

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

VICTORINO MARQUEZ, Individually and
On Behalf of All Others Similarly Situated,

Plaintiff,

v.

BRIGHT HEALTH GROUP, INC., G.
MIKE MIKAN, CATHERINE R. SMITH,
JEFFREY J. SCHERMAN, ROBERT J.
SHEEHY, KEDRICK D. ADKINS JR.,
NAOMI ALLEN, JEFFREY FOLICK,
LINDA GOODEN, JEFFERY R. IMMELT,
MANUEL KADRE, STEPHEN KRAUS,
MOHAMAD MAKHZOUMI, and ADAIR
NEWHALL,

Defendants.

Case No.

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiff Victorino Marquez (“Plaintiff”), individually and on behalf of all others similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public documents, conference calls and announcements made by Defendants, United States (“U.S.”) Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Bright Health Group, Inc. (“Bright Health” or the “Company”), analysts’ reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons and entities other than Defendants that purchased or otherwise acquired: (a) Bright Health common stock pursuant and/or traceable to the Offering Documents (defined below) issued in connection with the Company's initial public offering conducted on or about June 24, 2021 (the "IPO" or "Offering"); and/or (b) Bright Health securities between June 24, 2021 and November 10, 2021, both dates inclusive (the "Class Period"). Plaintiff pursues claims against the Defendants under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act").

2. Bright Health is an integrated care delivery company that engages in the delivery and financing of health insurance plans in the U.S. The Company operates in two segments—NeueHealth and Bright HealthCare. Bright Health offers individual and family, Medicare, and employers insurance plans. The Company also operates 28 managed and affiliated risk-bearing primary care clinics.

3. On May 19, 2021, Bright Health filed a registration statement on Form S-1 with the SEC in connection with the IPO, which, after several amendments, was declared effective by the SEC on June 23, 2021 (the "Registration Statement").

4. On or about June 24, 2021, pursuant to the Registration Statement, Bright Health's common stock began trading on the New York Stock Exchange ("NYSE") under the trading symbol "BHG".

5. On June 25, 2021, Bright Health filed a prospectus on Form 424B4 with the SEC in connection with the IPO, which incorporated and formed part of the Registration Statement (the "Prospectus" and, together with the Registration Statement, the "Offering Documents").

6. Pursuant to the Offering Documents, Bright Health conducted the IPO, selling approximately 51 million shares of its common stock to the public at the Offering price of \$18.00 per share, for approximate proceeds of \$887 million to the Company after applicable underwriting discounts and commissions, and before expenses.

7. The Offering Documents were negligently prepared and, as a result, contained untrue statements of material fact or omitted to state other facts necessary to make the statements made not misleading and were not prepared in accordance with the rules and regulations governing their preparation. Additionally, throughout the Class Period, Defendants made materially false and misleading statements regarding the Company's business, operations, and compliance policies. Specifically, the Offering Documents and Defendants made false and/or misleading statements and/or failed to disclose that: (i) Bright Health had overstated its post-IPO business and financial prospects; (ii) the Company was ill-equipped to handle the impact of COVID-19-related costs; (iii) the Company was experiencing a decline in premium revenue because of a failure to capture risk adjustment on newly added lives; (iv) all the foregoing was reasonably likely to have a material negative impact on Bright Health's business and financial condition; and (v) as a result, the Offering Documents and Defendants' public statements throughout the Class Period were materially false and/or misleading and failed to state information required to be stated therein.

8. On November 11, 2021, Bright Health reported its third quarter 2021 results. Among other results, Bright Health reported earnings per share ("EPS") of -\$0.48 as calculated under U.S. generally accepted accounting principles ("GAAP"), missing consensus estimates by \$0.31. Bright Health also reported a sharp rise in in the Company's medical cost ratio ("MCR"), advising investors that its MCR "for the third quarter of 2021 was 103.0%, which includes a 540 basis point unfavorable impact from COVID-19 related costs and a 900 basis point

unfavorable impact primarily from a cumulative reduction in premium revenue due to an inability to capture risk adjustment on newly added lives.”

9. On this news, Bright Health’s stock price fell \$2.36 per share, or 32.33%, to close at \$4.94 per share on November 11, 2021.

10. As of the time this Complaint was filed, the price of Bright Health common stock continues to trade below the \$18.00 per share Offering price, damaging investors.

11. As a result of Defendants’ wrongful acts and omissions, and the precipitous decline in the market value of the Company’s securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

12. The claims asserted herein arise under and pursuant to Sections 11 and 15 of the Securities Act (15 U.S.C. §§ 77k and 77o), and Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

13. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, Section 22 of the Securities Act (15 U.S.C. § 77v), and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

14. Venue is proper in this Judicial District pursuant to Section 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Pursuant to the Company’s most recent quarterly report filed with the SEC, as of November 4, 2021, there were 628,315,180 shares of the Company’s common stock outstanding. Bright Health securities trade on the NYSE. Accordingly, there are presumably hundreds, if not thousands, of investors in Bright Health securities, some of whom undoubtedly reside in this Judicial District.

15. In connection with the acts alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

16. Plaintiff, as set forth in the attached Certification, purchased or otherwise acquired Bright Health common stock pursuant and/or traceable to the Offering Documents issued in connection with the IPO, and/or Bright Health securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

17. Defendant Bright Health is a Delaware corporation with principal executive offices located at 8000 Norman Center Drive, Suite 1200, Minneapolis, Minnesota 55437. The Company's common stock trades in an efficient market on the NYSE under the trading symbol "BHG".

18. Defendant G. Mike Mikan ("Mikan") has served as Bright Health's President, Chief Executive Officer, and a Director of the Company at all relevant times. Mikan is also Vice Chairman of the Company. Mikan signed or authorized the signing of the Registration Statement filed with the SEC.

19. Defendant Catherine R. Smith ("Smith") has served as Bright Health's Chief Financial and Administrative Officer at all relevant times. Smith signed or authorized the signing of the Registration Statement filed with the SEC.

20. Defendants Mikan and Smith are sometimes referred to herein collectively as the "Exchange Act Individual Defendants."



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