

# Clover Health joins meme stock club

## Article

**The news:** The US-based insurtech, which went public via a [\\$3.7 billion](#) SPAC in January, saw its share price surge **86%** on Tuesday after **Reddit** put the stock in their sights, [per](#) Bloomberg.

**Meme stocks explained:** As with video game retailer **Gamestop's** shares in January, Reddit forums like r/WallStreetBets continue to create herd mentality among retail investors barrelling through the stock market, [as](#) Insider Intelligence expected.

**For these retail investors, meme stocks fulfil three functions:**

- **Punishing short sellers.** Clover Health short sellers, who believed the stock was overvalued, were down \$438 million in mark-to-market losses. GameStop short sellers lost over \$5 billion.
- **Perplexing the markets “for the memes”—i.e., it’s just funny.** Reddit posts on r/WallStreetBets highlight how members make seemingly irrational investment decisions for the joy of duping financial institutions.
- **Pump and dump.** The artificially inflated share prices can maximize profit for the lucky few who invest early.

**Here's something Redditors may not know about Clover:** They may not have dived into Clover’s fundamentals before investing, but the insurtech’s business model could be primed for growth.

It’s participating in a new experimental **Center for Medicare & Medicaid Services program** trying to lower Medicare costs by paying select companies directly to deliver care—a model that should incentivize doctors to focus on quality of care rather than quantity of services. The large population of Medicare patients that Clover Health will now be assigned to under the program is expected to swell its consumer base: Clover execs projected the insurtech will cover 273,000 people this year alone, compared with just 57,000 people as of October 2020.

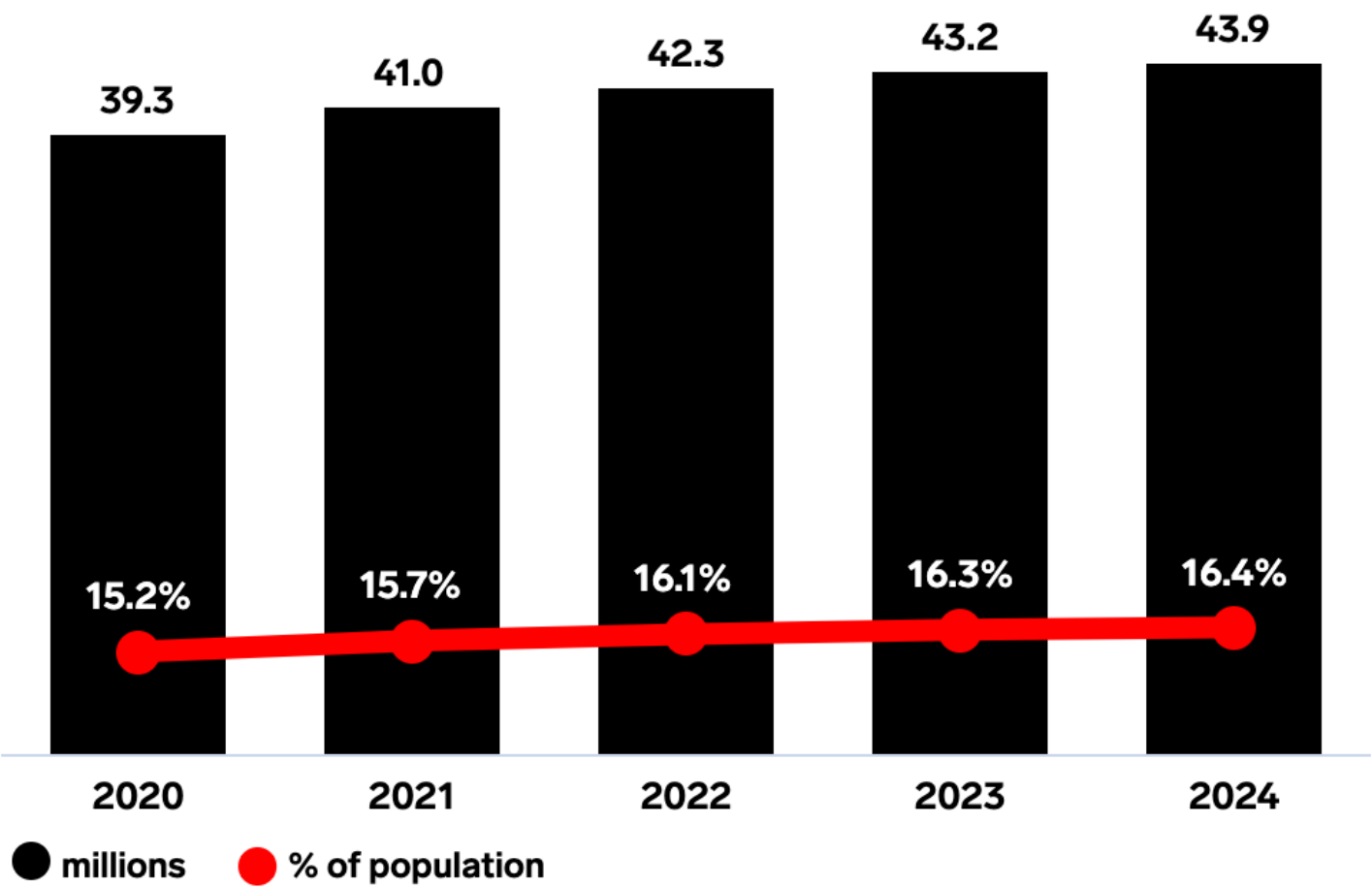
**What does this mean for Clover?**

- **Our Digital Health analyst’s take: Clover can capitalize on its share price surge to fund product development and expansion.** Gamestop, for example, plans to sell up to **\$5 million** in shares amid the trading frenzy and will use the proceeds to speed up its ecommerce overhaul. Clover’s share price spike, if it holds, could similarly fund expanding its suite of tech-focused virtual care tools to zoom ahead of rivals like health insurtechs Bright Health and Oscar Health, which both filed plans to go public in this year.

**Our Fintech analyst’s take: Meme stocks don’t last—so it may not be such a blessing.** Clover’s share price was down 23% on Wednesday after other stocks caught Redditors’ attention, suggesting its memefied fame could be fleeting. And while becoming a meme stock can boost brand awareness, this could actually be bad publicity for a health insurance provider: Health insurers handle very sensitive consumer data and already struggle with wavering trust among policyholders, so getting embroiled in a Reddit joke may actually tarnish its reputation as a serious provider.

# Digital Brokerage Users

US, 2020-2024



Source: eMarketer, August 2020

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