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# EDITED TRANSCRIPT

## HUM.N - Q2 2020 Humana Inc Earnings Call

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**OVERVIEW:**

Co. reported 2Q20 adjusted common diluted EPS of $12.56. Expects full-year 2020 adjusted common diluted EPS to be $18.25-18.75.





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## PRESENTATION

**Operator**

Ladies and gentlemen, thank you for standing by, and welcome to the Humana Second Quarter 2020 Earnings Call. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Amy Smith, Vice President of Investor Relations. Please go ahead.

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**Amy K. Smith** - *Humana Inc. - VP of IR*

Thank you, and good morning. In a moment, Bruce Broussard, Humana's President and Chief Executive Officer; and Brian Kane, Chief Financial Officer, will discuss our second quarter 2020 results and our updated financial outlook for 2020. Following these prepared remarks, we will open up the lines for a question-and-answer session with industry analysts. Our Chief Legal Officer, Joe Ventura, will also be joining Bruce and Brian for the Q&A session. We encourage the investing public and media to listen to both management prepared remarks and the related Q&A with analysts.

This call is being recorded for replay purposes. That replay will be available on the Investor Relations page of Humana's website, humana.com, later today.

Before we begin our discussion, I need to advise call participants of our cautionary statement. Certain of the matters discussed in this conference call are forward-looking and involve a number of risks and uncertainties. Actual results could differ materially. Investors are advised to read the detailed risk factors discussed in our latest Form 10-K, our other filings with the Securities and Exchange Commission and our second quarter 2020 earnings press release as they relate to forward-looking statements and to note in particular that these forward-looking statements could be impacted by risks related to the spread of and response to the COVID-19 pandemic, including the potential impacts to us of: actions taken by federal, state and local governments to mitigate the spread of COVID-19 and in turn, relax those restrictions; actions taken by us to expand benefits for our members and provide relief for the health care provider community in connection with COVID-19; disruptions in our ability to operate our business effectively; and negative pressure in economic, employment and financial markets, among others, all of which creates additional uncertainties and risks for our business. Our forward-looking statements should therefore be considered in light of these additional uncertainties and risks, along with other risks discussed in our SEC filings. We undertake no obligation to publicly address or update any forward-looking statements in future filings or communications regarding our business or results.

Today's press release, our historical financial news releases and our filings with the SEC are all also available on our Investor Relations site. Call participants should note that today's discussion includes financial measures that are not in accordance with generally accepted accounting principles or GAAP. Management's explanation for the use of these non-GAAP measures and reconciliations of GAAP to non-GAAP financial measures are included in today's press release. Finally, any references to earnings per share or EPS made during this conference call refer to diluted earnings per common share.

With that, I'll turn the call over to Bruce Broussard.

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**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

Thank you, Amy. And good morning, everyone, and thank you for joining us. As we continue to navigate the global coronavirus pandemic, our daily interactions with associates, members, providers and government partners only serve to underscore the strength of the Medicare Advantage program and its enduring public-private partnerships that put seniors and their holistic health at forefront. As you know, over the last several months, Humana, together with industry peers, the Administration and Congress, quickly took deliberate and sustained actions to remove financial barriers and enhance access to care in response to the pandemic, easing some of the burden on our nation's most vulnerable population at a time when they need it most.

Supported and enabled by the structure of the Medicare Advantage program, which incentivizes plans to look holistically at the health and well-being of seniors and those with disabilities, Medicare Advantage plans were some of the first organizations to proactively identify and implement policy and benefit changes at the outset of the pandemic. These actions addressed testing and treatment costs associated with coronavirus, identified and tackled social determinants needs such as food insecurity and ensuring continuity of care for our members.

At Humana, we quickly announced we would cover COVID testing and treatment costs and pivoted to telehealth alternatives for care due to physical distancing requirements, allowing in-network providers to use personal devices to connect with members while being paid for an office visit. For our members, we recognize that the access to preventative care, medication adherence, focus on social determinants and the continuation of our other chronic condition management programs during the pandemic will reduce the likelihood that they will experience negative long-term effects on their health that could result from a lack of access to care.

Accordingly, in addition to helping providers pivot to telehealth at the outset, Humana quickly established a number of interventions, including: a clinical outreach team to proactively engage with our most vulnerable members, waive co-pays for primary care, outpatient behavioral health and telehealth services; allowed early refills for prescriptions so members could feel confident in the amount of medication they had on hand; sent care kits to members, including masks to help them feel like they could safely use the health care system; and work with food banks and other organizations to quickly get meals to those with an immediate need while also offering meal delivery to address long-term concerns as the pandemic persists.

To date, our clinical team has reached out to nearly 1.2 million members. And we've delivered approximately 900,000 meals, including 750,000 meals in the second quarter. Most recently, we announced the distribution of 1 million preventative care kits to our Medicare Advantage and

Medicaid members. These kits provide in-home prevention screenings for colorectal cancer, diabetes and kidney disease, recognizing that early diagnosis and intervention is critical for these conditions.

From a provider perspective, the pandemic has reinforced the strength of our value-based care models, under which approximately 1/3 of our individual Medicare members are cared for by providers that take full risk for their patients' end-to-end care under capitated payment models. Providers in these arrangements focus on their patients' holistic health with aligned incentives to drive improved clinical outcomes. As a result, these providers experienced steady cash flow despite declines in utilization and were the first to reach out to patients ensuring continuity of care. In contrast, providers in fee-for-service models were experienced cash flow concerns because of the dramatic decline in nonessential services.

As previously announced, to help address provider liquidity concerns, we accelerated $1 billion in payments to providers early in the second quarter. Just as the pandemic has demonstrated the compelling value proposition of Medicare Advantage and value-based care, a growing number of individuals selecting Medicare Advantage further underscores the value of the program for seniors, with enrollment nearly doubling in the last decade. The opportunity for Medicare Advantage organizations in partnership with the government to meaningfully impact the health care system in the coming years is significant.

According to the U.S. Census Bureau, the number of U.S. residents over 65 will again double over the next 4 decades, with 1 in 5 U.S. residents over the age of 65 by 2030. A 2017 publication sponsored by CMS included 9.9 million beneficiaries from 3 states and found that Medicare Advantage outperformed traditional Medicare on 16 of the 16 clinical quality measures and 4 of the 6 patient-experience measures. Data from CMS and the Kaiser Family Foundation indicates that in 2020, approximately 94% of Medicare Advantage enrollees have access to at least 1 $0 premium plan. And 80% of all Medicare Advantage plans offer vision, hearing, wellness or dental, with more than half of the MA plans offering all 4.

With the expansion of additional flexibilities for supplement benefits, Medicare Advantage organizations have been highly innovative, from efforts to lessen social isolation to meal delivery, to respite care, to simple home improvements to keep seniors safer at home. Analysis of beneficiary data shows Medicare Advantage saves seniors $1,598 a year on average relative to those in the traditional Medicare -- with traditional Medicare, with seniors out-of-pocket costs for in-patients' costs running 7x higher than traditional Medicare than Medicare Advantage. Data shows that Medicare Advantage is continuing to grow as the preferred option for those who are low-income and for racial and ethnic minorities.

Of the more than 22 million Medicare Advantage beneficiaries, there is a growing diversity and enrollment with more than 28% of beneficiaries being racial or ethnic minorities as compared to 21% in traditional Medicare. Nearly 40% of individuals enrolled in MA have annual income of less than $20,000 a year.

This data demonstrates that as we think about disparities in health care for underserved populations, Medicare Advantage plans are uniquely positioned to address the needs of these members. Humana is committed to leverage our business platforms to support local communities in their efforts to lower social and health disparities. This includes taking a leadership role in social determinants in Medicaid as well. Integrating our Medicare Advantage and Medicaid business models with our community efforts enables us to be more holistic in our approach to improve health both at an individual level and within the communities overall. We will do this by leveraging our successful Bold Goal population health platform as another touch point for us to engage with our members and to support the underserved community. We are committed to deepening our understanding of how to scale specific programs to address social determinants affecting younger populations as well.

In June, we contributed an additional $150 million to the Humana Foundation. This endowment will allow the Humana Foundation to continue to invest meaningfully in the communities we serve, including initiatives designed to address health care disparities.

While we have been engaged in responding to the public health crisis over the last several months, we've also continued to advance our strategy, announcing investments in companies delivering value-based care and higher-acuity care in the home and entering into partnerships with several companies focused on innovative kidney care solutions. These moves are part of Humana's broader effort to create an ecosystem of home-centric care delivery models intended to provide holistic, coordinated care for our members, improving patient experience and outcomes while reducing the total cost of care.

As I mentioned in my remarks on the last quarter's call, we believe an omnichannel approach to care that includes primary and higher-acuity care in the home is critical to meeting members where they want to be and allows for more visibility into members' needs, particularly social determinants of health. We recently announced strategic partnerships with Heal and DispatchHealth while at the same time, we continue to invest in transforming Kindred's home health and hospice programs to drive improved patient outcomes.

We believe consumer demand for high-quality home-based care models will continue to increase, and COVID has reinforced this belief as we see increased awareness and interest in home-based care models by consumers. Home-based models consistently demonstrate higher patient satisfaction, reporting Net Promoter Scores of 95 or higher, allowing for a more personalized care and often demonstrate superior clinical outcomes. Heal will serve as our preferred home-based primary care model, which is inherently more capital-efficient and scalable, allowing Humana to offer high-quality, value-based primary care to more members than a clinic-based strategy. The ability to deliver emergency room- and hospital-level care in the home through partners like DispatchHealth is highly complementary and allows patients to recover in the safety and comfort of their home, reduces caregiver burden and avoids the risk of secondary infections and further health declines often experienced as a result of in-patient hospital stay.

Finally, we've been developing new clinical models and operational enhancements for Kindred at Home to improve outcomes for the most at-risk patient populations and enable more timely, effective and coordinated care in the home, enhancing the patient experience and preventing unneeded hospitalizations.

Over the last several months, we've begun designing integrated models that fully leverage the collective capabilities of these offerings, which are currently being tested in various markets. As an example, as Kindred identifies members with complex needs who do not have a primary care physician, they will partner with Heal to address the immediate need and also support ongoing proactive primary care when appropriate and desired by the member. We are identifying Humana members with high emergency room utilization and leveraging Humana At Home clinicians to proactively outreach and educate them about DispatchHealth services and are pleased with the early reductions in emergency room and in-patient hospitalizations for these members. These are only a few examples of how we see these solutions working together to improve member health and outcomes, and we expect to continue to develop, refine and scale additional clinical innovations.

We have also further advanced our kidney care strategy, recognizing kidney disease is the nation's ninth leading cause of death. We continue to support serving individuals with end-stage renal disease in Medicare Advantage in 2021 and beyond, and we believe we can positively impact their health care experience. However, we acknowledge that we can be most impactful if we can enable early detection and treatment of kidney disease for our members. Our initiatives and partnerships are focused on how we can better serve both populations.

Over the last several months, we've announced agreements with multiple partners offering innovative, enhanced clinical solutions to provide kidney disease care coordination services for Humana Medicare Advantage and commercial members in certain markets. The goal of these initiatives is to help our members detect kidney disease early, slow disease progression and educate members about treatment options, which include home dialysis.

Before I turn the call over to Brian, I'll briefly touch on our financial performance. As I said last quarter, all of our businesses started the year strong from both a strategic and financial perspective. As we navigate these uncertain times, we believe that this underlying strength sets us up well for 2021 and beyond. We believe our 2021 offerings are compelling and are pleased that nearly all of our members will have access to plans that provide stable or enhanced benefits.

As Brian will discuss in a moment, while acknowledging the uncertainty as to the duration of the crisis, the emergence of hotspots across the nation and the extent to which deferred procedures may resume, we continue to maintain our initial full year 2020 adjusted EPS guidance range of $18.25 to $18.75. This reflects our expected continued investment to help our constituencies in communities that may be disproportionately affected by the crisis, with many of these costs expected to occur in the back half of the year as we anticipate utilization to normalize and members to utilize the enhanced benefits offered.

While we expect these benefit enhancements, including co-pay waivers and other proactive actions we are taking for our members in response to the pandemic to mitigate much of the impact from the reduced utilization we experienced in March and during the second quarter, the Medicare

Advantage program also includes safeguard, requiring that plan spend $0.85 of every dollar of premium on medical costs. When that threshold is not met, plans must rebate premiums to the government. This incentivizes plans to provide robust benefits for members each year, while also protecting individuals with disabilities, and the Medicare trust fund if an unanticipated significant declines in utilization occur. We currently do expect to pay some level of rebate to the government in 2020 as a result of the declines in utilization experienced at the beginning of the pandemic.

In closing, I want to thank the health care providers and especially those on the frontline who continue to be the heroes of this pandemic. I also want to express my pride in our associates and my immense gratitude for their extraordinary efforts over the last several months and for those to come as we continue to work relentlessly during the pandemic to ease some of the burden on all stakeholders through this proactive and transparent engagement.

At Humana, we are dedicated to delivering Human Care, a health care experience that is easier, more personalized and more caring for our members. Our associates go above and beyond to take action to address the most important needs of our members and to continuously create the best possible experience so that they can achieve their best health. These efforts are recognized both inside and outside of the organization. Humana Pharmacy has been named the best in mail-order pharmacy customer satisfaction in the J.D. Power 2020 U.S. Pharmacy Study. It is the third consecutive year that Humana has received this prestigious honor. In addition, Humana ranked #1 in Florida and Texas in the 2020 J.D. Power ranking of 149 commercial member health plans. I offer my congratulations and thanks to these teams.

With that, I'll turn the call over to Brian.

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Thank you, Bruce, and good morning, everyone. I would like to begin by echoing Bruce's thanks and praise for all of our associates and, in particular, for those serving on the front lines. They have not wavered since the pandemic began, continuing to model our Human Care mindset by going above and beyond for our members and communities day in and day out. For that, we are very grateful.

At Humana, we are committed to continuing to take action to minimize the impact of this global crisis on our members, provider partners, employer groups and the communities we serve while advancing the long-term sustainability of our company and the health care system as a whole.

Before I review these actions, I will first discuss our results for the quarter. Today, we reported second quarter adjusted EPS of $12.56. These results were materially impacted by the significant deferral of care resulting from stay-at-home orders, physical distancing measures and other restrictions on movement and economic activity implemented throughout the country to reduce the spread of COVID-19. The impact of the deferral of care was partially offset by COVID-19 testing and treatment costs incurred in the quarter as well as our ongoing pandemic relief efforts.

As I will describe later, we anticipate the net favorability resulting from the deferral of care in the second quarter will be offset in the latter half of 2020 as demand for health care services normalizes and we incur the financial impact of our ongoing pandemic relief efforts, which are heavily weighted to the second half of the year.

As previously communicated, we anticipated that the significant deferral of care prompted by COVID-19 would result in a disproportionate amount of our full year earnings being weighted to the first half of the year and, in particular, the second quarter. While medical utilization increased significantly in June from trough levels in March and April, it was a bit slower to rebound than we anticipated, resulting in second quarter adjusted EPS ahead of our previous expectations.

As we said last quarter, during the last 2 weeks of March and continuing into April, we experienced a meaningful decline in medical utilization of at least 30%, depending on the service category. In late April and throughout May, utilization began to rebound as expected, although volumes did not recover to pre-COVID levels.

In June, while utilization continued to rebound, on average, it was approximately 10% below normal levels, excluding COVID utilization. In July, the non-COVID in-patient utilization remained flat to June, but COVID testing and treatment costs were a bit higher than the modest cost we saw through June given the recent increase of cases in certain geographic hotspots. We expect non-COVID medical utilization to begin to approach normal levels as the year progresses and potentially run slightly above normal later in the year.

From a pharmacy standpoint, scripts volume ran higher in late March and April as our members, with our encouragement, refilled their prescriptions early to ensure they had adequate supply during the crisis. Not surprisingly, we also saw an uptick in mail-order use during this time. Prescription fills peaked in late March and early April, experienced a trough in May and then peaked again in June, reflecting the impact of 90-day fills through both mail order and retail.

For the full year, we expect pharmacy utilization to net out close to normal levels given these early refills represented more of a pull-forward within the year rather than a run rate change. However, the increased number of members utilizing Humana's mail order pharmacy is expected to persist as those members continue to use the service.

Further, as expected and previously discussed, both our Retail and Group segments experienced small negative prior-period medical claims reserve development in the second quarter, primarily due to the suspension of certain financial recovery activities for claims that should not have been paid. We took this action to allow providers to focus on their patients and ease administrative burden in response to the pandemic.

While these activities have largely resumed, we continue to suspend these operations, along with broader utilization management activities, in a few markets that we have designated as COVID hotspots in which there are increasing incidences of positive cases of the coronavirus and related hospitalizations. It is important to note, however, that the suspension of financial recovery efforts only results in a delay of when we review charts and seek repayments. And therefore, we expect to collect a meaningful portion of these dollars over time as financial recovery efforts resume.

Turning to the full year. As Bruce described in his remarks, we fully expect that any impact we experienced from lower utilization will be entirely offset by the support we provide for our members, providers, employer groups and the communities that we serve as well as higher utilization in the back half of the year. Consequently, today, we have reiterated our 2020 EPS guidance of $18.25 to $18.75. From a seasonality perspective, we expect adjusted EPS for the third quarter to represent approximately 15% of the full year guide at the midpoint, largely offset by expected losses in the fourth quarter.

I would remind investors that historically, our fourth quarter EPS contribution is always the lowest, and many of this year's investments will hit in the final 3 months of the year.

I will now provide a few more specifics on the amount and type of support that we are providing our various constituents. Taking an enterprise view of experience to date and considering our expectation of how utilization patterns will play out for the remainder of the year, including netting out the expected capitation payments to risk providers and the anticipated annual COVID testing and treatment costs of approximately $600 million, we estimate by the end of the year, such support will amount to around $2 billion.

While we have already announced several significant support initiatives, as I mentioned, the financial impact of many of these investments is weighted towards the back half of the year. For example, the costs associated with co-pay waivers for primary care, outpatient behavioral health and telehealth visits designed to reduce financial buyers to our members engaging with their providers are expected to be among the largest of our investments to support members and will be incurred throughout the remainder of the year as members increasingly utilize the health care system.

In addition, we are increasing the availability of in-home assessments for our members, ensuring nurse practitioners and primary care physicians are able to engage with members in their homes or via telehealth to identify and address gaps in care and social determinant needs. We will also consider additional support initiatives for our members and providers as the year progresses.

Furthermore, we are making significant investments in our Medicare distribution channels, equipping and training brokers so that they can interact with consumers telephonically and digitally in circumstances where community events and face-to-face engagements are restricted given the pandemic. This includes increasing the marketing dollars we provide to brokers for the AEP.

As you know, these marketing costs are heavily weighted to the back half of the year, primarily the fourth quarter. These costs, along with our contributions to the Humana Foundation and other COVID-related costs associated with moving associates to work-at-home and reworking our facilities for an eventual safe return to the office, are expected to increase the full year consolidated operating cost ratio approximately 100 basis points over our pre-COVID expectations.

Additionally, the combination of back half-weighted investment spending, a meaningful portion of which will be classified as medical expenses, along with the expected continual increase in utilization and COVID treatment and testing costs, will result in the second half medical expense ratio being elevated meaningfully above our pre-COVID expectations. Specifically, we expect our second half consolidated benefit ratio to be in the neighborhood of 250 to 300 basis points higher than our pre-COVID expectations.

Finally, I'll provide a few brief operational comments on each of our business segments. In Retail, revenues have increased 20% year-over-year to $33.72 billion year-to-date. And today, we increased our full year 2020 expected individual MA membership growth to a range of 330,000 to 360,000 members from our previous range of 300,000 to 350,000. Our products continue to resonate with customers and brokers alike. And although COVID has slightly impacted sales volumes, member terminations are also down. This strong membership growth includes compelling D-SNP increases, where we have increased a great amount of effort and resources to broaden our platform and create a compelling product for our customers. Specifically, as of June 30, our D-SNP membership had grown to approximately 365,000 members, a net increase of approximately 77,100 lives or 27% from December 31, 2019.

With respect to Medicaid, June 30 membership of 689,000 members increased 220,000 or 47% from December 31, primarily reflecting the transition of the risk for the Kentucky contract from CareSource as of January 1 as well as the additional enrollment, particularly in Florida, resulting from the current economic downturn driven by the COVID-19 pandemic.

In our Group and Specialty segment, medical membership declines on account of COVID were, so far, less severe than we anticipated, though we are closely watching how unemployment trends develop. We are also continuing to execute on the first phase of a multiyear plan to sustainable growth, bringing in strong new talent, increasing our local presence in certain key markets and deepening our partnership and innovative companies, such as Accolade, to grow our commercial and specialty products.

Lastly, in our Healthcare Services segment, adjusted EBITDA increased 33% year-to-date, primarily driven by higher pharmacy earnings as a result of Medicare Advantage membership growth, partially offset by the anticipated PDP membership declines. EBITDA growth in the segment was also fueled by operational improvements in our Conviva assets and overall utilization in our provider businesses as a result of COVID-19.

It is also important to note that we continue to invest to expand Partners in Primary Care through our partnership with Welsh, Carson. Specifically, we will be opening 15 new centers beginning in late summer with rolling scheduled openings throughout early next year. This includes 2 new markets: Las Vegas and Shreveport, Louisiana as well as expanding our presence with additional clinics in Houston.

With that, we will open the lines up for your questions. (Operator Instructions) Also, please note that Bruce, Amy and I are in separate locations but we will endeavor to make the Q&A as smooth as possible. Operator, please introduce the first caller.

## QUESTIONS AND ANSWERS

**Operator**

We have our first question from the line of Justin Lake with Wolfe Research.

**Justin Lake** - *Wolfe Research, LLC - MD & Senior Healthcare Services Analyst*

I wanted to ask about the 2021 bid, specifically regarding the lower tax rate you're expected to have next year from the HIF dollar delay. I know it's a little bit more than $2 a share of EPS benefit. Can you give us some color now in terms of how much you reinvested here, Brian, versus expected case to the bottom line next year and now that the bids were in? And then any color around where that likely leaves your MA margins going into the next year would be helpful as well.

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**Brian Andrew Kane** - *Humana Inc. - CFO*

I apologize if I have a crackle on my line, I know I have a challenge here. I've been in the same spot for 5 months, and I'm getting a crackle. So I apologize.

We have not really commented, as we've said in the past, on how we've reinvested the HIF other than to say that we've really tried to take a balance between growth, margin and investing in a sustainable business proposition, that's important that we do. And so we'll give more specifics on the third quarter call with respect to how much we've invested. It is around $2.50 a share, as you've said, the tax impact that is. And so as I said, we'll give more color on the third quarter call.

With respect to margins, again, I'd rather not comment specifically, Justin, at this point. We will give more comment on the third quarter call other than to say that, as you know, when you get the -- the geography changes a little bit with the taxes and then we get some back from the after-tax portion of the HIF, that could impact the pretax margins. But we'll save that commentary for the third quarter.

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**Operator**

Your next question comes from the line of Dave Windley with Jefferies.

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**David Anthony Styblo** - *Jefferies LLC, Research Division - Equity Analyst*

It's Dave Styblo in for Dave Windley. I was wondering if you could talk a little bit through your reserves and why your benefits payable increased 13% sequentially when it seems like most of the peers in the group were flat to down. Just trying to get a better understanding of the 10-day jump in DCP from the first quarter. Because if I try to normalize what a typical level of benefit expenses would have been in the second quarter, it only accounts for about half of that 10-day increase. So any color there would be great.

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Sure. Specifically, I'd call out 2 things on our DCP. One is, as you said, relates to our medical expense being lower for the quarter. And because the way IBNR is set, June is the primary month where most of the reserve is accounted for because it's the most recent month, and June saw the highest utilization in the quarter. So if you have an overall average of lower medical expenses and a higher June reserve, you're going to get higher DCP.

The other thing, and this is important, is that our providers, 33% of our members are in risk-based relationships. So our risk-based providers are also benefiting from the lower medical expenses. And so therefore, we, at Humana, are paying out higher capitation levels to our risk providers. And when you divide that by the lower average medical expense for the quarter, you're going to get a higher DCP. And so when you look in our 10-Q disclosure, you'll see that the amount of capitation is up pretty materially from last quarter, again, not surprisingly, given the COVID impact here.

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**Operator**

Your next question comes from the line of Kevin Fischbeck with Bank of America.

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**Kevin Mark Fischbeck** - *BofA Merrill Lynch, Research Division - MD in Equity Research*

Great. I also wanted to ask about 2021 bids. Just wanted to understand a little bit about how you were thinking about trends when you price for next year given this is an unusual year and whether you get the coding necessary to achieve whatever it is you priced into your 2021 bids.

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Yes. So I think we've taken a prudent approach to our trends. Obviously, we go through a very extensive process in terms of valuing what a typical baseline would be. And so we went through a very rigorous process there. And then, obviously, you have to model in COVID and what your expectations are.

I would just tell you that I think we've been prudent with how we've priced for the COVID impacts. Obviously, there are a lot of variables that we need to consider. And I would just say, I think we've been prudent in those trends. So I think we feel good about the trends that we put into our bids, and we feel good about our bids more broadly for 2021.

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**Operator**

Your next question comes from the line of Bob Jones with Goldman Sachs.

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**Robert Patrick Jones** - *Goldman Sachs Group, Inc., Research Division - VP*

I guess maybe just to ask on the revised net membership growth in the individual MA book. I think encouraging signs there given the obvious difficulties in the current environment in getting new members. Can you just maybe talk about what approaches you're leveraging in driving additional membership? And then how confident does this make you as we think about managing through what I imagine would be a more difficult annual enrollment period than a normal year?

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**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

I'll start off and then let Brian add to it. As you probably know, we have a number of provider -- I mean, I'm sorry, distribution partners out there, and we continue to see really strong results from them, specifically over the phone, more telephonic than in person. And so we've leveraged that significantly.

Part of the other aspect is we have seen some -- our retention increase as a result of this, so we've seen our retention improve during this period of time. And then the other area that the company has really seen some just wonderful results on is our D-SNP growth. Our D-SNP growth, as you'll see, is up significantly both year-by-year but also significantly just as a percentage over the last number of years. So it's a combination of D-SNP and our value proposition there. Obviously, that allows the agent during that period of time. Our ability to leverage our partners that are telephonic is the other area and then the retention has increased.

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**Operator**

Your next question comes from the line of Gary Taylor with JPMorgan.

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**Gary Paul Taylor** - *JPMorgan Chase & Co, Research Division - Analyst*

I think this question is probably for Brian. As we think about the second half and what's baked into your estimates, I appreciate some of the detailed comments you walked through, but are we -- am I thinking about this right in terms of order of magnitude, a presumed utilization rebound would be most material; reduced cost sharing would be second; direct COVID cost would be third; and minimum MLR rebate would be four, just in terms of order of magnitude impacting the second half MLR expectation?

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Gary, I appreciate the question. I'm not going to comment too much on that. I think the items you cited are all meaningful. Supporting our brokers and the marketing efforts in the fourth quarter will also be important there. And so there are a number of initiatives that we've taken, and I think all really contribute to sort of the back-half change in spending. So I think it's a real combination.

But broadly, what you're saying is not incorrect. I think it's directionally reasonable. But again, I wouldn't necessarily weight one towards the other. And we'll also see how things unfold as the quarters go on and where our spending ends up.

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**Operator**

Your next question comes from the line of Sarah James with Piper Sandler.

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**Sarah Elizabeth James** - *Piper Sandler & Co., Research Division - Director & Senior Research Analyst*

So I wanted to understand the delay of the review or recapture of claims. Can you size the impact of this cohort that's out there that you're doing this compassionate delay for? And then thinking about providers' financial viability, they have that future claims review coming. And then if they're under a value-based contract and utilization rebounds in the second half, they're kind of on the hook for more settlements. So how are you walking them through or training them to appropriately reserve and handle their finances for the second half?

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Well, I think our providers are well aware of the actions and initiatives that we've taken on their behalf. And so we've been in constant communication with them. We've worked very hard to get them significant amounts of cash flow. We've, as we've said, waived a number of our utilization management programs. And we've been really not pursuing these financial recoveries. But they know, and in our communications, that ultimately, we will have discussions with them about the FR. And so I think they're fully aware that, that ultimately this will bounce back later in the year as things settle down.

But we're not pursuing it aggressively. We want to be very thoughtful with our providers. We're trying to be as constructive as we can with them, which I think they appreciate. But I think they also understand that there are -- if there's been a financial overpayment, for example, we need to reconcile that. But it's not something that we're pursuing aggressively right now, but they are aware of it.

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**Sarah Elizabeth James** - *Piper Sandler & Co., Research Division - Director & Senior Research Analyst*

And can you size that delayed financial review?

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Yes. Yes, I'd rather not give specifics on the FR. I mean it's a meaningful part of our prior-period development, as you can imagine. But again, I wouldn't want to size it. I mean you could see that we've had a negative PPD for the quarter, and so -- normally, it's positive.

Also, at this point of the year, we would also typically have FR in the beginning parts of 2020. It's a several-month delay. So there's sort of a combination of prior-period and current-period amounts that would ultimately be collected.

**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

I think just on your question on the value-based payment side and just being able to manage the second half, one other aspect that's important to know is that we really don't settle up with the provider until the following year. So there is a receivable or a payable that happens. So as the year progresses, their cash flow is sort of stable. And then at the end of the year, we will settle up to what's probably appropriate. So in result of the first half of the year, they haven't received those dollars yet, but in the second half, it could offset that or improve it.

**Operator**

Your next question comes from the line of Josh Raskin with Nephron Research.

**Joshua Richard Raskin** - *Nephron Research LLC - Research Analyst*

I want to see, even directionally without necessarily a dollar amounts attached to it, but just how much of the actions that you're expecting to offset this lower utilization are required through minimum MLR rebates, et cetera, versus voluntary actions around co-pay waivers, donations to the Humana Foundation, et cetera?

And then in light of the fact that it's harder to give member premium rebates in Medicare Advantage, it's just a lot of them don't have premiums and some of them, it's a much smaller percentage of the total cost. So help us with some understanding of examples of benefits that you've been able to deliver. You talked about the meals, but other things that you're delivering to members to again offset some of that lower utilization.

**Brian Andrew Kane** - *Humana Inc. - CFO*

Yes. I'll take that. With respect to the MLR rebates, I would say that it's really a balance, Josh. There are some contracts that are closer to the MLR rebate threshold than others. But look, we're trying to do the right thing here and give these dollars back to our members. And obviously, that would minimize the MLR rebates. We have some MLR rebates accrued, but it's relatively small because of the actions that we're taking. And to the extent we didn't take the actions and, of course, the MLR rebates would be higher. And that's a natural balancing mechanism in the program, which is a positive thing for our membership. And so we are taking these actions that will minimize the MLR rebates, and we hope they'll be well received.

We talked about waiving the co-pays, as you mentioned. We talked about the food. We're delivering safety kits and masks, which are pretty significant. There's millions of green masks roaming around the United States now with people having them, and we think that's a positive.

Importantly also, we've reached out to over 1 million of our members, 1.2 million members and to talk to them about their needs and some of the issues they may be having in COVID, whether it's around their -- making sure they have their prescription drugs, making sure they have food in the refrigerator, making sure they don't have significant medical needs that need to be addressed. And so there's also a significant ramp-up in our care coordination efforts that have been, I think, very meaningful for our members in the crisis. Hopefully, that gives you some color.

**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

Yes. Just to add to that, Brian. I think it's probably less on the benefits themselves to the dollars that are incurred, and obviously, it's meaningful in the co-pay area. And I would also just say on how we've treated telehealth on the provider side is another important part of that. But there's an underlying goal that we have, it's to eliminate any financial barriers and also any clinical barriers that are out there. So there's a lot of dollars that are being spent on the clinical side as -- all the way from the outreach program that was just discussed to getting doctors in people's homes. That traditionally haven't been the case. Obviously, getting nurses into the homes are important aspects to this.

So you'll see probably more dollars spent on the clinical side as -- to really help support the health care system being in the circumstance of having capacity limitations there.

So as you articulated, the Medicare side is a little harder on the benefit side. But I think our role is really to try to help with this possible delayed care and be much more proactive in that.

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**Operator**

Your next question comes from the line of Ricky Goldwasser with Morgan Stanley.

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

Just wanted to follow up on the telehealth comment. So it was an executive order for HHS to review and continue Medicare where it's possible. Any thoughts on your telehealth rates? Could they stay at parity within office and for how long? I mean do you think that's a sustainable level? Okay. And then you talked about the prepared remark in response to Josh's question on the early integration between at-home and the more traditional primary care role. So what are the maybe early data points that you're seeing? And what specific -- what are the markets that you're planning to get to? You talked a little bit about that in your prepared remarks.

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**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

We haven't disclosed the markets just for a competitive reason. So let me try to go just reverse in your questioning here. On the -- but on the primary care area, what we are seeing both in the primary care and home health side, both on the Kindred side, the Heal side and Dispatch side, there's a continued reduction in downstream ER visits and hospitalizations. So what we're seeing is being much more proactive, much more engaged in the member, we're seeing on the ability to prevent the downstream hospitalizations.

We also see it will just take time slowing the disease progression. We've seen this over the last number of years that as we are much more proactive and engaging with them, we not only prevent the ER visit reduction, but we also see a slowdown in the disease progression, which is obviously positive for the individual. They can live a much more healthier life, and then in addition, from a cost point of view.

On your telehealth question and just on the payment side, as we stated this morning, we are paying at equivalent rates of the primary care office visits. We feel that that's really important in this time, where people are concerned about leaving their homes and using the health care system. And we wanted to ensure that our providers are completely oriented to providing a televisit.

We are -- we believe a lot in telehealth, but I do believe that as this pandemic gets -- reenter a normal environment, we'll look at the payment models to ensure that we are encouraging an omnichannel approach, where it's appropriate to use the office when needed, to use telehealth when it's needed or at-home for that. And I think right now, we're not prepared to tell on that particular area because it is a much more construct of how you encourage more of a holistic and the proper channel for the proper condition and for the proper preference of the customer.

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**Operator**

Your next question comes from the line of Stephen Tanal with SVB Leerink.

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

I think the first, I just wanted to follow up on the line of discussion around the back half. Obviously, the guidance implies a 93% reduction in adjusted EPS in the second half and talked about some of the levers on the MLR side. But maybe if you could just give us a sense for what other levers you might have to achieve that outcome if utilization remains below normal in light of some of the comments you made around the ability to rebate premiums to members.





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And then my actual question is just around the adjusted EBITDA in the services segment. Just wanted to understand whether there were any sort of direct or indirect offset to the upside from low utilization, understanding that the regulatory minimum MLRs don't apply to that business.

Maybe it would also be great if you give us a sense of the proportion or percentage of the gross segment revenue that reflects global capitated premium or some kind of a directional point on that would be really helpful. Then I'll yield.

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Well, let me go on over here. Clearly, there's some flexibility around the marketing side on our MA products. There's also opportunities to think about how do we get additional dollars into our members' hands, not necessarily changing premiums, but with certain things we're thinking through. But there are ways to get additional dollars out to our constituents. Also working hard with our providers, how we can continue to work with them and help them with their cash flow needs and income needs. And so there are -- there is flexibility that we can have here as we go to the back half of the year.

But obviously, we're monitoring this very closely. It's an art, not a science in terms of estimating what exactly the utilization bounce-back will be, but it's something that we're very focused on. And as I said, we are doing everything we can to stay within our initial guidance range. And so we're going to continue to work to do that and try to get these dollars to our various constituents who could benefit from it.

On the services side, the amount of capitation -- because the pharmacy revenue is so large that it's actually relatively small on a percentage basis, but for our capitated businesses and for our provider businesses, it's a very high percentage. So you could see we have several billion dollars of premium in our provider services businesses, and most of that is capitated -- fully capitated. So they will see the benefits of that.

That being said, I would say that we have seen a lot of sort of non-COVID, important EBITDA progression in the business. Even coming into the year, there was a significant EBITDA increase, sort of our initial guide versus last year, and that's playing through and, I think, even doing a little bit better than expectations there. We're also seeing a nice growth in our mail order penetration rate on our pharmacy side, which is helping that EBITDA growth. And so we'll see whether that continues or not.

There are not too many offsets on the COVID side here. I mean largely script volume has held. So you might think, well, would script volume be down in this environment? And as we said in our remarks, that script volume is largely held. It's converted to 90-day scripts. But it's largely held when you do it on a 30-day equivalent basis. So we're not seeing a material impact from COVID on the segment other than the decline in utilization in our provider services business.

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**Operator**

Your next question comes from the line of George Hill with Deutsche Bank.

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

Maybe 2 quick questions. One is a follow-up on telemedicine. First, I guess, could you guys talk about the growth in utilization that you've seen in telemedicine services given the COVID crisis? And kind of does it change how you think about any of the primary care partnerships? And then my quick follow-up would just be on the increased mail utilization that you guys have seen. I guess how durable do you think that will be? Will you maintain a higher level of mail penetration in the book? Or do you expect to see a lot of it flow back to retail?

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Yes. In terms of the volume of telemedicine visits, I mean, it's up 15, 20x, just in terms of the number of telehealth claims we've received year-to-date versus last year. Again, not a surprise. A lot of the visits are happening telephonically.

Importantly, what we've seen is that for our -- particularly for our providers who are doing this directly with their own telehealth systems, something like 70% of the visits are video -- or audio/video, I should say, as opposed to audio-only, which is also important for our business, as you know, from a documentation perspective and revenue for 2021. So we are seeing a meaningful uptick.

Whether that persists, I think we'll see. Certainly, some element will persist. What's interesting, and you've heard us discuss this before, but in our own clinics, which we get real-time data every day, as the system opened up, we did see a transfer back to in-person visits. And so where it was 80% or 90% telehealth during the peak of the crisis, it went down to 20% or 30% telehealth. I think, particularly for seniors, there's a real desire to be social and meet with others and meet with their doctor in person. So we don't think that's going to change. But we do think telehealth is a critical supplement to the general care program that we think will really take hold going forward. And so it's going to be really important elements. How that exact weighting goes, we'll have to see. But it will be a critical part going forward.

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

Maybe on the script, please?

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**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

On the mail order script? We haven't given a lot of visibility into that to the public markets. So we continue to really work on our experience. And we think that we'll continue to see increases in the mail order from a normal level. Obviously, we got a significant increase during the period of time as a result of the COVID side.

We do see it coming down a little bit, but we continue to see mail order as being a channel that has shown itself for convenience in this time. And we believe that, especially the members that experienced it, that they are now more -- it's a more preferable channel.

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**Operator**

Your next question comes from the line of Steve Willoughby with Cleveland Research.

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**Stephen Barr Willoughby** - *Cleveland Research Company - Senior Research Analyst*

I guess just 2 quick things. First, do you have any update or color you could provide as it relates to risk scoring versus expectations given the pandemic? And then is there anything you could provide in terms of additional color as it relates to the group MA selling season this year?

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Steve, I got the first part of your question. I'm sorry, I didn't hear the second part. But I'll answer the first part. Maybe you can repeat the second.

On the risk scoring side, I would just say that we are on track for our operational plans in terms of getting to the results that we need for 2021. As I mentioned in the prior question, telehealth visits are up dramatically. A big portion of those are video. And we've made a real deliberate effort, really, first and foremost, to focus on the health of our members and getting best practitioners and primary care doctors into the home, either in person or via telehealth, to make sure that the members are getting the care that they need. That also has the ancillary effect of ensuring that we're identifying and documenting these conditions.

So, so far, so good. It's still early. There's a lot of work we have to do in the next 4, 5 months here to make sure we hit our operational plans, but we're on pace so far.

If you don't mind repeating your last question, I apologize.

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**Stephen Barr Willoughby** - *Cleveland Research Company - Senior Research Analyst*

No problem. Yes, it might have been my headset. Just any color you can provide as it relates to the group MA selling season going into next year at this point.

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Yes. So on the group MA side, so interesting, 2021 is an interesting year. There are a number of large accounts up. And so I would say, we're still working through it, but it's conceivable that we might be sort of slightly down this year from a membership-growth perspective. We've won some, we've lost some. And these are just big numbers, big swings overall.

I would tell you that the very large jumbo accounts, of which there were many in 2021, there were a number of accounts up this year, and they're very competitive. And we have committed to being price-disciplined. And so that will carry through to some of the membership. I think we look at over a several-year period, we've had mid-double-digit growth for the last few years. But again, I think next year could be just slightly down. But we're working through it, and we'll see where we end up for the year. But I would say the large group space has become extremely competitive with the big players pursuing obviously these large accounts here.

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**Operator**

Your next question comes from the line of A.J. Rice with Crédit Suisse.

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**Albert J. William Rice** - *Crédit Suisse AG, Research Division - Research Analyst*

Maybe I guess it's, I'll call it, 2 parts or 2 questions, whatever. But when you're talking about the back half of the year being up 250 to 300 basis points in MLR relative to your original expectations, there's all this discussion about how much of a backlog of procedures, deferrals, there are out there. And I know some of that's probably not even related to utilization, that's related to what you're doing to give back. Is there any way to parse that out a little bit more and say how much -- order of magnitude, just how much you're giving back to constituents versus what you really think utilization might end up looking like? And do you have any way to size the procedures backlog that may exist?

And then my other part real quick would be just on your MA enrollment. You've had 2 really good years of MA enrollment, last year and this year. There's a trend that's usually in the first year, you don't have much margin in that business. Then the second year, you have a step-up. Obviously, we've got a lot of dynamics going on. Do you think you're on sort of a normal path for those aging members? Or do you think, for any reason, it would have accelerated or not occurred as fast as it normally might?

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**Brian Andrew Kane** - *Humana Inc. - CFO*

A.J., I would say on your second question, I think they're on a similar pattern in terms of what we're seeing, really similar to the last question around making sure you hit your operational plans around the documentation side. So I'd -- so far, so good that they're on that similar path, but it's something we're very, very focused on. The Retail team has done really an extraordinary job to ensure that we get to our members and have engaged with them. And so we continue to do that. We're very focused there.

On the sort of parsing out 250, 300 basis points, the one thing I'd say is that we said we're giving back about $2 billion of support. I would say, a good portion of that's happening in the back half. And so not all of that is MLR, a portion of that's MLR, but I would say a good amount of that $2 billion is going to be in the back half of the year. And so that hopefully helps you size a little bit.

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**Albert J. William Rice** - *Crédit Suisse AG, Research Division - Research Analyst*

Could I just ask on that? Are you looking at the sort of a normal utilization in the back half as opposed to sort of rebound or surge and in utilization that was deferred in the first half? It sounds like you're more normal.

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Yes. I would say -- and what we said in our remarks was more normal. I'd say, bouncing back to normal. We continue to see that progression of getting back to normal. There might be periods where it goes slightly above. We've seen a few markets where it goes above slightly, goes above the baseline. That could happen periodically throughout the year, depending on the pace of the virus and how severe it is in any particular location.

And so -- but I'd say broadly, right, that it will be close to normal with perhaps some above it. And then we have the COVID testing costs and treatment costs as well, that would take it above it. And so that's also sort of a drag on the back half earnings.

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**Operator**

Your next question comes from the line of Matthew Borsch with BMO.

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**Matthew Richard Borsch** - *BMO Capital Markets Equity Research - Research Analyst*

Sorry. I hope you can hear me. I have a very bad cell reception this morning. Quick question on the level of competition you're seeing in the Retail end as opposed to Group and if you're seeing more from nonpublic companies, if you're seeing more for some of these start-up MA plans. And any thoughts you have on the -- I guess, Walmart is going to offer some MA plans. I don't know what the story is there.

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**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

Yes. Let me take that. The -- on the competitive front, we do see some of the smaller plans. They grew on a base -- a very small base, but they grew substantially last year in some of the markets there and some of the ones that are oriented to more of a better experience. And I think that is probably in Florida and a little bit in the Northeast that we experienced that. But there's a few in Texas and so on that we've seen. The -- I mean they're always a concern to us, but we continue to believe our brand is strong in the markets that we compete with them. Obviously, our value proposition is strong, both with our customers and with our providers.

And in addition, that we continue to see our experience levels through our technology investments, some of our clinical investments that we're doing as being a real differentiator in the marketplace. So as they continue to look as being a competitor, I think our value proposition continues to increase not only from a benefit point of view, but I think from an experience and clinical point of view that competes and, I think, actually gets ahead of what they're doing.

And what was your second question?

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**Matthew Richard Borsch** - *BMO Capital Markets Equity Research - Research Analyst*

Well, I just -- I heard that Walmart might be launching.

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**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

Yes. I'm sorry. Yes, yes. I'm sorry. On that one, they're not really getting into the MA business. They're [getting] into the MA distribution business, and they have been in that business for a long period of time and so that they would distribute a Humana product but also distribute other products that -- competitor products.

We have traditionally had a relationship with them. At one time, we actually managed their sales force that sold agnostic products. So we don't see it as much of a change. I think of it [as] a way for them to continue to get people to come into their store and provide another product, so to speak, on the shelf for their customers. But we don't see it being anything in our territory. And we, frankly, look at it as a great complement to us as they can continue to be a distributor for us.

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**Operator**

Your next question comes from the line of Mike Newshel with Evercore ISI.

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**Michael Anthony Newshel** - *Evercore ISI Institutional Equities, Research Division - Associate*

I actually have a related question on competition and distribution. You noted some good performance from your telephonic sales channel so far this year. And if there is a bigger shift to phone and digital this AEP, do you see yourself as having any relative advantage in that channel versus competing plans? Would you expect any impact on your market share of the industry growth?

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**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

I'm not going to complement -- comment any specificity there. I mean we continue to have really strong relationships with those partners. We've seen it as being a channel that is continuing to grow as a result of the convenience of it. We do continue to see investments by our competitors in that marketplace. So I don't think it's a proprietary channel that is -- that we have something over somebody else. So we do see it as being a competitive channel in the marketplace, and we do believe that others will use it.

Again, I think we have proven that not only the channel is important but then also the ability to retain the customer. And I think the retention side is something that we continue to shine at no matter what channel we use.

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**Operator**

Your next question comes from the line of Steve Valiquette with Barclays.

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**Andrew Mok** - *Barclays Bank PLC, Research Division - Research Analyst*

This is Andrew Mok on for Steve. Wanted to ask about ESRD. As we get closer to the full open enrollment season, do you have any updated views on the uptake for Medicare Advantage among ESRD patients in 2021? And curious to hear your thoughts on the relaxed network adequacy standards and how that impacts your network design or product offerings for 2021.

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**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

Yes. We have not given any indication of what we think the penetration rate would be within Medicare Advantage. So I think we'll leave it to the industry experts to provide that.

On the network adequacy side, we do believe that the ability to now offer a much broader network as a result of the competitive nature or lack of competitive nature in the industry gives an ability for us to deliver alternatives in the marketplace where our customers offer, I believe, a much more compelling product as a result of being able to bring innovation into the marketplace, whether it's in the home, whether it's in the ability for further help out and from a telephonic point of view or to also be able to bring other care providers into the marketplace. So we look at this as a very large positive for the industry and really allowing a much more cost-effective, many more choices in the marketplace and, at the same time, being able to deliver a much more cost-effective solution for our customers and for the federal government.

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**Operator**

Your next question comes from the line of Whit Mayo with UBS.

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**Benjamin Whitman Mayo** - *UBS Investment Bank, Research Division - Equity Research Analyst of Healthcare Facilities and Managed Care*

Maybe just to follow up on that last question. I think you guys announced a number of kidney care partnerships recently. I'd like to hear a little bit more about that. And I haven't thought about the hospice carve-in in some time. And I think that's still in the mix for next year, not really sure. So maybe just an update on your current thoughts would be great.

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**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

And Brian, do you want to take that?

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**Brian Andrew Kane** - *Humana Inc. - CFO*

Sure. With respect to the kidney partnerships, really, it's around how do we slow disease progression from chronic kidney conditions to ESRD? And so we have some really good partners that we're working with. We're excited about the partnerships that we've struck. It's still obviously early days and working through this, but we believe we can make a meaningful impact there. And so we'll see where those go and how meaningful they are. I would just say that people are being constructive in trying to figure out how -- especially in light of the number of ESRD patients that may answer a Medicare Advantage, how do we care for these individuals. And so we've been very focused on that. We spend a lot of time internally as well, developing care programs for our kidney patients. And again, that will be only enhanced by our partnerships.

With respect to the hospice carve-in, we're still working through it. We do anticipate participating in the pilot. We think it potentially could have a lot of merit in terms of creating a much more seamless care coordination for our members as they proceed through their various life phases. We think there also could be some savings as well to the system if we're able to actually have hospice as part of the Medicare Advantage system and create, again, a much more seamless transition in the various phases of care. And we think that will result in potentially better outcomes and lower costs. But it's still very, very early days. It's something that our teams are working through. And I think as we start getting the results of the pilot, we'll have more to say about the topic.

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**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

Okay. I think -- just adding to Brian's comments on our partnerships. I think the evidence from the number of partnerships that we've established in the marketplace today is just a really good example of how the network adequacy and expanding that has created a much more competitive marketplace, even early -- as I said, it's early stages of this. So I think it is a testimony to the power of the expansion of the network.

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**Operator**

And we have no further questions at this time. I will now turn the call back over to Bruce Broussard for closing remarks.

**Bruce Dale Broussard** - *Humana Inc. - President, CEO & Director*

I appreciate everyone's time. I know it's a little longer than normal quarterly call. So we appreciate all the engagement in our operating results and, obviously, the support that our shareholders have provided us over the last many years. And also, I can't leave the call without thanking our 50,000 teammates that have done a wonderful job in being able to transition to home, be able to serve our members, and then in addition, being able to provide our shareholders the financial performance that you saw this quarter.

So thank you, everyone, and thank you again for your support.

**Operator**

This concludes today's conference call. Thank you for your participation. You may now disconnect.