunity to speak with you today.

As Amir notes, we are seeing strong demand in our model of care, which combines in-person and virtual care and which has proven the flexibility to scale with new service offerings and unprecedented demand by our members for information and care. Our employees, including our in-office and virtual providers, administrative staff, phlebotomists, technologists and many others have allowed us to serve more members across more product offerings and through more interactions than ever before. The investments we have made over more than a decade to serve our members, enterprise sponsors, employees and health networks give us distinct competitive advantages, enabled our strong execution in Q3 and are reflected in our full year outlook.

We have reached a key milestone in our membership count and ended the quarter with 511,000 members. We saw accelerated growth quarter-over-quarter in both consumer and enterprise channels, reaching our year-end membership guidance 1 quarter early. As Amir mentioned, a key attraction to employers is their ability to turn us on quickly at any point in the year. As a result, we had continued outsized strength this quarter from enterprise adoption, in particular, as our customers seek to improve access to digital and in-person health benefits during COVID-19. Please keep in mind that our membership count continues to exclude free community memberships, for example, for frontline workers; any paid short-term enterprise memberships that are less than 12 months; and any virtual-only One Medical Now users, which is a service offering that is available to employers in geographies where we don't have a physical footprint.

Turning to revenue. In total, we delivered $101.7 million in net revenue in Q3, up 46% year-over-year. This includes an income grant of $0.2 million related to the Provider Relief Fund established under the CARES Act, which we report as a distinct line item on our P&L. As a reminder, in Q2, we received an income grant of $2.4 million related to the Provider Relief Fund. At this point, we cannot predict how much, if any, additional funds we may receive in the future.

Our membership revenue in Q3 was $17.3 million, which grew 29% year-over-year, in line with our membership growth. We delivered net patient service revenue of $40.2 million and partnership revenue of $43.9 million. Collectively, net patient service revenue and partnership revenue grew 50% year-over-year. This revenue performance was driven by our strong membership growth as well as an increase in total billable service volumes. As a reminder, our billable services include, among others, in-office visits, vaccinations and our newly launched service offerings. As discussed in our last earnings call, COVID-19 initially caused our billable volumes to decline when compared to levels immediately prior to the pandemic. During Q3, we saw a large recovery in our aggregate number of billable services, which for the full quarter exceeded pre-COVID-19 levels.

As you heard Amir say earlier, we believe our revenue outperformance was in part driven by our ability to identify gaps in patient care and engage our members to fill these gaps in the way they prefer, in-person or remote, synchronous or asynchronous. In addition to this pent-up demand from deferred care earlier in the year, our strong revenue performance was driven in part by higher-than-expected demand for COVID-19 testing, along with an early and strong start of the flu vaccination season.

One final item I would like to note on our revenue performance. As discussed on prior calls, over the past year, we've seen an ongoing mix shift of revenue out of the net patient service revenue and into partnership revenue as we have signed up additional health network partners that reimburses on a per member, per month basis. We expect this shift to moderate going forward as all of our members are now covered by health network partnerships.

Moving down the P&L. We delivered Q3 care margin of $42.9 million or 42% of net revenue, which represented an increase of $18.3 million over Q2. This was our highest quarterly care margin ever reported and demonstrates the leverage that can be driven from revenue outperformance on our largely fixed cost profile. We were very pleased to deliver strong care margin results while at the same time making continued investments to fuel our future growth, which included opening our third new market this year, Orange County, in addition to opening additional offices across our existing markets and ongoing preparations to open new markets and offices going forward. We have opened 20 new offices year-to-date in 2020, taking us to 103 total offices across our 12 markets at the end of Q3.

Our operating expenses below cost of care and excluding noncash charges, such as depreciation and amortization and stock-based compensation, were $39.3 million and were approximately flat to our Q2 spend. As a result of our Q3 revenue tailwinds and expense performance, our Q3 adjusted EBITDA was positive $3.5 million or 3% of total net revenue. Similar to care margin, this was our highest adjusted EBITDA ever reported.

We are pleased to demonstrate our ability to deliver accelerated revenue growth with improved operating profitability, which was made possible by the investments we continue to make in our people and technology. Overall, while we do not expect some of our revenue tailwinds in Q3 to persist, such as pent-up demand for deferred care, we do believe that our Q3 results demonstrate our strong and growing value proposition to members as a trusted and convenient health care provider and to employer clients as their partner in providing affordable, high-quality care and real-time practicable solutions to their return-to-work challenges.

Lastly, we ended Q3 with a strong balance sheet and liquidity position with $682.3 million in total cash and short-term marketable securities. We have ample capital to continue to fuel responsible growth and take advantage of potential dislocations in the market.

Now let me take a few minutes to discuss our current outlook and provide 2020 guidance. Coming off of our strong Q3 results, we are raising our membership outlook as we now expect to finish Q4 with a total membership count in the range of 530,000 to 540,000 members. This guidance shows our belief in our strong and growing value proposition to consumers and enterprise customers.

Turning to the P&L. We expect to deliver Q4 net revenue in the range of $104 million to $109 million, Q4 care margin in the range of $37 million to $42 million and Q4 adjusted EBITDA between a loss of $4 million to positive adjusted EBITDA of $1 million. This guidance highlights the continued strong demand we expect for our membership and services as well as our continued investments as we expand our capacity in existing and new markets.

For the full year 2020, our Q4 guidance implies that we will deliver total annual net revenue of approximately $362 million to $367 million, total annual care margin of approximately $132 million to $137 million and total adjusted EBITDA that approximates a loss of $29 million to a loss of $24 million. We are encouraged by the trends that we see in our business and that are reflected in our guidance and which put us on a path to deliver higher 2020 net revenue and adjusted EBITDA results than we expected pre-COVID, as we shared with you on our earnings call for Q4 2019.

At the same time, we also want to acknowledge that uncertainties remain, such as regional differences in COVID-19 incident rates and associated policies. As the communities that we serve have largely eased their shelter-in-place requirements, our Q4 and full year 2020 guidance assumes those communities remain open and does not anticipate any new or increased shelter-in-place requirements or behavior. Furthermore, there are several swing factors which could impact our results, such as the evolving policies for employers, schools and universities and the timing and amount of demand for flu vaccines, to name a few. These uncertainties will require us to continue to dynamically adapt our business and operations and may potentially also impact our financial results.

In closing, we delivered a very strong quarter for financial results in Q3, and we remain focused on executing against the opportunity ahead. I'd like to thank our members, employers, partners, team members and shareholders for their continued support as we work to improve the way health care is delivered one member at a time.

We will now open up the call for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Lisa Gill of JPMorgan.

Lisa Christine Gill ***JPMorgan Chase & Co, Research Division - Senior Research Analyst***

I just really want to understand a couple of things a little bit better based on your comments. One would be around One Medical Now. Can you just remind us how that's accounted for in your membership and how we think about those services? Again, from a revenue perspective, my guess would be that you're not seeing anything there with the enterprise relationship, so that should be coming through on the provider side. So I want to understand how that revenue flows.

And then secondly, Bjorn, just a follow-up to your comments around the shelter-in-place and that we saw the pull-through in the third quarter, and you don't have that anticipation in the fourth quarter. As we continue to see COVID cases rise in the U.S., have you seen anything change here in the last couple of weeks around people coming into office visits, et cetera? Are they utilizing more virtual care because of that or are you still seeing people come into the office?

Amir Dan Rubin ***1Life Healthcare, Inc. - Chair, CEO & President***

Great. Lisa, thank you. This is Amir. I appreciate the questions. So in the first part of your question on One Medical Now, as you may recall, One Medical Now was launched to help employers serve employees in all their markets, whether or not we have a physical presence in those markets. We do not count One Medical Now services as One Medical members. So the membership count we have includes just our full One Medical members and not our One Medical Now. Any revenues for One Medical Now would be included in our membership revenue.

In terms of COVID and what's happening, it's certainly hard to speculate what's going to happen. I'd say, in general, though, we've been able to see in this quarter kind of great momentum, signing up more employers and consumer members across markets. And as you know, employers can turn us on at any point during the year. And so we've seen that momentum.

We certainly see people coming to us for COVID screening and testing but also for flu vaccines. We're seeing people need, as we mentioned in our prepared remarks, to address their gaps in care, like their immunizations for themselves or their children or their well-person, well-woman care. So hard to speculate what happens going forward, but we've certainly seen momentum on all those fronts.

Operator

And our next question comes from Daniel Grosslight of Citi.

Daniel R. Grosslight ***Citigroup Inc., Research Division - Research Analyst***

Congrats on the quarter. Obviously, I think you guys will play a very important role in administering the COVID-19 vaccine when that becomes available. So I'm wondering if there's a way to kind of analogize that to what you guys typically see with the administration of the flu vaccine. What percent of your members typically get a flu shot at a One Medical facility? And are you able to kind of use that as a way to perhaps perform higher-acuity visits?

Amir Dan Rubin ***1Life Healthcare, Inc. - Chair, CEO & President***

Yes. Thank you for the question, Daniel. I think a good analogy here is maybe what we've seen with our Healthy Together COVID services so far, which basically added another proof point to our model. People always love their on-demand digital health, our in-person care as well as our testing services. And what we saw with our COVID screening and testing services is people loved how they can get on the app, book an appointment and come into an office or come to one of our drive-thru locations where we would do COVID testing and flu vaccination. So certainly, this is the kind of thing that we've been doing, and we believe we're well positioned to do the same with the COVID-19 vaccines as they get more broadly distributed.

Operator

And our next question comes from George Hill of Deutsche Bank.

George Robert Hill ***Deutsche Bank AG, Research Division - MD & Equity Research Analyst***

Amir, I guess my question is, is it too early to start talking about the selling season for 1/1/21 to employer sponsor customers? And I guess just as a follow-up to that, could you talk a little bit about how the individual market over the last 3 months has responded to the COVID crisis and the mix of people coming and looking for alternatives to the normal way primary care channel?

Amir Dan Rubin ***1Life Healthcare, Inc. - Chair, CEO & President***

Yes. George, thanks for the question. One of the nice thing about our model is that we can sign up members, be they consumer members or enterprise members, at any point in the year. And we've certainly seen that in this quarter and other quarters. We're in-network with insurance plans and we're easy to roll out so employers can roll us out. So in that regard, it's less of a selling season than us being able to roll out at any time.

And certainly, in the individual marketplace, of course, the same thing. We are in-network in the major insurance plans so consumers can and do sign up at any point. So that is a nice feature about our benefit that it does not need to be rolled out in open enrollment but can be rolled out at any point throughout the year.

Operator

And our next question comes from Ricky Goldwasser of Morgan Stanley.

Rivka Regina Goldwasser ***Morgan Stanley, Research Division - MD***

I have a quick follow-up on that one and then my real question. So just when we think about this membership, I mean, clearly, you meaningfully exceeded membership growth targets. So just to clarify, are these clients that were planning to start maybe in January? And to your point, Amir, they can start whenever they opt to maybe access the service ahead of schedule or should we sort of continue to model this additional step-up in 1Q?

And then my second question, my real question, is around the flu. You talked about flu being a big contributor. From just kind of like hearing from others in the marketplace, it sounds there was just pent-up demand for flu vaccine. So how much flu vaccine are you assuming in the fourth quarter in comparison?

Amir Dan Rubin ***1Life Healthcare, Inc. - Chair, CEO & President***

Yes. Ricky, thank you for the great questions. I think on the first question in terms of the Q3 membership growth, we've continued to see both the consumer and enterprise membership grow each quarter so it's hard to say if it's pulled forward or not. We've just continued to see great traction with employers. And frankly, we've always seen in the past the fact that we can sell at any given point in time and certainly can turn on the benefit at any point in time. So in terms of the membership, we continue to believe we can sell quarter in, quarter out and continue to see continued growth there.

In terms of the flu, we certainly have always been involved and engaged in flu vaccination efforts for consumers and employers. So at some level, while there's great enthusiasm in that this year, it isn't actually a new thing to us. It's things we've done in the past. And as you know, our revenue model has both membership-based revenue and partnership-based per member per month revenue as well as patient services revenues. And so that kind of flu vaccine revenue can flow in different places, and there may be puts and takes on that in general. But we anticipate we will continue to vaccinate folks and in due time, look to the COVID-19 vaccination as that becomes readily available.

Operator

And our next question comes from Sean Wieland at Piper Sandler.

Sean William Wieland ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***

And I just want to keep digging a little bit on the strong membership count. Can you give us a sense? Did it lean more direct-to-consumer versus employer? Did it lean more new market versus existing? How many of the temporary members that you've had that didn't count towards members convert over to paying members? Just any kind of context you can give would be helpful.

Amir Dan Rubin ***1Life Healthcare, Inc. - Chair, CEO & President***

Yes. Thanks, Sean. I appreciate that. I think one thing to point out is we did sign up members across a range of different enterprise categories this time period, including in education. And that's including in kind of middle and high school as well as higher education and universities. So that is a unique thing that we've seen and will continue to take a look at. But otherwise, we saw growth across different employer categories: financial services, entertainment, commerce, media, real estate, biotech, hospitality, nonprofit. And so seen that across the country and across the accounts.

We also see that our model can not only support kind of these traditional enterprise accounts and consumers, but an interesting model to support schools, whether it's faculty, staff, students, whether it's screening and testing, flu shots, thinking about allergies, asthma, behavioral health and all of these host of other common conditions that our model serves really well.

I'd say the other thing, too, is we're seeing uptake in new clients faster than maybe historically. Again, our model is easy to roll out and we're seeing great uptake. So those are some things that we've noticed in Q3.

Operator

And our next question comes from Sandy Draper of Truist Securities.

Alexander Yearley Draper ***Truist Securities, Inc., Research Division - MD of Equity Research***

Also add my congrats on a really strong quarter. So I'll sort of pick at the one thing that, metric that didn't look as strong. And so would love some comment, either Amir or Bjorn, on the membership revenue and sort of the implied per member revenue on membership that didn't -- obviously, members grew a ton, but you didn't see quite the same level of, at least on a sequential basis, the type of growth in membership revenue. So just wondering any color on what drove that, that would be great.

Bjorn B. Thaler ***1Life Healthcare, Inc. - CFO***

Yes. Thank you for the question. And yes, as you think about that revenue line, I'll take you back to one of the things that Amir said earlier today, which is our membership count does not include, among other things, short-term contracts where frankly, oftentimes, companies came in and said, hey, I need somebody to keep my employees healthy for a month or 2 until I figure this out.

And as Amir discussed earlier today, the revenues of this was sort of recorded in that membership revenue line. As frankly some of those, I would call it, more transactional customers decided that the pandemic is going on too long, and they stopped testing or stopped some of our services, you see that sort of flow through that line. And therefore, you see a little bit of a different trend in that line. Although we are still very, value bullish, obviously, on what we've been able to deliver. I mean we've seen a very strong uptick, and we're very pleased with our financial results. But that's why the quarter-over-quarter comparison on this particular line shows a little bit of fluctuation.

Operator

And our next question comes from Jailendra Singh of Crédit Suisse.

Jailendra P. Singh ***Crédit Suisse AG, Research Division - Research Analyst***

Congrats on a good quarter. I wanted to talk about your health system partnership because I believe that's a very critical part of the story here. You guys signed some partnership in Q3. Given variability around utilization and the mix of utilization, have you seen any changes in the economics, pricing or the way these contracts are being structured versus what they have been historically?

And a quick related clarification. So you have partnership in all the markets you currently have presence. When we think about 17 markets you will be in next year in terms of timing, how should we think about you guys locking down new partners in those markets?

Amir Dan Rubin ***1Life Healthcare, Inc. - Chair, CEO & President***

Jailendra, thank you so much. Thanks for the question. Maybe starting with the latter part of your question first. We have partners and announced partners in all of our markets, including the new markets. So all 17 markets, we will have 100% partnerships.

And I think really speaking to the first part of your question, we think our partnership model is as strong or stronger than ever and is very compelling all the way around. Certainly for our members, we are coordinating care across primary and specialty care, owning the complexity of care, of navigating care, avoiding duplicative testing, sharing medical records across multiple systems. Employers like this because they want their employees, and frankly, productive and working, not waiting a long time. And our model can navigate those patients. And also, frankly, we show, as per the JAMA study, about 40%, 50% lower referrals because we can handle so much more in our primary care model.

For our partners, it's compelling because they're seeing that we can be a more expeditious, efficient and effective way for them to build a network. And certainly, we have our differentiated model with our membership and our technology as well as our in-person care that connects directly to employers. So I think at some level, that's maybe more compelling than ever as health systems look to develop relationships with employers, look to advance digital health, look to grow consumerism. So we feel very good about the strength of those models.

Operator

And our next question comes from Richard Close of Canaccord Genuity.

Richard Collamer Close ***Canaccord Genuity Corp., Research Division - MD & Senior Analyst***

Excellent. Congratulations. Obviously, positive member growth here. Were there any headwinds in the quarters from layoffs that you overcame? Any thoughts on that going forward as well?

Amir Dan Rubin ***1Life Healthcare, Inc. - Chair, CEO & President***

Thank you, Richard. Well, certainly, in our projections, we take into consideration kind of any macro factors that might be there. And so we feel very good about our performance, and we've put forward increased guidance for the next quarter and upped our guidance for the year. So we feel good about those projections. But certainly, there's uncertainties out there, and we'll have to keep our eye out on those.

Richard Collamer Close ***Canaccord Genuity Corp., Research Division - MD & Senior Analyst***

Okay. And then as a follow-up, Bjorn, obviously, great improvement in terms of the adjusted EBITDA. And maybe any thoughts on if you're reiterating the time line to profitability and if you could just give us an update on that, when you're expecting to cross over.

Bjorn B. Thaler ***1Life Healthcare, Inc. - CFO***

Yes. Absolutely. And we're obviously very pleased to deliver the strong care margin and adjusted EBITDA that we had in this quarter, both of which were the highest quarterly margins that we've been able to report to date. And as I think about our Q4 guidance, both a little bit back to your earlier question, actually, on the membership and also on the EBITDA side, it obviously incorporates everything that we know today. And yes, as you know, we serve a range of different industries. We serve a range of different geographies, including the not-for-profit sector, including manufacturing, including services. And so we feel like we are pretty well diversified on that front. And again, everything we can see so far is sort of implemented and part of our Q4 guidance. And frankly, the same applies to our EBITDA guidance or our adjusted EBITDA guidance for Q4 of 2020.

As I'm sort of thinking beyond that, there are a couple of things that I would like to point out. Obviously, some of the revenue tailwinds that we talked about on the call in Q3, we don't necessarily expect them to persist, for example, the pent-up demand for deferred care that we talked about. And at the same time, we're also going to keep growing and investing in our business. You know that we've announced 5 new markets for next year, and we'll continue to invest in our technology and in our physical footprint, both in those 5 new markets as well as in our existing markets. So generally speaking, we continue to believe that we'll reach sort of sustained adjusted EBITDA breakeven around year-end '22.

Operator

And our next question comes from Ryan Daniels of William Blair.

Ryan Scott Daniels ***William Blair & Company L.L.C., Research Division - Partner & Healthcare Analyst***

Congrats on a great quarter. I want to go back to some of the commentary you mentioned on the preventive care campaigns. Now I know the organization is constantly innovating and always does these type of campaigns. But I'm curious if that was more of a focus in this quarter given the pandemic and some of the gaps in care that probably emerged earlier in the year with people not getting the preventive care they needed? So number one, that's a question. And number two, anything new that you're doing on the analytic front or data management front to enable you to better screen these patients and to determine what type of care gaps they might have?

Amir Dan Rubin ***1Life Healthcare, Inc. - Chair, CEO & President***

Ryan, thank you for the question. So a number of points. You're absolutely correct. We have always done population health and always leveraged our technology to analyze our members and to reach out. But we're always advancing those analytic models, including our machine learning models, which increasingly are kind of on their own analyzing the gaps in care and then, in many cases, have automated follow-up in those gaps to help close those. So we absolutely have been advancing our technology to do that kind of in a more automated fashion. And because we have this very high membership engagement and frankly because we have the membership model, we have members engaged in our technology to follow up.

Now we certainly saw, I'll say, some rising gaps during a lot of the shelter-in-place where people put off routine care like Pap smears or immunizations or other well-person care or chronic disease care. So certainly, we saw some widening, if you will, of gaps in care that we closed. So it was a combination of deferred care, advancing our population health and advancing our technology to be able to do that in an automated fashion.

Operator

And our next question comes from Matthew Gillmor of Baird.

Matthew Dale Gillmor ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Amir talked about a greater diversity in the types of new employer clients that you're bringing on board. I was curious if the buying decision for these new employer clients is any different than some of the legacy clients? And in particular, if some of the savings studies like JAMA was having any impact on the decision-making for these newer clients?

Amir Dan Rubin ***1Life Healthcare, Inc. - Chair, CEO & President***

Yes. Thanks, Matthew. I think we just continue to add proof points to the model, kind of more and more reasons to purchase. So certainly, the JAMA article was a seminal article, not just for us but in primary care, and our model of primary care showing this 45% reduction in cost. So that is certainly compelling to employers who, across economic cycles, are saying, hey, how can I better manage my health benefits? Here's a model that does that.

Certainly, things like our Healthy Together for COVID screening and re-entry has been powerful and testing and vaccinating, including for educational institutions and others that are trying to reopen manufacturing. So those are compelling.

For some, it's been also integration of medical and behavioral with our Mindset behavioral health programs integrated into primary care. For others, it's been One Medical Now adds incremental benefits, such that a multi-geography employer can turn on the One Medical program with kind of a semblance of benefits parity across the country with everybody having access to that on-demand digital health. So we've also, as I mentioned in my remarks, added more of our asynchronous on-demand capability, things like new prescriptions, addressing sexual health conditions or allergies, just making it easier for more members to access us.

And as for the prior question, adding more population health capabilities. So we continue to nudge people, follow up with them, assist them in living healthier lives. So all of these continued advancements in our benefits just give more and more reasons or more and more proof points for employers and other institutions to join and for consumers to continue to join.

Operator

And our next question comes from Stephen Tanal of SVB Leerink.

Stephen Vartan Tanal ***SVB Leerink LLC, Research Division - MD & Senior Research Analyst***

I just want to make sure I understand sort of the moving pieces between net patient service revenue and partnership revenue. And so if we kind of look at those amounts per average member, on the net patient service side, it was down just about 7% year-on-year, which would be the smallest decline we've seen going back years despite that shift that's been playing out. So I guess my question would be, how much room is there to drive that metric up? And more specifically, in what way it's kind of paying heed to the fact that the hospital partnerships are in place now covering most markets? And any color on maybe what you think the amount of pull-forward revenue in that number, Bjorn, that you just mentioned, would be helpful as well. And kind of conversely on the partnership side, just thinking about that same per member metric, are we at a run rate now that 100% of members are covered by partnerships or could that actually go higher still?

Bjorn B. Thaler ***1Life Healthcare, Inc. - CFO***

Yes. Great questions. When you take a step back, as you know, our health network partners tend to pay us in 1 of 2 ways. They are either continuing to pay us on a fee-for-service basis or they pay us a fixed PMPM, a fixed per member per month basis. And they're all structured a little bit differently each from each other, but broad picture-wise, those are the 2 models.

And what we've seen in Q3, frankly, as a result, among other things, of us entering into a health network partnership in Washington, D.C., that was sort of the remaining membership that we had that was not covered under a health network partnership. And yes, in this particular market, for example, we are getting paid on a PMPM basis. So what that does to our revenue basis is it sort of moves revenue out from the net patient service revenue line item into the partnership revenue line item. And given that we now have 100% of our membership covered under those health network partners, really other than, if you want to put it that way, sort of the annualization or the quarterization of that one mix shift in between the quarter, we do think we are at the end of that secular shift.

So really from here on out, if you see shifts in between those 2 line items, it's really a question of mix shift in between geographies. And then, as I said, each individual relationship has its own separate ins and outs. But big picture-wise, we'll be at the end of that shift. And we are now, yes, if you now see a shift, it's going to be driven by relative change in geographic mix for the most part.

Stephen Vartan Tanal ***SVB Leerink LLC, Research Division - MD & Senior Research Analyst***

Great. And just the net patient service side is all here?

Bjorn B. Thaler ***1Life Healthcare, Inc. - CFO***

Yes. So the net patient service revenue is obviously the offset of that, right? So to the extent that we have in the past had health system partnerships that we signed up, we took revenue out of the net patient service revenue side into the partnership revenue line item.

Now again, if we keep growing in some of our markets where we keep being paid on a fee-for-service basis, obviously, that line item will continue to grow. And we're obviously looking to grow in all of our markets, including in our fee-for-service markets. And then those are really sort of the big-picture items. I really expect, frankly, both line items to continue to contribute to our growth here, as we laid out for our Q4 revenue guidance.

Operator

Thank you. And ladies and gentlemen, this does conclude our question-and-answer session. I would now like to turn the call back over to Mr. Rubin for any further remarks.

Amir Dan Rubin ***1Life Healthcare, Inc. - Chair, CEO & President***

Well, thank you. I'd like to thank everybody for joining us in the call today, for your great questions into our model and for engaging with us in transforming health care. So have a great day and we look forward to the next occasion. Be well, everybody. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.