

Inspire Medical Systems(Q1 2026)

May 4, 2026

Corporate Speakers:

- Ezgi Yagci; Inspire Medical Systems; Vice President of Investor Relations
- Timothy Herbert; Inspire Medical Systems; Chairman, Chief Executive Officer
- Matthew Osberg; Inspire Medical Systems; Chief Financial Officer

Participants:

- Lilia-Celine Lozada; JPMorgan; Analyst
- Jonathan Block; Stifel; Analyst
- Adam Maeder; Piper Sandler; Analyst
- Christopher Pasquale; Nephron Research; Analyst
- Anthony Petrone; Mizuho; Analyst
- Travis Steed; BofA; Analyst
- Larry Biegelsen; Wells Fargo; Analyst
- Richard Newitter; Truist Securities; Analyst
- Michael Polark; Wolfe Research; Analyst
- Shagun Singh; RBC Capital Markets; Analyst
- David Rescott; Baird; Analyst
- Michael Sarcone; Jefferies; Analyst
- Brett Fishbin; KeyBanc Capital Markets; Analyst
- Daniel Markowitz; Evercore ISI; Analyst
- Michael Kratky; Leerink Partners; Analyst

PRESENTATION

Operator^ Good afternoon. (Operator Instructions) At this time I'd like to welcome everyone to the Inspire Medical Systems first quarter 2026 Conference Call. (Operator Instructions)

I'll now hand the conference over to your first speaker, Ezgi Yagci, the Vice President of Investor Relations at Inspire.

You may begin the conference.

Ezgi Yagci^ Thank you, Duluem. And thank you all for participating in today's call. Joining me are Tim Herbert, Chairman and Chief Executive Officer; and Matt Osberg, Chief Financial Officer.

Earlier today we released financial results for the three months ended March 31, 2026. A copy of the press release is available on our website.

On this call, management will make forward-looking statements within the meaning of the federal securities laws. All forward-looking statements including without limitation those relating to our operations financial results and financial condition, investments in our business, full year 2026 financial and operational outlook and changes in market access and different aspects of coding and reimbursement are based upon our current estimates and various assumptions.

Forward-looking statements involve material risks and uncertainties that could cause actual results or events to materially differ. Accordingly, you should not place undue reliance on these statements.

For a discussion of these risks and uncertainties, please see our filings with the Securities and Exchange Commission including our periodic reports on Form 10-K and 10-Q as well as the Form 10-Q which we filed this afternoon with the SEC for the quarter ended March 31, 2026. Inspire disclaims any intention or obligation except as required by law, to update or revise any financial projections or forward-looking statements whether because of new information, future events or otherwise. This conference call contains time-sensitive information and speaks only as of the live broadcast today May 4, 2026.

With that, it is my pleasure to turn the call over to Tim Herbert. Tim?

Timothy Herbert^ Thank you, Ezgi, and thanks everyone, for joining us today.

On the call today I will start by providing some key takeaways of our first quarter results including an update on coding and reimbursement.

I will also provide some insight into our revised outlook for the year, and we'll then turn it over to Matt, who will provide additional insights on our first quarter and full year financials.

We will then open up the call for questions.

First, I want to highlight how pleased we are with the team's execution in the first quarter. Despite challenges related to coding and reimbursement uncertainty as well as the WISer program, the organization delivered revenue growth and improved adjusted operating income and operating cash flow compared to the prior year period.

In this environment, it is critical that we focus on the factors within our control.

Our first quarter results demonstrate this as well as our focus on prioritizing revenue-generating activities and maintaining disciplined cost management while continuing to make targeted investments to support long-term growth.

We believe these actions position the company well both in the near and long term.

As we progressed through the first quarter, we saw many developments with respect to coding and reimbursement, and we are diligently working to establish a consistent methodology to coding of the Inspire V procedure in the short term. The long-term solution is to establish a new CPT code for a single lead Inspire System. This is a long process, and if approved, we expect this new CPT code to become effective on January 1, 2028.

Therefore we are establishing short-term remedies for the various payers to bridge until the new CPT code is in place.

For a center is concerned with the Inspire V reimbursement, we have inventory of Inspire IV which has proven itself to be an extremely effective therapy with clear coding and reimbursement.

As for coding for Inspire V systems, we are working with physicians, centers, and payers to establish clear and consistent coding and reimbursement guidelines and there was progress in the first quarter.

For Medicare patients, the Centers for Medicare and Medicaid Services, or CMS, announced the creation of a C code to be used with Inspire V procedures. And the Medicare administrative contractors or MACs, are beginning to incorporate the C code into their local policies. This provides a reliable solution for hospitals and ambulatory surgical centers and importantly, the facility payment is equal to the Inspire IV CPT code 64582.

Staying with Medicare, for physicians, currently, the MACs list the Inspire IV CPT code 64582 without the use of a modifier. As such, the majority of Medicare cases this year have been billed without the use of a modifier, and we will continue to monitor this throughout the year.

At this point, the commercial payers continue to list CPT code 64568 for Inspire V procedures. There is guidance provided by societies including a nonbinding newsletter from the American Hospital Association recommending the use of an unlisted CPT code, specifically 64999.

However, the use of an unlisted code requires manual reviews and additional support from centers.

Because of this, many centers and payers may be reluctant to adopt the use of this unlisted code. The good news for commercial payers is each case is prior authorized, meaning the billing code is approved in the prior authorization before the procedure, significantly reducing payment uncertainty for the center.

Medicare Advantage is managed by commercial payers and we recommend consistent coding practices as defined by the payer, and Medicare Advantage patients are also prior authorized. Although challenging, there has been progress in coding and reimbursement.

And we've seen initial billing practices being established by physicians and centers in response to the changes in coding.

However, we recognize that significant uncertainty remains, and we will continue to support our customers as they navigate the path forward. This coding uncertainty has adversely impacted the number of patients in the pipeline including the number of prior authorizations submitted to commercial payers as we moved through the first quarter.

We expect this trend to reverse and improve in the remainder of the year as we continue to support prior authorizations and build confidence in the coding processes and guidelines. To further support patient access to therapy, we are increasing our assistance to customers by providing additional proactive education relating to prior authorization and billing processes, and we are adding to our field reimbursement team.

Our goal is to provide as much clarity to our customers as possible to mitigate disruptions to patient access to care.

Switching to the WISeR program. WISeR is a government initiative requiring AI reviewed prior authorization for Medicare cases in six pilot states and the program kicked off in mid-January of 2026.

During the first quarter, the WISeR program created prior authorization delays for traditional Medicare procedures in the six WISeR states, resulting in a headwind to our first quarter revenue.

As we continue to gain experience working with the new systems in these states, we anticipate the headwinds to abate in the remainder of the year.

With the ongoing coding and reimbursement challenges and the WISeR program impact, we are revising our full-year revenue outlook. In light of our lower revenue outlook and as we demonstrated in the first quarter, we will continue to be disciplined with our spending and focus on prioritizing revenue-generating activities while still making long-term growth investments.

In addition to enhancing our support to customers for proactive education and assistance with prior authorization and billing processes, we are also prioritizing projects to drive an improved patient care pathway, enhanced marketing effectiveness, improved digital product experience, continued R&D for new product development, and operational efficiencies.

We believe that these projects in these areas can begin to deliver returns in the second half of 2026 and accelerate in 2027.

We continue to remain focused on our commitment to put the patient first and deliver strong patient outcomes.

We continue to believe that there is a large untreated population of people struggling with sleep apnea that can benefit from Inspire therapy, and we continue to be encouraged by the strong adoption of Inspire V and the positive data we continue to collect.

At the upcoming SLEEP conference in Baltimore in June, we will be presenting the full results from the Inspire V conducted in Singapore. While we have previewed some of the early data points including inspiratory overlap, this is the first time we will be showing the full trial results including the ability of the new accelerometer-based sensing technology and the safety and efficacy of the Inspire V implant.

Additionally, the Inspire ADHERE trial is now complete. The data from the 5,000-patient cohort will be presented at the SLEEP Conference. This is a real-world cohort demonstrating the effectiveness of Inspire as it is delivered today and builds upon our previous safety and efficacy trials.

We will further highlight the effects of Inspire therapy on cardiovascular outcomes, utilizing a large claims database to retrospectively examine incident cases of cardiovascular disease after Inspire implantation as compared to a matched group of patients receiving CPAP therapy and those not receiving treatment.

At the SLEEP Conference, we will present this study on the cardiovascular outcomes along with two other independent studies using two different claims databases to compare the use of various claims databases in the demonstration of improved cardiovascular and respiratory outcomes associated with Inspire therapy.

In addition, a third independent study from Virginia Commonwealth University was just published in a peer-reviewed journal. The data demonstrated that the Inspire patient cohort had significantly lower odds of stroke, myocardial infarction, atrial fibrillation, acute heart failure, acute respiratory failure, and hospitalization to name a few, with at least two years follow-up.

These strong results suggest Inspire provides systemic cardiovascular and respiratory health benefits and reduces healthcare burden compared to CPAP. We expect further studies to support these findings.

We are happy to report that the PREDICTOR manuscript has been accepted by a major medical journal and we look forward to the publication in the coming weeks. As you are aware, PREDICTOR is the 600-patient study we conducted to demonstrate alternative screening options to replace the drug-induced sleep endoscopy, or DISE procedure, for a large subset of eligible patients, improving the patient experience and reducing the timeline to implant.

Last but not least, last month, we published our 2025 patient experience report. Highlighted in the report is a continued improvement in our revision and explant rates which were 1.7% and less than 1%, respectively, for full year 2024.

In summary, we remain focused on providing the best therapy solution for patients and helping our customers navigate what we believe will be a temporary market disruption related to coding and reimbursement and the WISeR program.

We are actively addressing the challenges posed by this disruption, and we remain excited about our product and the market opportunity to improve the lives of our patients as we've already done for over 135,000 patients since our inception.

We will continue to take actions to position the company for long-term profitable growth. And we believe that we have the right strategies in place to drive long-term stakeholder value.

I'll now turn the call over to Matt for his review of our financial performance.

Matthew Osberg^ Thank you, Tim. And good afternoon, everyone.

First, I'll begin with a review of the first quarter results and then follow with commentary on our outlook for the remainder of 2026.

Revenue increased 1.6% to \$204.6 million, primarily driven by increased market penetration. As Tim mentioned, in the first quarter, we experienced disruption related to coding and reimbursement challenges and the WISeR program, and we estimate that these items adversely impacted revenue by approximately \$20 million.

Operating margin and adjusted operating margin improved primarily driven by gross profit expansion due to a higher sales mix of Inspire V systems.

The effective tax rate increased to 571.2%, primarily driven by tax shortfalls related to our stock-based compensation which were created by a decline in our stock price at award vesting date compared to the stock price at grant date. Additionally, in the prior year period, we maintained a full valuation allowance against Federal and state deferred tax assets.

The adjusted effective tax rate, which removes the impact of stock-based compensation, was 25.7%.

As we mentioned on our fourth quarter call, as we are in a situation where our pretax income is a relatively small base, certain discrete tax charges can have a material impact on our tax rate. Due to the fact that we have a significant amount of stock-based compensation outstanding and due to the volatility of our stock price, the tax impact of stock-based compensation on our effective tax rate can be material and could have significant variability from year-to-year. We expect the tax impact from stock-based compensation will be concentrated in the first quarter of the year as that is when the majority of our vesting of our RSUs and PSUs occur.

Diluted EPS was a loss of \$0.39 and adjusted diluted EPS was \$0.10 for the quarter.

Our adjusted EBITDA margin, which excludes the impact of stock-based compensation, improved 100 basis points to 17.5%.

Turning to cash flow and the balance sheet, operating cash flow was \$12.8 million for the quarter, an improvement of \$20 million compared to the first quarter of the prior year, primarily driven by improved working capital, partially offset by a higher net loss in the current period.

Our balance sheet remains strong with no debt and \$400 million in cash and investments at the end of the quarter. Our strong cash position allows us to remain focused on making investments to drive profitable growth.

We ended the quarter with 284 U.S. territories and 288 U.S. field clinical representatives. We are being strategic in our approach to territory management and optimizing our model through targeted territory consolidation. We hired 13 field clinical reps in the quarter and are now at our goal of one territory manager to one field clinical rep.

Turning now to our 2026 outlook, we are revising our full-year revenue outlook to be in the range of \$825 million to \$875 million. This range incorporates updated assumptions of the expected impact on our full-year results from continued coding and reimbursement uncertainty and the WISeR program.

As I mentioned, our first quarter revenue was adversely impacted by coding and reimbursement challenges and the WISeR program by an estimated \$20 million. We expect the adverse impact of these items to increase to approximately \$40 million to \$50 million in the second quarter as we see a more dramatic impact on our second quarter revenue due to the decline in pre-authorizations in the first quarter. As changes in pre-authorization rates typically impact revenue on a one-quarter lag.

We expect the adverse revenue impact from these items to improve sequentially from the second quarter as we progress into the third and fourth quarters as our customers receive more education and build experience with coding and billing processes and as we continue to gain experience working with the WISeR state systems. For the full year, we are currently estimating the total impact of these items to be in a range of \$120 million to \$150 million.

Due to the nature of the items noted, the estimated impact of these factors on our first quarter results and full year outlook reflect high-level assumptions based on currently available data and incorporate inherent uncertainty related to quantifying how each of these items impact customers, physicians, and patients.

The ultimate impact of these items may differ materially from current expectations based on how quickly coding and reimbursement clarity evolves over the fiscal year.

Although we believe there is a long-term benefit to our market from GLP-1s as prospective patients lose weight and become eligible for Inspire therapy, we also believe that in the short term, our revenue is being adversely impacted by their increasing prevalence and adoption.

Our ability to estimate the potential impact of GLP-1 therapies on revenue is subject to meaningful uncertainty and relies on limited and evolving data regarding patient behavior, physician prescribing patterns, referral dynamics, and payer coverage decisions, and may not fully capture developments in longer-term treatment options for obstructive sleep apnea.

In addition to revising our revenue outlook, we are also revising our outlook on profitability metrics for the year. We now expect adjusted operating margin in the range of 2% to 4%; diluted EPS in the range of \$0.07 to \$0.62 and adjusted diluted EPS in the range of \$0.75 to \$1.25. The changes to these metrics primarily represent the impact of the lower revenue outlook partially offset by continued actions to reduce operating expenses.

Our updated outlook assumes an effective tax rate of 65% to 70% and an adjusted effective tax rate of 27% to 29%. The increase in the effective tax rates as compared to our previous outlook primarily relates to lower expected pretax income.

Our outlook assumes estimated weighted average diluted shares outstanding of approximately \$29.4 million and capital expenditures between \$40 million and \$45 million.

Looking at the cadence of the year, we are forecasting a 9% to 11% year-over-year revenue decline in the second quarter of 2026 due to the expected ongoing impact of coding and reimbursement uncertainty, the impact of the WISeR program and lower expected commercial procedures driven by a reduction in pre-authorizations in the first quarter. Additionally, we expect an adjusted operating loss in the second quarter of \$10 million to \$15 million, primarily due to our lower revenue expectation and sequentially higher operating expenses as compared to the first quarter, primarily due to higher stock-based compensation expense. We expect sequential improvement from Q2 in both our revenue and adjusted operating income in the back half of the year with the fourth quarter having the highest levels of the year.

As we demonstrated in the first quarter, we will continue to be disciplined with our spending and focus on prioritizing revenue-generating activities while still making investments in long-term growth.

In closing, despite the dynamic reimbursement landscape, our team remains committed to providing strong patient outcomes and supporting our customers. As we look ahead to the remainder of 2026 we will continue to emphasize execution and remain focused on what we can control in order to drive long-term shareholder value.

This concludes our prepared remarks. Duluem, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Robbie Marcus from JPM.

Lilia-Celine Lozada^ This is Lily on for Robbie. Maybe just starting with the guidance.

I was hoping you could walk through your thinking behind the updated range.

I think what we're all trying to figure out is how derisked the guide is now.

So can you walk through the assumptions that you're making around reimbursement and the confusion around the reimbursement and what that looks like the rest of the year.

Why are you confident that this is now the right range and it's one that you cannot just meet but hopefully exceed?

Timothy Herbert^ Thanks very much, Lily and thanks for the question.

I do want to just highlight a little bit on the reimbursement -- and center, each center looks at it a little bit differently.

So what -- our goal is to really focus with centers in providing education and a methodology that they're comfortable with to consistently start billing -- coding and billing for patients, both Medicare and commercial.

And our assumption is that will improve as we progress through the year.

But we know as Matt mentioned, there's a one quarter lag in prior authorizations.

So as the coding impact or uncertainty unfold in the beginning of the year, a lot of centers put on the brakes to make sure they understood it before they proceeded forward with prior authorization.

So our core assumption, and I'll let Matt jump in.

Our core assumption is that we are going to be able to build that confidence as we move through the quarter and improve prior authorization here in the second quarter and beyond, and that will show a net benefit or a benefit in implants and revenue as we progress through the year.

Matthew Osberg^ Yes. Lily, its Matt. Maybe following up on what Tim said.

As I pointed out, we saw a \$20 million impact in Q1.

We're estimating that accelerates and gets to \$40 million to \$50 million in Q2.

And then I think if you look at the range for the year and back into what Q3 and Q4 might be, you can still see there's fairly significant impacts on the third and fourth quarter, although they're improving from the impact that we had in Q2.

So we still have risk in for the remainder of the year, although that risk is abating a bit from the second quarter.

Operator^ And I show our next question comes from the line of Jon Block from Stifel.

Jonathan Block^ I'll adhere to the one question, maybe 1.5 questions.

So just first, the \$120 million to \$150 million impact for the year from reimbursement headwinds Tim, where do those revenues go? And maybe importantly, what can the company do to ensure they sort of stay hot leads at some point and don't leave whether that's coming back in 2027 or even beyond, maybe you can talk to that a bit. And then just to push on the improvement into the back part of the year, if I'm framing that correctly. If there's just one quarter lag from preauthorization to getting through the funnel, call it, I mean are you starting to see anything thaw, right? It's early May, you are anticipating some sort of improvement 2Q to 3Q.

So maybe help us out just like real time are there any green shoots that are starting to take place.

Timothy Herbert^ Absolutely. Very good. Jon, great point on the hold. Yes. We make sure we work with our centers to keep track of the patients.

We do work with them on their prior authorization and help them get those submissions in.

But we also help patients make that first appointment.

We're trying to make sure we stay in contact with all these patients to give them the opportunity to receive Inspire therapy.

We know they are there and still require treatment.

So we're doing everything we can to make sure we continue to communicate with them and work with the centers to track them and work with their prior authorizations.

As far as seeing some improvements, I think with Medicare and the changes that we have there with the new C code, that being incorporated into the MAC LCDs, local coverage determination, we're starting to see a little headway there and that's important.

As well as surgeons having experience billing the Inspire IV code without modification. And the more experience we get there, I think that will build on itself. And even if there's a modifier down the road, that we would minimize any kind of negative impact to that.

And then secondly, when we start looking at the WISeR cases and we gain experience in those six states to be able to work through the prior authorization and be able to improve that process, and that will continue to improve as we get to second, third and fourth quarters.

Operator^ Our next question comes from the line of Adam Maeder from Piper Sandler.

Adam Maeder^ I guess I wanted to ask just one kind of bigger picture question on the revised outlook. And I just wanted to confirm, Tim or Matt, that the guidance cut is entirely related to the reimbursement coding uncertainty plus headwind from WISeR.

Is that the case or GLP-1s did come up, I think towards the end of the prepared remarks.

I'm not sure if you're baking in a little bit more conservatism for those or if you're seeing anything from a competitive standpoint.

But just would love just to, I guess kind of flesh out all those different components.

Matthew Osberg^ Yes. Adam, it's Matt.

I'll jump in on that one.

So yes, I think if you do the math from where we started at the beginning of the year on our outlook and then what it's implied now -- and you say the \$120 million to \$150 million is due to some of the reimbursement headwinds. There's a gap there.

It's a smaller gap, obviously but there's a gap. And that's coming from a number of different things.

Some of those are hard to put your finger on.

We do think we're being impacted by GLP-1s, but harder to put your finger on what's driving some of that other impact, but we definitely think that the main part of the revenue takedown in our outlook is due to the reimbursement headwinds.

Operator^ Our next question comes from the line of Chris Pasquale from Nephron Research.

Christopher Pasquale^ Tim, I was hoping you'd talk a little bit more about the current state of the sales force. Your U.S. territory count has contracted three quarters in a row, now down high teens from where you were a year ago which is a pretty big adjustment -- how much of that has been an intentional rethinking of your commercial organization

versus unplanned attrition? And are you kind of simultaneously dealing with new reps or reps with expanded territories, having to establish new relationships while you're going through this period where your customers kind of need you even more.

Timothy Herbert^ Got you.

We do see adjustments in the field. And yes, it's a combination of both factors that you talked about.

We did our own adjustments with our realignment of our territories, as you described, and also increase in the number of field clinical reps wanting to get a ratio back to 1:1. That start beginning of the year.

I think we performed pretty well within the first quarter by achieving the impacts and the revenue that we did, albeit as Matt mentioned, impacted by the coding and the reimbursement environment as well as WISeR in those six states.

I think it's purposeful for where we are, and we'll continue to add territory managers as we deem appropriate.

But I think the field team is doing quite well.

We have a pretty experienced team right now.

And then complementing those sales territory managers, along with a strong field clinical representative.

I think we're handling that very well and that allows us to address issues such as this coding and reimbursement uncertainties.

Operator^ Our next question comes from the line of Anthony Petrone from Mizuho Financial Group.

Anthony Petrone^ Maybe sticking with WISeR here specifically, it's across six states.

It sounds like there's a higher prior authorization hurdle here.

But are those procedures, should we kind of consider those backlog -- or are they sort of just pushed out indefinitely as you navigate WISeR. And then just billing on the codes, the CPT code, some of these policies are -- the managed care policy specifically still have the Inspire IV code. They've introduced 999.

Why is it not just the case that they can bill to the code in the policy, why is their ambiguity? Sorry for the 2-part question there.

Timothy Herbert^ No. That's okay. That's great. WISeR, as you mentioned, with the prior authorization, previously -- in the other non-WISeR states, Medicare does not prior authorize.

So this is a new requirement that was placed on centers starting middle of January. And we believe the majority of those patients exist -- but as time goes on, they may get frustrated.

That's why we want to act quickly.

As we submit prior authorizations, we continue to learn, and centers are able to provide improvements in those prior authorizations to ask questions or be able to understand the WISeR requirements that they're placing on them. And what we've learned is all six of the WISeR states have a different system and there is variability in each.

So we're trying to work through that and the sites and ourselves are getting smarter to be able to work with WISeR in a more efficient manner.

As far as CPT coding goes, yes, these are contracted rates with both facilities and payers. Payers want to have centers work within their policies, and that's what we're recommending as well. And as we mentioned before, the good news is that these patients do carry a prior authorization.

So when we submit the initial application, it does have the CPT code that will be used during the procedure.

And once we receive approval, that really kind of prevents a lot of post-procedure challenges. And using a 64999 code is confusing because it does take additional work.

It does take manual reviews.

It does take additional communication from the sites to the payers.

So I think right now we continue to work with centers and payers and use the codes that are in the existing policies.

Operator^ And our next question comes from the line of Travis Steed from Bank of America.

Travis Steed^ On the \$20 million impact, maybe if you can kind of go through some of the math behind that. There's a lot of factors you're calling out, but curious how do you kind of get confidence in that \$20 million number -- and when you look at the prior auths, are they just billing 64568 for commercial? Just curious why products are dropping.

If they can just build the 64568 for commercial, especially given UnitedHealthcare, I think just moved April first as well to that code.

Matthew Osberg^ Yes, Travis, this is Matt. Maybe I'll take the first half of that question, Tim, grab the second one.

So yes, obviously there's lots of, \$20 million is an estimate.

We've got some data, and we're triangulating some different trends in the business to come up with that, looking at data we've got quarter-over-quarter and versus last year and our expectations coming into the year.

So -- it's a way for us to triangulate it.

Obviously there's estimation involved with that, and we think we're triangulating it to \$20 million in a reasonable range.

Timothy Herbert^ As far as the commercial payers, you're correct that when we support centers with doing the prior authorizations, we use the code that's in the policy. And you're right, UnitedHealthcare just adopted 64568 into their policy. And so we don't expect a lot of the commercial policies to move away from that. Although the whole coding and reimbursement environment put challenges on the centers to understand what code that they want to use and it caused a slowdown that we see with the reduction of prior authorization.

The implants -- commercial implants in the first quarter tend to be the prior authorization submitted in the fourth quarter that were not completed within that quarter. And so that kind of drove a lot of the revenue and now the implants in the second quarter are going to be reflective of the center slowing down to make sure they understand the coding coverage situation before they ramp up submission of commercial cases. And with that, we believe we're going to continue to gain confidence. And that's what you'll see will continue to improve here in the second quarter and beyond through the continuation of the year.

Operator^ Our next question comes from the line of Lawrence Biegelsen from Wells Fargo.

Larry Biegelsen^ Tim, one, I guess technical coding and reimbursement question.

So the 10-Q states that the MACs identify CPT code 64582 as the appropriate code for Inspire V, but commercial payers continue to pay 64568. Why would there be a different code for Medicare and commercial payers? Is this common to have two different codes? And the 10-Q also states that it's you believe that it's appropriate to bill 64582 without a modifier, but 64582 includes a respiratory sensor.

So why would it not be appropriate to use the modifiers as you expected, I think on the Q4 call.

Timothy Herbert^ I think -- Larry, thank you.

I think your question really kind of laid out the coding and reimbursement uncertainty in the quarter. And with an ideal situation long term with the new CPT code, Medicare, Medicare Advantage, commercial will all use the same CPT code. Where we are today we do have that variant. And with the MACs currently identifying 64582 for physicians to bill.

And they understand that the work related to Inspire IV and V for the pressure sensor is that not that significant.

And the Medicare difference in payment is only \$70 between the two procedures. And so they have updated their local coverage determinations to not specify the use of a modifier and for surgeons to use 64582 for both the Inspire IV and Inspire V cases. Back a little bit overlapping. Travis, that's a good question with commercial payers, why would they move away from 64568 and the answer is they don't really have to.

That is the -- what they have in their policy, it's the contracted rates that they have with the centers, and we expect that we will stay at 64568 as long as they're in the policies and recommend centers, follow the policies and submit prior authorizations to policies.

So it does cause some confusion, as you can imagine with the payers within the system, and it's just simply not typical. You just don't see events like this, and it really puts us in a unique situation and every center kind of views it a little bit differently.

But I think we're gaining experience with it. And that's why we believe with the prior authorization, we'll see challenges in the second quarter, but be able to build through that in the second half of the year and get back to growth in 2027.

Operator^ Our next question comes from the line of Richard Newitter from Truist Securities.

Richard Newitter^ Tim, just on your last comment there, I think you said there were a few MACs where you're saying they updated to, say 64582, but no modifier required. I guess, in most instances, they had 64582, and there was nothing about a modifier, but they never updated to 64568 to begin with -- so I guess when they put out their updated policies, technically, they're not -- there is no update.

So what gives you the confidence to say that those policies are updated saying you don't need to use a modifier. And is there a risk that they could change to use a modifier.

Timothy Herbert^ Sure. Very good comment, Rich. And thank you.

If I misspoke, and I think I probably did. The LCDs identified 64582 as the only code. And they don't say do not use a modifier.

They just are silent on that, and they don't have any language in there on a modifier. There are three MACs who have updated to include the new C code, but remain silent on any modifier.

There are several other MACs, who you are correct, did not switch over to 64568.

But at this point, there is no MAC that identifies the use of a modifier with Inspire V cases and they remain silent on that. Is there risk to it if they want to come back and review this in the future? That's something that we will continue to monitor. And we'll certainly monitor if there are surgeons who have used a modifier and what template they use.

And is there any -- or what level of reduction there was with the payment between the two, but we do know that the difference in payment between 64582 and 64568 is only \$70. Just checking back with you, Rich, if that makes sense.

Richard Newitter^ It does. And then just what's your definition of growth for 2027? And I appreciate, '26 is hard enough.

So I'm not asking you to pinpoint us on '27, but you did say a return to growth in '27 is an opportunity to kind of corral the sheep, if you will. Any -- where would you where would you presume consensus should fall, or what's your definition of growth at this juncture to be prudent?

Timothy Herbert^ Yes. Thanks, Rich.

We have to be careful with that because we have a lot of work to do as you've heard from some of the questions right before here in our prepared remarks, on working through and getting consistency and confidence in the coding and reimbursement environment to allow centers to open up and increase their utilization again is really kind of our focus and keep asking that question through the year as we go, and we'll provide updates to it.

But we are committed to getting back to growth.

We've just got to be careful about really kind of putting too much of a detail to that.

Operator^ Our next question comes from the line of Michael Polark from Wolfe Research.

Michael Polark^ I'm interested in an update on the Inspire IV versus V mix. Tim, I heard you say you still have inventory of IV for centers that have concerns about V billing. Where does that stand? And is the company thinking about maybe reinvesting in IV to navigate this difficult period.

Timothy Herbert^ Sure, right. And we did build up inventory, as you probably saw from the financials. And so we do have good inventory of IV to be able to offer that to centers in the U.S. as well as to continue to support ongoing implants in Europe and Asia.

But as we started the year and as we went through the first quarter, implants are predominantly Inspire V. And I think when centers started doing Inspire V, they want to work through the coding and reimbursement. They want to have a solution to that.

But there are centers that have different levels of Medicare reimbursement, as you know from geographically adjusted, that they do adopt, they continue with Inspire IV.

But while we make it, we're going to make it available to them, but I think once a center can convert over to V, they kind of want to stay there.

They just want confidence in having a good coding solution and to have proper reimbursement.

Matthew Osberg^ Mike, this is Matt.

I'd just add to that.

As Tim said, predominantly, the mix in Q1 was Vs, and that mix really didn't change very much from what we saw in Q4.

So we're going to continue to monitor it.

But so far, it's been predominantly Vs -- and as Tim said, we've got inventory of IVs should that mix tick up a little bit.

Operator^ Our next question comes from the line of Shagun Singh from RBC Capital Markets.

Shagun Singh^ Tim, I was intrigued that while you were providing your guidance, you indicated that it based on some high-level assumptions. And this quarter, you're talking about the WISeR program a little bit more than you have in the past.

I think some of our checks were suggesting there could be a little bit of overutilization there. And then you're also mentioning GLP-1s and some of our checks were suggesting that it's driving a bit of a lag between when patients do come in eventually to get the Inspire therapy and it could be over a year.

So can you put a final point on your 20 -- just the comment around returning back to growth.

Why should you return back to growth any time before January 1, 2028, when you do have a new code?

Timothy Herbert^ Thank you very much.

I think the -- as Matt went through in his comments, the impact on our revenue this year, and which is reflected in our updated guide, is really based on coding and reimbursement uncertainty as well as negative impact from the WISeR program and delay in procedures due to prior authorization.

We make mention of the GLP-1s as a broader topic but not specifically having a significant part of that revenue adjustment. And I think if we can focus our activities on gaining confidence with a solid methodology for coding and reimbursement and continue to learn to work with the WISeR systems to gain prior authorizations, that we can continue to see improvements through the year to get back to a growth situation.

Operator^ And our next question comes from the line of David Rescott from Baird.

David Rescott^ Great. Tim, you mentioned, I think a couple of times that despite this uncertainty, the company is continuing to prioritize investing in these revenue-generating activities. And so when I think about the existing accounts that potentially are revenue generating and the prior algorithm for growth of adding new accounts.

Is it fair to assume that the focus at this point is primarily on the accounts that you have today where you can capture that untapped or push through some of those revenue opportunities -- or should we assume, as we're looking into the back half of the year into 2027, that's still bringing on new accounts maybe is a way in which you expect to grow next year. Just any more granularity on those prioritized investments would be helpful.

Timothy Herbert^ Thank you, David. Yes. The answer is both. And I think you asked a very clear question on do we focus on existing centers? And the number one focus area is to make sure our existing centers have a solid pathway in coding and reimbursement.

I know we've repeated this over and over.

But once that is in place, and they understand how they can code both Medicare, commercial, and Medicare Advantage and they have confidence in the reimbursement that they're going to receive that they can increase the use of Inspire therapy, and we'll be able to see that with increased prior authorization submissions and the ability to take on more patients.

As we work through this, the inherent question and there is the challenges of opening new centers in the first quarter with this coding uncertainty also existed.

But we're going to continue to lean into that because we still don't have the capacity to treat the patient demand that we have. And so we will continue to open new centers or train additional surgeons at existing sites. And that was one of the key benefits that we

talked about with Inspire V last year but have been unable to kind of lean into until we get the coding taken care of.

So yes, the priority is certainly open up and increased utilization at existing centers, but we are still going to be leaning in to open new centers as well.

Operator^ Our next question comes from the line of Michael Sarcone from Jefferies.

Michael Sarcone^ Tim, you talked about getting accounts comfortable with the billing and coding situation.

I guess, what does it take? I know this can vary by account, but when you think about it, what does it take to get an account comfortable? Do they have to submit one and then maybe wait for reimbursement and submit two more? And I guess how long does it take for the average account to get comfortable here?

Timothy Herbert^ It's experience. And so what we do is we make sure that we proactively conduct business reviews with centers.

We want them to understand what the coding and billing is. And as we mentioned from prior questions with Larry about one code for Medicare, different code for commercial, and to make sure that the coding personnel in -- at the facility understands what the right code is to use, to be able to send that code in and then closely monitor the payment when it comes back or if it's denied, did it have to go back to an appeal to be able to do that.

So as we work through the first quarter, we're starting to pick up that experience, and we're going to continue to lean in on that as we work through the year. And that's what we define kind of as confidence in their coding.

Once they have a methodology and said they have a good pathway with the bridge that we're establishing to the new CPT code. And if we have some consistency there, we can really ramp up. And I guess it's simply having experience with, positive experience with their coding processes.

Matthew Osberg^ The only thing I'd add to add is a lot of what our customers are experiencing, it's fairly unique.

So it's really understanding what their challenge is and how we can help them.

It's not a kind of a broad, one-size-fits-all solution across our customer base.

So it's really for us, it's important that we work with our customers and help them in the challenges that they're having.

Operator^ Our next question comes from the line of Brett Fishbin from KeyBanc Capital Markets.

Brett Fishbin^ Was just hoping you could address the competitive landscape, mainly with a competitor now being launched for a few quarters here in the U.S. Just wondering if you're seeing maybe an impact from centers filing the new device or shifting their mix in any tangible way? And then how you've updated the guidance to account for any changes there?

Timothy Herbert^ Definitely, Brett.

I think that when we did our initial guidance out there, we made note that, yes, there is a competitive presence out there.

I think with the coding and the reimbursement uncertainty and then certainly in the six states with the WISER accounts, I think we're really focused on addressing those two key challenges, and that predominantly drives the actions of the centers, much less having the ability to introduce a new topic.

So I think all the centers are really focused on that, as our team is, and we're going to continue to stay there as we work through the second quarter and through the duration of the year.

Matthew Osberg^ And Brett, I would say we didn't introduce anything new in terms of the revised outlook, specifically related to competition

Operator^ Our next question comes from the line of Daniel Markowitz from Evercore ISI.

Daniel Markowitz^ I just wanted to follow up on the question on what will it take for centers to feel like they have a handle on this.

I guess what gets you confident that we can get to the point that these centers are comfortable before there's coding uniformity across payer types. And then just a brief follow-up on that.

Could we possibly see some pent-up as we potentially return to hopeful growth in 2027, just given that the number of procedures have been sort of put on hold?

Timothy Herbert^ Yes.

Let me answer the last one first and kind of work back to getting confidence with centers.

I do think that centers understand when they are able to do Inspire V procedures, the benefits that that may have and their ability to take care of more patients as the procedure is more comfortable for ENT surgeon as compared to Inspire IV. And again we haven't had the ability to really lean in on that and really push the clinical evidence that comes with the Inspire V procedure.

And I think that, that will be in the future. And I think that will kind of help with the growth in '27 and beyond, certainly, -- but again it's just experience with centers to be able to submit cases and see positive acceptance of prior authorizations, positive acceptance of billing using the new coding methodology, and then certainly receiving expected payment or expected reimbursement, and that will continue to grow confidence and allow us to open the gates more and continue to increase volume.

Operator^ I show our last question in the queue comes from the line of Mike Kratky from Leerink Partners.

Michael Kratky^ Maybe just to drill down on rest of your cadence and growth implications.

I mean you provided some helpful color on the second quarter and the dollar impact from reimbursement in WISeR.

So what are going to be the key points of sensitivity that could get you to the high end versus low end of the range in 3Q and 4Q?

Matthew Osberg^ Yes.

I think the main thing, as we've been talking about is how quickly that we can move customers through their challenges with coding and reimbursement, right? So if some of those remain for longer periods, then you're looking at the higher end of the range, if customers are able to move through that quickly, more quickly, then you're looking at the lower end of the range.

Timothy Herbert^ Thanks, Mike. Thanks all for joining the call today.

As always, I'm grateful to our team of dedicated employees for their enthusiasm, hard work, and continued motivation to achieve successful and consistent patient outcomes. The team's commitment to patients remains unmatched and is the most important element to our success.

For all of you on the call we appreciate your continued interest in and support, and look forward to providing you with further updates in the months ahead.

Operator^ Thank you. This concludes today's conference call.

You may all disconnect.