FRAUD DISCOVERY AND SHORT SELLING: FROM LUCKIN COFFEE TO EHEALTH, THE BRAND NEW SHORT BY MUDDY WATERS

BSAMC – Research, Market Insights

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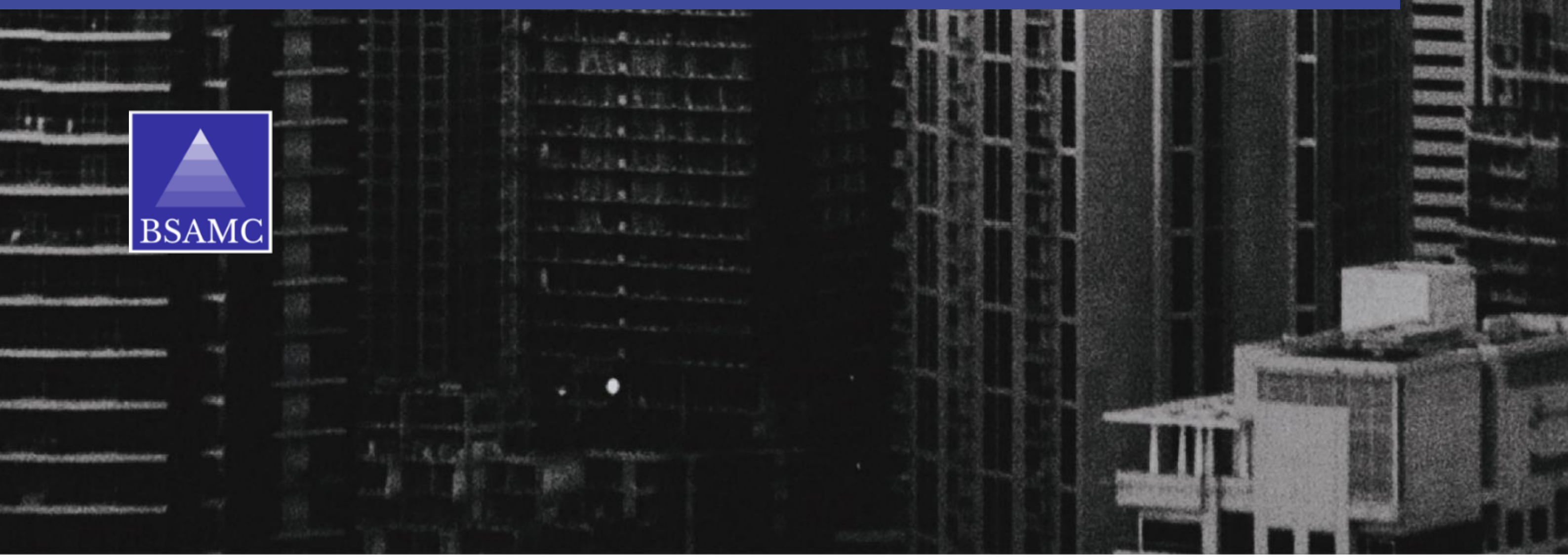

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Abstract

On the last day of January 2020, Muddy Waters Research, affiliated to serial short-seller Muddy Waters Capital LLC, came under the spotlight, after publishing a report on Twitter claiming that Chinese company and Starbucks' competitor Luckin Coffee had posted false and misleading financial and operating figures. After only three months, this action resulted in an internal investigation finding Luckin Coffee's COO responsible for manipulating revenue figures, the start of a formal investigation for fraud by the China Securities Regulatory Commission, and about 76% free fall of Luckin Coffee's share price.

After Luckin Coffee, few new shorts and related reports by Muddy Waters have followed. The analysis starts by introducing the activity of Muddy Waters, also citing other companies acting similarly (e.g., Wolfpack Research, with a current short on the "Chinese Netflix" iQiyi). Then, there will be an occasion to allow for a brief recap of Luckin Coffee's story and other past examples of successful fraud discoveries. The analysis will later focus on the last company shorted by Muddy Waters, namely eHealth, by doing an "analysis of an analysis," showing the main reasons behind the short recommendation and clarifying our observations and comments.

1. An introduction to fraud discovery related short selling

1.1 Muddy Waters' activity and methodology

"Muddy waters make it easy to catch fish": in other words, opacity paves the way for opportunistic behaviors. This is the Chinese proverb from which Carson Block, an American short seller, took inspiration to name his investment company: Muddy Waters. Block has been described by Bloomberg News as "one of the most successful bears" alive. The American short-selling activist has the mission to assess the company's true worth, fostering transparency, and seeing through the opacity and hype that some companies might create, no matter how unpopular it might be.

Muddy Waters is formally divided into two entities, namely Muddy Waters Research and Muddy Waters Capital. Muddy Waters Research provides research material to the latter to support short trades based on three main grounds:

- Business fraud, focusing on issuers that have massively overstated their revenues;
- Accounting fraud, concentrating on companies that boost profits illegally;
- Fundamental problems, discussing opaque businesses having relevant issues that the market does not yet perceive.

Western investors and their regulatory systems seem to be unprepared to operate in "muddy waters" environments. As a result, many sub-par Chinese companies, among others, have found ways to elude the system and trade at inflated values. Muddy Waters claims to see through the mist and reach a company's true value. Throughout their successes and struggles, Muddy Waters' directors, who significantly invested in China, were able to develop the necessary knowledge and contacts to navigate in blurred conditions prosperously. Muddy Waters has a particular methodology which makes it successful: prior to building financial models and making valuation assumptions, they deconstruct the company's business to understand to what extent key investment assumptions are true. Throughout their process, they normally identify Chinese companies listed overseas whose stocks are found to be overvalued by at least 30%.

1.2 Other companies acting like Muddy Waters: the case of Wolfpack Research and its recent short on iQiyi

Muddy Waters is not the only company that has taken this path, as the case of Wolfpack Research and its recent short on iQiyi show. In a tweet (see Figure 1 below) posted on April 7, 2020, Wolfpack Research stated that the so-called "Netflix of China," iQiyi, inflated its 2019 revenue by approximately RMB 8 to 13 billion, overestimating it between 27% to 44%. This was possible for the Chinese firm "by overstating its user numbers by 42% - 60%" and "then, inflating its expenses, the prices it pays for content, other assets, and acquisitions to burn off fake cash to hide the fraud from its auditor and investors." It is evident the crucial role of investment firms like Muddy Waters and Wolfpack Research for the efficiency of the market and the improvement of transparency and fairness concerns in the modern socio-economic structure.

Wolfpack Research @WolfpackReports · 7 apr
Wolfpack is short $IQ. Our research shows that $IQ was committing fraud well before its 2018 IPO and has continued to do so since. We est IQ inflated its 2019 revenue by approx RMB 8-13 billion, or 27%-44% and overstates its user numbers by approx 42%-60% wolfpackresearch.com/iq-netflix-of-...
29 70 153

Wolfpack Research @WolfpackReports · 7 apr
Our claims are supported by extensive on the ground due diligence in China, including >1,500 in-person surveys of $IQ users and detailed reviews of dozens of Chinese filings. A big thanks to @muddywatersre for assisting in the massive amount of due diligence done on this project.
1 6 32

Wolfpack Research @WolfpackReports · 7 apr
Our surveys in China found approximately 32% of $IQ's "paying subs" have access $IQ's VIP content memberships with $IQ's partners. $IQ records the full amount of revenue and records its partners' share as expense, inflating revenues and burning off fake cash at the same time.
2 3 22

Figure 1 – Wolfpack Research tweets about its short on iQiyi on the 7th of April 2020.

1.3 An example of a failed short trade related to a supposed fraud: Bill Ackman on Herbalife

Not as successful in its shorting history as the previous two companies have been the unfortunate case of Bill Ackman and Herbalife. In 2012, his investment firm, Pershing Square Capital Management (PSCM), through one or more of its managed funds, bet USD 1 billion in the hope that the company's stock would crash to ground. He addressed it as a crooked pyramid scheme, with a sketchy and unsustainable business model. Initially, Herbalife's stock plunged, but eventually rebounded and never really proved Ackman's forecast to be correct. After the billionaire Carl Icahn took an exactly opposite position against him, Ackman's strategy backfired, leading to further losses. Only in 2018, after more than five years, PSCM closed its short position putting an end to this investment bloodbath (see Figure 2 below, with red vertical lines representing approximate entry and exit dates of trade).

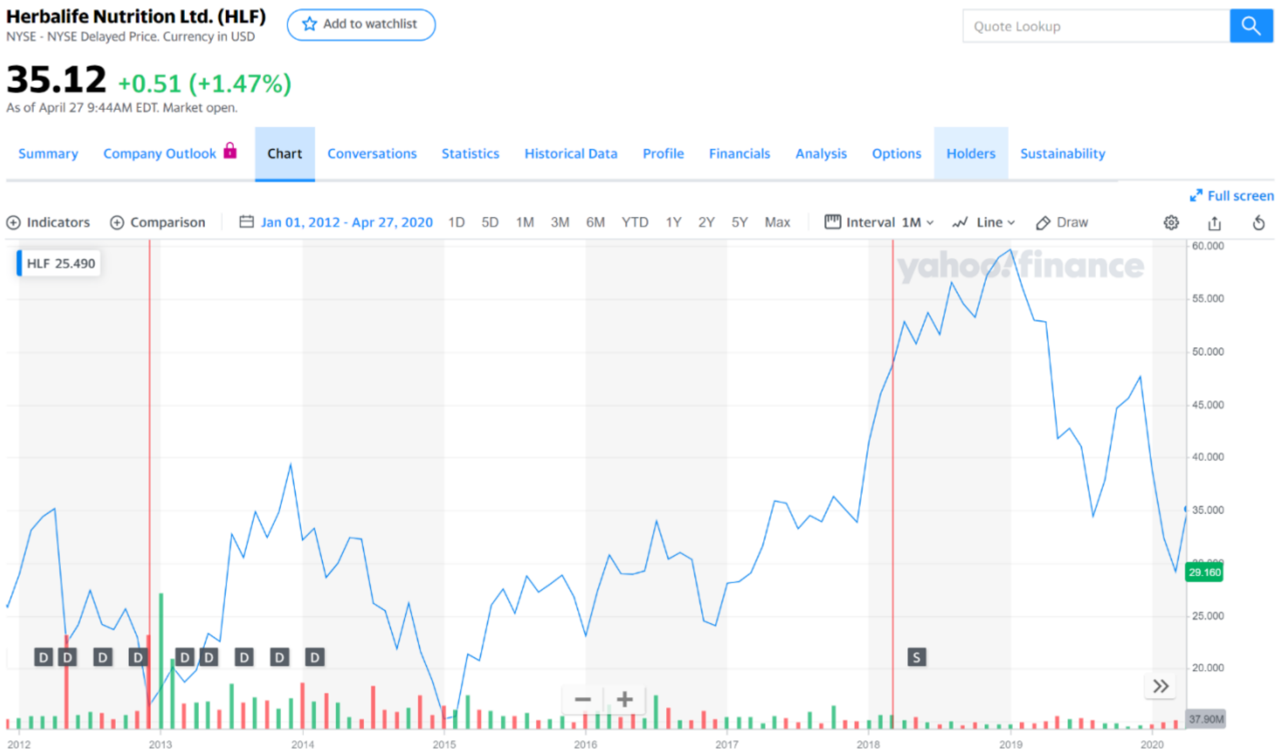

Figure 2 – Herbalife Nutrition stock price performance from 1st January 2012 until today (27th of April 2020).

2. A historical recap of past successful fraud discoveries by Muddy Waters

We report three examples of past successful shorts by Muddy Waters, respectively on Burford Capital, NMC Health and Luckin Coffee:

- On the 7th of August 2019, Muddy Waters targeted *Burford Capital*, a company that finances lawsuits and takes a cut of the winnings. Result? An astonishing fall of about 70% in shares' price in just two days. Muddy Waters claimed that "Burford Capital manipulated its performance metrics and abused the latitude afforded it under fair value accounting." Muddy Waters had found data that proved Burford had been misrepresenting its ROIC (Return On Invested Capital) and IRR (Internal Rate of Return), as well as the state of its business. Muddy Waters identified with extreme detail the methods used by the shorted company to manipulate ratios;
- On the 17th of December 2019, *NMC Health*, a healthcare chain and distribution giant based in the United Arab Emirates, but operating several hospitals, medical centers and pharmacies worldwide, with over USD 5 billion in market cap, has been accused by Muddy Waters of understating debt on its balance sheet. It was revealed only later that an amount of USD 2.7 billion in debt had not been reported, with suspects on the disclosure of cash balances. The accusations made in the report published by Muddy Waters have sent the London-listed firm's market cap down to the abyss, with the stock

price plummeting around 47% in only three days of trading. And the story did not end here, as shares in the UAE-based company were suspended around two months ago, with the company placed into administration in April, following an application from one of the company's biggest lenders, Abu Dhabi Commercial Bank. A few days ago, NMC Health requested its shares to be delisted from the London Stock Exchange;

- On the 31st of January 2020, Muddy Waters shorted the Chinese company and Starbucks' rival *Luckin Coffee*, accusing them of publishing false and misleading financial and operating figures. This publication leads to a formal investigation for fraud by the China Securities Regulatory Commission and an about 76% collapse in stock price, in particular after the official disclosure that several employees including its COO had fabricated transactions for much of 2019, amounting to more than USD 300 million in falsified sales.

On all the three occasions, Muddy Waters reports have proved to have a significant impact on the targeted company, contributing to improving accounting practices' quality and investors' awareness on the matter. To provide a measure of the rise in global public interest around Muddy Waters' activity over the last year, we performed a series of simple researches on Google Trends, setting as search terms "Muddy Waters Research" and the names of each single shorted company. We provide the output of the first research in Figure 3 below. As shown by the graph, we can easily distinguish two peaks in the public interest for the short-selling company, one around the report publication date regarding Burford Capital (beginning of August 2019) and one around the report publication date concerning eHealth (beginning of April 2020), with a contribution also given by the effect of the start of the formal investigation on Luckin Coffee.

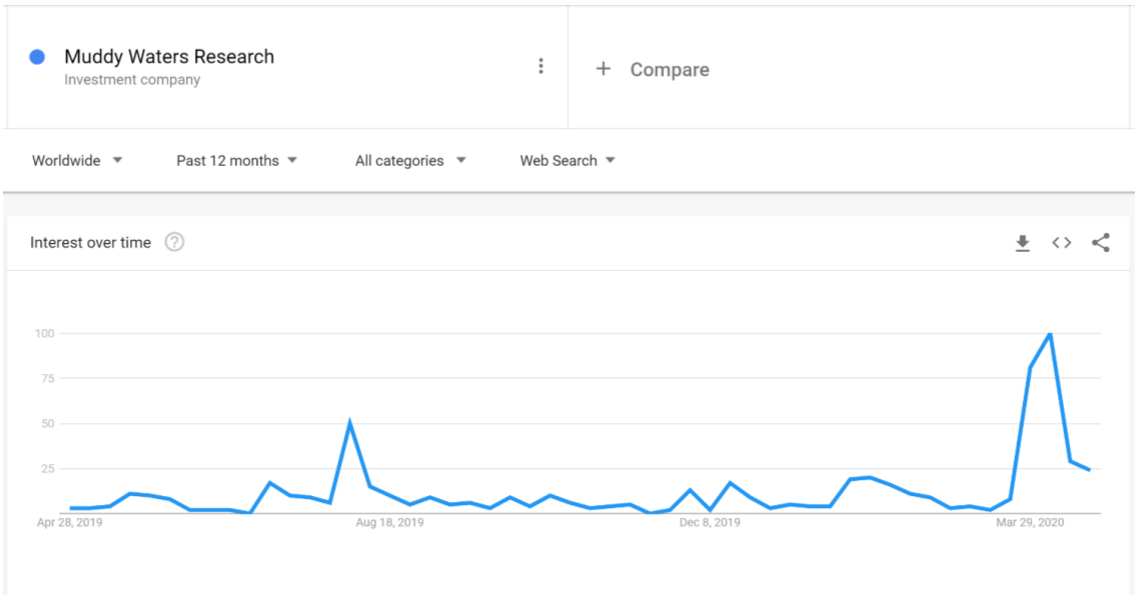

Figure 3 *– Google Trends searches for "Muddy Waters Research." World April 2019 – April 2020.*

3. eHealth: an analysis of an analysis

In this section, we will concentrate on the core of our research, namely the analysis of the very recent short announcement on the online insurance company eHealth by Muddy Waters. We will firstly recap briefly the events which occurred since the 8th of April 2020, date of the report publication. Then, we will describe the company and its industry, as well as financials, and present the results of a DCF valuation of it. We will lastly comment on the most important accusations and dubious points raised by the report, building on them and providing a critical view of the facts.

3.1 What happened on the 8th of April?

Block, Muddy Waters' CEO, in addition to a tweet made on the same day, disclosed a clear position on eHealth, an American digital health insurance company, in an interview on CNBC on the 8th of April 2020. He said he does not believe the company is a "fraud," but he does see it as "a massive stock promotion." In his opinion, eHealth makes "overly optimistic" modeling assumptions concerning its health insurance plan time values (LTV)[1], obscures customer churn rates[2], and materially understates costs. These are the allegations raised by Muddy Waters. As a result, Block sees its reported revenues and operating profit as inflated and advances an adjustment of the 2019 revenue down by USD 128 million or 25% and of 2019 operating profit down by USD 263 million.

Indeed, the firm is now using a mark-to-model accounting method that allows it to book all revenue from a client upfront (technique infamously used by Enron to boost its revenue growth figures). Moreover, eHealth has been relying on direct response TV advertising to drive Medicare Advantage growth, a method he claims attracts "unprofitable, high churn enrollees." Muddy Waters charges are also addressed to eHealth's management more specifically, accused of running, as anticipated before, "a massive stock promotion": corporate insiders have recently dumped nearly USD 35 million of their personally held stock at artificially inflated prices. This includes CEO Scott Flanders, who sold 15% of his stake in January 2020 alone.

Here is reported (Figure 4 below) the tweet Muddy Waters Research published on its account on the day of the announcement. The announcement (made on the 8th of April 2020) had a severe impact on eHealth shares' price, which experienced an immediate intraday huge decline of around 17% (Figure 5 below, with the red vertical line representing announcement date).

[1] It is a prediction of the net profit attributed to the entire future relationship with a customer.

[2] Also known as the rate of attrition or customer churn, it is the rate at which customers stop doing business with an entity. It is most commonly expressed as the percentage of service subscribers who discontinue their subscriptions within a given time period.

Figure 4 – Muddy Waters tweet about its short on eHealth on the 8th of April 2020.

Figure 5 – eHealth stock price performance (January 2020 – Beginning of May 2020).

3.2 Health insurance industry outlook

The health insurance industry is a subsector of the insurance sector, which specializes in providing customers with insurance products that financially cover the risk of incurring medical expenses. Revenue is primarily generated through premium payments by customers and from the reinvestment of these funds.

Globally, the size of the revenues of this market has been estimated to be around USD 1.4 trillion in 2018, with more than USD 1 trillion produced only in the United States, with a five-year annual compound growth rate of ca. 4.2%. The main drivers of this extraordinary growth can be identified in a stronger development of the Asian market, an expanded geriatric population, and the favorable economic conditions of the recent years, which allowed increased spending on healthcare. Other crucial factors are the prevalence of chronic diseases, higher medical costs, and governmental policy initiatives, which will possibly allow new insurance products. An element that heavily hinders this growth is the low-interest rates that insurance firms can obtain on their invested assets, which in 2018 accounted for 21% of their revenue.

Figure 19: L&H Sector Annual Net Investment Income ($ thousands) and Net Yield on Invested Assets (%)

	2014	2015	2016	2017	2018
Net Investment Income	$ 171,733,049	$ 170,760,967	$ 173,025,713	$ 182,255,857	$ 187,296,188
Total Cash & Investments	3,631,569,037	3,703,872,525	3,891,873,165	4,074,792,672	4,120,824,800
Net Yield on Invested Assets	**4.83%**	**4.66%**	**4.56%**	**4.58%**	**4.57%**

Source: S&P Global

Figure 6 – Life & Health (L&H) insurance industry (or sector) data on the yield on invested assets (2014-2018).

In the U.S., companies that operate in the health insurance industry can be both public and private. Public healthcare coverage provides a primary type of service to individuals who meet certain eligibility requirements, with programs such as Medicare, Medicaid, Children's Health Insurance Program, and Military Health Benefits. However, private health programs are purchased on a group basis or by individual consumers, although most Americans receive it as a part of an employer-sponsored program. The sector is highly concentrated as in 2017, out of more than 900 firms, the top 10 accounted for more than half of the revenue, and the top 100 accounted for more than 95% of the revenue. This is attributable to the over 400 mergers which leading insurers have carried out from the mid-1990s to the mid-2000s. In 90% of markets, the largest insurer controls at least 30% of the market, with the largest insurer controlling more than 50% of the market in 54% of metropolitan areas.

Though being also the healthcare providers market, which is the health insurance market input, highly concentrated, insurers usually have little leverage to control the prices they pay. Large insurers frequently negotiate "most-favored-nation" clauses with providers, agreeing to raise rates significantly while guaranteeing that providers will charge other insurers similar higher rates. Public health insurance programs typically detain more bargaining power due to their greater size, thus being able to pay lower prices and leading to slower cost growth. However, the overall trend in health care prices has led to public programs' costs to grow at a rapid pace.

The firms operating in the Life & Health (L&H) insurance industry are characterized by high net leverage, which takes into account written premiums, policyholders' surplus, and other liabilities, excluding premiums, turned over to reinsurers. The L&H insurance industry's net leverage ratio of 11.42 and the liabilities-to-equity multiple of 9.91 at year-end 2018, reflecting general account liabilities of USD 4.0 trillion, as a multiple of capital and surplus, were unchanged from the previous year. Net premiums, annuities, and considerations have averaged 1.73 times of capital and surplus per year post-crisis. The L&H insurance industry's sound financial health is further supported by its liquidity position, despite recent adverse trends such as the increase in surrender activity and benefits payments over 2017 and 2018.

Below (Figure 7) it is provided a summary of main eHealth and peers' data:

PEER GROUP: Insurance Carriers and Related Activities

Ticker	Company Name	Recent Price ($)	Market Cap ($M)	Price/ Earnings	Net Sales TTM ($M)	Net Income TTM ($M)
EHTH	**EHEALTH INC**	**126.25**	**3,189**	**42.22**	**543.84**	**75.50**
BRO	BROWN & BROWN INC	34.59	9,807	24.53	2,392.17	398.51
MMC	MARSH & MCLENNAN COS	92.59	46,674	27.23	16,653.00	1,742.00
AON	AON PLC	174.77	40,699	27.52	11,013.00	1,532.00
CRD.A	CRAWFORD & CO	6.44	332	29.27	1,047.63	12.49
CRD.B	CRAWFORD & CO	6.01	332	27.32	1,047.63	12.49
BFYT	BENEFYTT TECHNOLOGIES INC	24.18	319	9.75	381.81	29.61
WLTW	WILLIS TOWERS WATSON PLC	177.00	22,784	22.07	9,039.00	1,044.00
FNHC	FEDNAT HOLDING COMPANY	10.94	157	109.40	414.96	1.01
AJG	ARTHUR J GALLAGHER & CO	74.82	14,186	21.26	7,195.00	668.80
FANH	FANHUA INC -ADS	20.04	1,395	41.75	532.24	27.13

The peer group comparison is based on Major Insurance Carriers and Related Activities companies of comparable size.

Figure 7 – eHealth and its main peers' data (as of 23rd of April 2020).

3.3 What is eHealth (EHTH)?

eHealth is an online marketplace that offers consumers insurance products, including Medicare plans, individual and family health insurance, together with small business insurance and ancillary health insurance products. It operates in the segments of Medicare and Individual, Family and Small Business, with the first covering the large majority (84% as of 2018) of company revenue. It has roughly 1,500 employees. As for the target audience, they focus mainly on the United States and China. Here is a short SWOT analysis of the firm:

STRENGTHS	WEAKNESSES
- Strong free cash flow - Automation of activities brought consistency and quality in products - Good returns on capital expenditures - Strong dealer community - Highly skilled workforce - Strong distribution network	- Days in inventory high compared to competitors - Not good integration of different work cultures - Gaps in product ranges - Financial planning not accurate - Investment in R&D below average - No good demand forecasting
THREATS	**OPPORTUNITIES**
- Shortage of skilled workers in some areas - Potential lawsuits and bad reputation due to reports - COVID-19 issues - Changing consumer buying and tastes - Imitation through counterfeit and low-quality products	- Organization core competences can be successful in similar domains - Market development can enable eHealth to increase its competitiveness - New technologies

3.4 Main company data

As for the main company data, here are some points to be looked at:

- Revenues of USD 301.75 million for Q4 2019 (compared to year-ago revenues of USD 134.92 million); the company has topped consensus revenue estimates four times over the last four quarters;

- Revenue for Q1 2020 was USD 106.4 million, a 55% increase compared to USD 68.8 million for the Q1 2019;

- Adjusted EBITDA was USD 11.1 million for Q1 2020, compared to USD 8.6 million for Q1 2019;

- EPS: quarterly earnings of USD 4.13 per share (compared to earnings of USD 1.61 per share a year ago, surpassing consensus EPS estimates four times), with an earnings surprise of around 66%. A quarter ago, it was expected a loss of USD 0.60 per share, when eHealth produced a loss of USD 0.43, delivering a surprise of around 28%;

- Net cash provided by operating activities for the first quarter of 2020 was USD 8.9 million, compared to USD 12.7 million for the first quarter of 2019.

In general, from the data reported above, it seems a very good performance, even above expectations. Why? eHealth's first-quarter performance is likely to have benefited from strong revenues at its Medicare segment. The segment is likely to have gained from the company's strategic efforts to increase enrolment in its Medicare Advantage (MA) plan and retain existing customers. These results are also likely to reflect softer revenues in Individual, Family, and Small Business segments. Still, high costs incurred for enhancing the company's existing set of capabilities in a bid to boost Medicare business is likely to weigh on the first-quarter performance.

3.5 An analysis of critical and suspicious points in Muddy Waters' report and their rationale

Muddy Waters' report sheds light on dubious practices of eHealth in terms of revenues calculations and accounting practices in general.

More specifically, it highlights that the key driver of growth since 2018 has been EHTH's reliance on direct response television. Advertising started in 2018 (increased by 88% in 2019), and it brought to an increase in customers, but it seems it has not created any value so far. Such customers were regarded by eHealth as low churn ones, while Muddy Waters points out that their churn rate was quite high: while in 2017 it represented 36% of cases, it kept growing up to 46% in 2018 and 47% 2019. Almost half of their new clients would have dropped them in the very near future, but such full numbers were used to calculate projections on growth and revenues, leading to over-inflated estimates. Building on this point, the management not only manipulated the presentation of churn rates to be misleadingly low but also pushed for calculating LTV on the assumption that customers remained clients for 3 years and kept on spending as at the beginning. This practice of estimating lifetime values means that EHTH booked three years of future sales for an application, even though it should expect to lose 47% of its members over the first-year post-sale.

This is the main rationale behind Muddy Waters' adjustment of revenues downward of 25% and the implied remaining life to 2.34 years (a more conservative estimate considering the 47% churn rate would have been 2.1 years). To sum up, these adjustments corrected the overestimation of future commissions booked as upfront revenue by approximately USD 128 million (meaning that sales are exaggerated by 33.8%) and dropped the 2019 MA LTV by 28.1% or $285.

Muddy Waters arrives then to express, with a fairly simple calculation based upon MA unit economics considering contribution margin and fixed costs, that eHealth is unprofitable: MW estimates a loss of around USD 400 per MA customer (see Figures 8 and 9 below).

eHealth Medicare Advantage Unit Economics	
Stated LTV	$ 1,013
Life Impact	$ (285)
Adjusted LTV	**$ 728**
Retention & Service Cost Impact	$ (226)
Acquisition Costs	$ (637)
Contribution Margin	**$ (135)**

EHTH MA Unit Economics, Including Fixed Costs	
Contribution Margin	$ (135)
Fixed Costs	$ (267)
Unit Profit	**$ (402)**

Figure 8 & 9 – Estimated contribution margin and unit profit (loss) per Medicare Advantage (MA) unit.

Concerns on Muddy Waters' side are also related to the figures of the CEO and its collaborators. Mr. Flanders, who had no prior operational experience in healthcare, accepted the CEO job, appointing an equity analyst as his number two. Muddy Waters argues that such a couple could easily be better at knowing how to "tell a story" to the market, rather than properly marketing consumers and grow revenues. Recent stock selling by insiders, especially by Mr. Flanders, makes everything even more alarming: he sold 15% of his stake in January 2020 alone, with a total monetized value since the beginning of 2019 amounting to around USD 26 million on total insiders' sales of about USD 35 million.

3.6 DCF valuation output

A DCF valuation exercise follows to give the reader a broader idea of the company and its expected performance.

YEAR	2019	2020	2021	2022	2023	2024	TV
Net Income	66,89	76,67	87,88	100,73	115,46	132,35	116,21
Depreciation	2,98	3,42	3,92	4,49	5,15	5,90	
Capex	6,64	7,61	8,73	10,00	11,46	13,14	
Change in working capital	-6,01	-6,88	-7,89	-9,05	-10,37	-11,88	
Net debt Issued	-5,10	-5,85	-6,70	-7,68	-8,81	-10,09	
FCFE	64,13	73,51	84,26	96,59	110,71	126,90	106,14
PV	64,13	70,42	77,32	84,90	93,22	102,35	2.282,48
Equity	2.710,69						
SHAREHOLDER VALUE	**107,32**						

Risk Free Rate (US)	0,64%
Industry reinvestment Rate	8,67%
Implied risk premium	5,07%
Tax Rate	21,00%
Levered Beta	0,740
Expected growth rate	14,6%
Cost of Equity	4,39%
Shares Out.	25,26

Figure 10 – DCF valuation output (USD and USD million).

Main assumptions of the model:

- To determine the intrinsic value of the company, growth over the explicit forecast period of the next 5 years has been set equal to market consensus, namely 14.6%, and current figures are maintained as reliable (so, the valuation is management-driven and unadjusted for Muddy Waters observations); although the company has been able to maintain high earnings growth in the past, there is a lack of consistency with high volatility regarding its margins;

- A levered beta equal to 0.74 has been used;

- The risk-free rate is the yield to maturity on U.S. Treasury 10-years bonds, implemented to calculate the cost of equity (the discount factor in the model), as well as the growth rate in perpetuity;

- It is considered to be more appropriate, taking into account the fact that the company has no interest-bearing debt. The discounted factor for the terminal value is calculated with the industry beta equal to 0.74 and an industry reinvestment rate according to the expected growth in a stable period.

It is possible to argue that the company is trading at about fair value. We estimate a fair price of USD 107 per share, not far from the current trading price (around USD 106 per share). It is to be noted that:

- the starting net income is unadjusted, leaving plenty of room for supporting a short recommendation;

- the pre-publication stock price was around (and also above) USD 130, while the stock price on the 8th of April (publication date) was around USD 103.

4. Conclusions

4.1 Latest developments

Starting on the 22nd of April 2020, an almost infinite series of lawsuits and investigations began to hit eHealth, as shown in the image below (Figure 11).

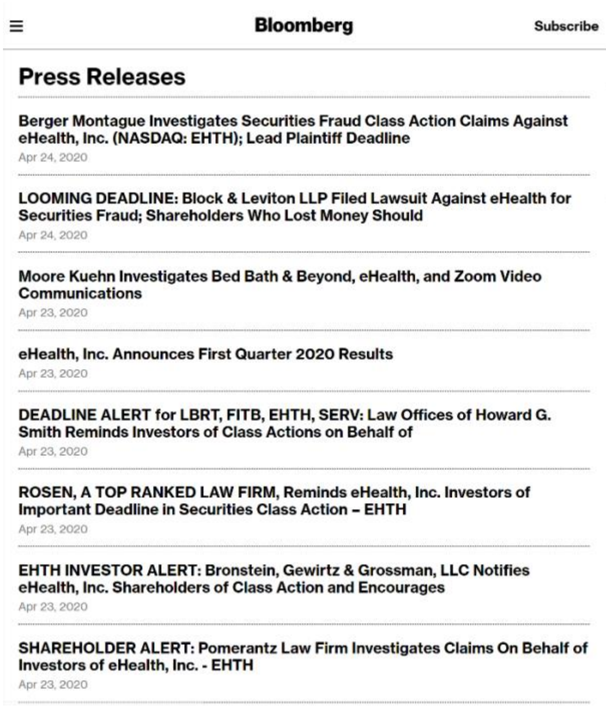
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Figure 11 – Bloomberg news reported new lawsuits and investigations against eHealth.

These events were followed by a sudden drop in the stock price by around 13%. It is to be noted that on the 23rd of April, Q1 results were out: no words about Muddy Waters and its report content were mentioned neither in the quarterly financial report nor in the related press statement, demonstrating the fact that eHealth is ignoring Muddy Waters' action.

4.2 Our recommendations and final considerations

In our opinion, Muddy Waters justified well and relatively simply the adjustments. It was even maybe condescending, in the sense that it could have pushed even more downwards and conservatively its estimates. We believe the share price drop is justified, as well as the beginning of various lawsuits and investigations against the company.

Knowing that our DCF valuation took into account unadjusted income figures and market consensus growth rates, we believe that there is room for confidently saying at least that eHealth is not a buy. At maximum, we believe eHealth a hold or a sell stock.

The rise of public awareness for the eHealth case, as shown by stockholders' activism and lawyers' moves of the last past days, invites us to reflect on the need for a careful and deep analysis of financials and audit reports to expose eventual frauds and broken business models: a new future norm that asset managers should be careful about.

Occurrences like this one should ultimately lead to more attention to the investments that asset managers make.

Lastly, we can argue that shorting is surely an opportunity in our current investment environment, characterized by low returns. In addition to this, there is a crisis that awaits: this difficult situation driven by COVID-19 emergency should expose troubled companies most and make them live difficult times. As stated by Warren Buffet, "only when the tide goes out to do you discover who's been swimming naked." The previous consideration would make us think that a short on eHealth becomes more advisable due to the current crisis-scenario in the stock market, which should ultimately reveal a potential bad actor like eHealth.

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