UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-5975

HUMANA INC.

(Exact name of registrant as specified in its charter)

Delaware	**61-0647538**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

500 West Main Street
Louisville, Kentucky 40202
(Address of principal executive offices, including zip code)

(502) 580-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $0.16 2/3 par value	HUM	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class of Common Stock	Outstanding at March 31, 2023
$0.16 2/3 par value	124,944,994 shares

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Humana Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2023	December 31, 2022
	(in millions, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,735	$ 5,061
Investment securities	14,932	13,881
Receivables, net of allowances of $69 in 2023 and $70 in 2022	3,107	1,674
Other current assets	5,758	5,567
Total current assets	37,532	26,183
Property and equipment, net	3,234	3,221
Long-term investment securities	371	380
Equity method investments	739	749
Goodwill	9,320	9,142
Other long-term assets	3,580	3,380
Total assets	$ 54,776	$ 43,055
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Benefits payable	$ 10,018	$ 9,264
Trade accounts payable and accrued expenses	7,431	5,238
Book overdraft	406	298
Unearned revenues	7,220	286
Short-term debt	1,867	2,092
Total current liabilities	26,942	17,178
Long-term debt	9,743	9,034
Other long-term liabilities	1,457	1,473
Total liabilities	38,142	27,685
Stockholders' equity:		
Preferred stock, $1 par; 10,000,000 shares authorized; none issued	—	—
Common stock, $0.16 2/3 par; 300,000,000 shares authorized; 198,666,598 shares issued at March 31, 2023 and December 31, 2022	33	33
Capital in excess of par value	3,262	3,246
Retained earnings	26,619	25,492
Accumulated other comprehensive loss	(1,113)	(1,304)
Treasury stock, at cost, 73,721,604 shares at March 31, 2023 and 73,691,955 shares at December 31, 2022	(12,224)	(12,156)
Total stockholders' equity	16,577	15,311
Noncontrolling interests	57	59
Total equity	16,634	15,370
Total liabilities and equity	$ 54,776	$ 43,055

See accompanying notes to condensed consolidated financial statements.

Humana Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three months ended March 31,	
	2023	2022
	(in millions, except per share results)	
Revenues:		
Premiums	$ 25,550	$ 22,703
Services	999	1,264
Investment income	193	3
Total revenues	26,742	23,970
Operating expenses:		
Benefits	21,858	19,625
Operating costs	2,979	2,886
Depreciation and amortization	186	170
Total operating expenses	25,023	22,681
Income from operations	1,719	1,289
Interest expense	113	90
Other income, net	(8)	(21)
Income before income taxes and equity in net losses	1,614	1,220
Provision for income taxes	359	286
Equity in net losses	(17)	(4)
Net income	$ 1,238	$ 930
Net loss attributable to noncontrolling interests	1	—
Net income attributable to Humana	$ 1,239	$ 930
Basic earnings per common share	$ 9.91	$ 7.32
Diluted earnings per common share	$ 9.87	$ 7.29

See accompanying notes to condensed consolidated financial statements.

Humana Inc.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended March 31, 2023	Three months ended March 31, 2022
	(in millions)	
Net income attributable to Humana	$ 1,239	$ 930
Other comprehensive income (loss):		
Change in gross unrealized investment gains (losses)	188	(769)
Effect of income taxes	(43)	176
Total change in unrealized investment gains (losses), net of tax	145	(593)
Reclassification adjustment for net realized losses (gains)	61	(27)
Effect of income taxes	(15)	6
Total reclassification adjustment, net of tax	46	(21)
Other comprehensive income (loss), net of tax	191	(614)
Comprehensive income attributable to Humana	$ 1,430	$ 316

See accompanying notes to condensed consolidated financial statements.

Humana Inc.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock Issued Shares	Common Stock Amount	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	(dollars in millions, share amounts in thousands)								
Three months ended March 31, 2023									
Balances, December 31, 2022	198,667	$ 33	$ 3,246	$ 25,492	$ (1,304)	$ (12,156)	$ 15,311	$ 59	$ 15,370
Net income				1,239			1,239	(1)	1,238
Distribution from noncontrolling interest holders, net								4	4
Acquisition								(5)	(5)
Other comprehensive income					191		191		191
Common stock repurchases			—			(94)	(94)		(94)
Dividends and dividend equivalents			—	(112)			(112)		(112)
Stock-based compensation			38				38		38
Restricted stock unit vesting	—	—	(24)			24	—		—
Stock option exercises	—	—	2			2	4		4
Balances, March 31, 2023	198,667	$ 33	$ 3,262	$ 26,619	$ (1,113)	$ (12,224)	$ 16,577	$ 57	$ 16,634
Three months ended March 31, 2022									
Balances, December 31, 2021	198,649	$ 33	$ 3,082	$ 23,086	$ 42	$ (10,163)	$ 16,080	$ 23	$ 16,103
Net income				930			930	—	930
Other comprehensive loss					(614)		(614)		(614)
Common stock repurchases			—			(1,024)	(1,024)		(1,024)
Dividends and dividend equivalents			—	(101)			(101)		(101)
Stock-based compensation			43				43		43
Restricted stock unit vesting	—	—	(24)			24	—		—
Stock option exercises	—	—	2			3	5		5
Balances, March 31, 2022	198,649	$ 33	$ 3,103	$ 23,915	$ (572)	$ (11,160)	$ 15,319	$ 23	$ 15,342

See accompanying notes to condensed consolidated financial statements.

Humana Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended March 31,	
	2023	2022
	(in millions)	
Cash flows from operating activities		
Net income	$ 1,238	$ 930
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on investment securities, net	60	76
Equity in net losses	17	4
Stock-based compensation	38	43
Depreciation	200	181
Amortization	18	24
Changes in operating assets and liabilities, net of effect of businesses acquired and disposed:		
Receivables	(1,433)	(1,360)
Other assets	(907)	(628)
Benefits payable	754	1,089
Other liabilities	(238)	(103)
Unearned revenues	6,934	34
Other	6	12
Net cash provided by operating activities	6,687	302
Cash flows from investing activities		
Acquisitions, net of cash and cash equivalents acquired	(73)	(74)
Purchases of property and equipment, net	(223)	(295)
Purchases of investment securities	(1,313)	(2,161)
Proceeds from maturities of investment securities	267	588
Proceeds from sales of investment securities	50	1,294
Net cash used in investing activities	(1,292)	(648)
Cash flows from financing activities		
Receipts from contract deposits, net	2,997	2,475
Proceeds from issuance of senior notes, net	1,215	744
Repayments of senior notes	(60)	—
Repayments from issuance of commercial paper, net	(177)	(265)
Repayment of term loan	(500)	—
Debt issue costs	(4)	(1)
Change in book overdraft	108	(9)
Common stock repurchases	(94)	(1,024)
Dividends paid	(100)	(91)
Other	(106)	(13)
Net cash provided by financing activities	3,279	1,816
Increase in cash and cash equivalents	8,674	1,470
Cash and cash equivalents at beginning of period	5,061	3,394
Cash and cash equivalents at end of period	$ 13,735	$ 4,864

Humana Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(Unaudited)

	For the three months ended March 31,	
	2023	2022
	(in millions)	
Supplemental cash flow disclosures:		
Interest payments	$ 97	$ 67
Income tax payments (refund), net	$ 6	$ (20)
Details of businesses acquired in purchase transactions:		
Fair value of assets acquired, net of cash and cash equivalents acquired	$ 73	$ 84
Less: Fair value of liabilities assumed	(5)	(10)
Less: Noncontrolling interests acquired	5	—
Cash paid for acquired businesses, net of cash and cash equivalents acquired	$ 73	$ 74

See accompanying notes to condensed consolidated financial statements.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION AND SIGNIFICANT EVENTS

The accompanying unaudited condensed consolidated financial statements are presented in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America, or GAAP, or those normally made in an Annual Report on Form 10-K. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. For further information, the reader of this Form 10-Q should refer to our Form 10-K for the year ended December 31, 2022, that was filed with the Securities and Exchange Commission, or the SEC, on February 16, 2023. We refer to this Form 10-K as the “2022 Form 10-K” in this document. References throughout this document to “we,” “us,” “our,” “Company,” and “Humana” mean Humana Inc. and its subsidiaries.

The preparation of our condensed consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. The areas involving the most significant use of estimates are the estimation of benefits payable, the impact of risk adjustment provisions related to our Medicare contracts, the valuation and related impairment recognition of investment securities, and the valuation and related impairment recognition of long-lived assets, including goodwill and indefinite-lived intangible assets. These estimates are based on knowledge of current events and anticipated future events, and accordingly, actual results may ultimately differ materially from those estimates. For additional information regarding accounting policies considered in preparing our consolidated financial statements, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

The financial information has been prepared in accordance with our customary accounting practices and has not been audited. In our opinion, the information presented reflects all adjustments necessary for a fair statement of interim results. All such adjustments are of a normal and recurring nature.

Employer Group Commercial Medical Products Business Exit

In February 2023, we announced our planned exit from the Employer Group Commercial Medical Products business, which includes all fully insured, self-funded and Federal Employee Health Benefit medical plans, as well as associated wellness and rewards programs. No other Humana health plan offerings are materially affected. Following a strategic review, we determined the Employer Group Commercial Medical Products business was no longer positioned to sustainably meet the needs of commercial members over the long term or support our long-term strategic plans. The exit from this line of business will be phased over the next 18 to 24 months.

Value Creation Initiatives

During 2022, in order to create capacity to fund growth and investment in our Medicare Advantage business and further expansion of our healthcare services capabilities in 2023, we committed to drive additional value for the enterprise through cost saving, productivity initiatives, and value acceleration from previous investments. As a result of these initiatives, we recorded charges of $473 million for the year-ended December 31, 2022. These charges primarily relate to $248 million in asset impairments, including software and abandonment, and $116 million of severance charges in connection with workforce optimization. The remainder of the charges primarily relate to external consulting fees. These charges were recorded at the corporate level and not allocated to the segments. We did not record any charges in the first quarter of 2022, with no recurring charges in 2023.

COVID-19

The emergence and spread of the novel coronavirus, or COVID-19, beginning in the first quarter of 2020 has impacted our business. During periods of increased incidences of COVID-19, a reduction in non-COVID-19 hospital admissions for non-emergent and elective medical care have resulted in lower overall healthcare system utilization. At the same time, COVID-19 treatment and testing costs increased utilization. During 2022, we experienced lower overall utilization of the healthcare system than anticipated, as the reduction in COVID-19 utilization following the increased incidence associated with the Omicron variant outpaced the increase in non-COVID-19 utilization. The significant disruption in utilization during 2020 also impacted our ability to implement clinical initiatives to manage health care costs and chronic conditions of our members, and appropriately document their risk profiles, and, as such, significantly affected our 2021 revenue under the risk adjustment payment model for Medicare Advantage plans. Finally, changes in utilization patterns and actions taken in 2021 as a result of the COVID-19 pandemic, including the suspension of certain financial recovery programs for a period of time and shifting the timing of claim payments and provider capitation surplus payments, impacted our claim reserve development and operating cash flows for 2021.

The COVID-19 National Emergency declared in 2020 was terminated on April 10, 2023 and the Public Health Emergency is set to expire on May 11, 2023.

Revenue Recognition

Our revenues include premiums and services revenue. Services revenue includes administrative service fees that are recorded based upon established per member per month rates and the number of members for the month and are recognized as services are provided for the month. Additionally, services revenue includes net patient services revenue that are recorded based upon established billing rates, less allowances for contractual adjustments, and are recognized as services are provided. For additional information regarding our revenues, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K. For additional information regarding disaggregation of revenue by segment and type, refer to Note 14 to the unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, "Financial Statements" of this Form 10-Q.

At March 31, 2023, accounts receivable related to services were $246 million. For the three months ended March 31, 2023, we had no material bad-debt expense and there were no material contract assets, contract liabilities or deferred contract costs recorded on the condensed consolidated balance sheet at March 31, 2023.

For the three months ended March 31, 2023, services revenue recognized from performance obligations related to prior periods, such as due to changes in transaction price, was not material. Further, services revenue expected to be recognized in any future year related to remaining performance obligations was not material.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 2020, the FASB issued Accounting Standards Update No. 2020-11, Financial Services—Insurance (Topic 944): Effective Date and Early Application (“ASU 2020-11”). The amendments in ASU 2020-11 make changes to the effective date and early application of Accounting Standards Update No. 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts (“ASU 2018-12”), which was issued in November 2018. The amendments in ASU 2020-11 have extended the original effective date by one year, and now the amendments are required for our interim and annual reporting periods beginning after December 15, 2022. The new guidance relates to accounting for long-duration contracts of insurers which revises key elements of the measurement models and disclosure requirements for long-duration contracts issued by insurers, including the amortization of deferred contract acquisition costs and the measurement of liabilities for future policy benefits using current, rather than locked-in, assumptions. The new guidance, limited to our Medicare Supplement product which represent less than 1% of consolidated premiums and services revenue, became effective for us beginning January 1, 2023 and is to be applied to contracts in force on the basis of their existing carrying value amounts at the beginning of the earliest period presented. The adoption of the new standard in 2023 did not have a material impact on our consolidated results of operations, financial position or cash flows.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

There are no other recently issued accounting standards that apply to us or that are expected to have a material impact on our results of operations, financial condition, or cash flows.

3. ACQUISITIONS AND DIVESTITURES

On August 11, 2022, we completed the sale of a 60% interest in Gentiva, formerly Kindred, Hospice to Clayton, Dubilier & Rice, or CD&R, for cash proceeds of approximately $2.7 billion, net of cash disposed, including debt repayments from Gentiva Hospice to Humana of $1.9 billion. In connection with the sale we recognized a pre-tax gain, net of transaction costs, of $237 million. For the three months ended March 31, 2022, the accompanying condensed consolidated statement of income includes revenues related to Gentiva Hospice of $382 million and pretax earnings of $62 million.

During 2023 and 2022, we acquired various health and wellness related businesses which, individually or in the aggregate, have not had a material impact on our results of operations, financial condition, or cash flows. The results of operations and financial condition of these businesses acquired in 2023 and 2022 have been included in our condensed consolidated statements of income and condensed consolidated balance sheets from the respective acquisition dates. Acquisition-related costs recognized in 2023 and 2022 were not material to our results of operations. For asset acquisitions, the goodwill acquired is partially amortizable as deductible expenses for tax purposes. The pro forma financial information assuming the acquisitions had occurred as of the beginning of the calendar year prior to the year of acquisition, as well as the revenues and earnings generated during the year of acquisition, were not material for disclosure purposes.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

4. INVESTMENT SECURITIES

Investment securities classified as current and long-term were as follows at March 31, 2023 and December 31, 2022, respectively:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in millions)		
March 31, 2023				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	$ 1,394	$ 9	$ (47)	$ 1,356
Mortgage-backed securities	3,919	7	(423)	3,503
Tax-exempt municipal securities	762	1	(27)	736
Mortgage-backed securities:				
Residential	470	—	(73)	397
Commercial	1,562	—	(149)	1,413
Asset-backed securities	1,915	2	(64)	1,853
Corporate debt securities	6,725	16	(696)	6,045
Total debt securities	$ 16,747	$ 35	$ (1,479)	15,303
Common stock				—
Total investment securities				$ 15,303
December 31, 2022				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	$ 1,093	$ 1	$ (55)	$ 1,039
Mortgage-backed securities	3,697	4	(471)	3,230
Tax-exempt municipal securities	765	0	(37)	728
Mortgage-backed securities:				
Residential	477	—	(76)	401
Commercial	1,554	—	(155)	1,399
Asset-backed securities	1,809	1	(79)	1,731
Corporate debt securities	6,551	3	(828)	5,726
Total debt securities	$ 15,946	$ 9	$ (1,701)	14,254
Common stock				7
Total investment securities				$ 14,261

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

We held certain corporate debt securities of Gentiva Hospice at March 31, 2023 with amortized cost and fair value of approximately $281 million and $286 million, respectively.

Gross unrealized losses and fair values aggregated by investment category and length of time of individual debt securities that have been in a continuous unrealized loss position for which no allowances for credit loss has been recorded were as follows at March 31, 2023 and December 31, 2022, respectively:

	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in millions)					
March 31, 2023						
U.S. Treasury and other U.S. government corporations and agencies:						
U.S. Treasury and agency obligations	$ 290	$ (2)	$ 396	$ (45)	$ 686	$ (47)
Mortgage-backed securities	867	(17)	2,123	(406)	2,990	(423)
Tax-exempt municipal securities	343	(5)	314	(22)	657	(27)
Mortgage-backed securities:						
Residential	25	(2)	369	(71)	394	(73)
Commercial	119	(4)	1,275	(145)	1,394	(149)
Asset-backed securities	583	(21)	971	(43)	1,554	(64)
Corporate debt securities	1,453	(47)	3,634	(649)	5,087	(696)
Total debt securities	$ 3,680	$ (98)	$ 9,082	$ (1,381)	$ 12,762	$ (1,479)
December 31, 2022						
U.S. Treasury and other U.S. government corporations and agencies:						
U.S. Treasury and agency obligations	$ 512	$ (5)	$ 397	$ (50)	$ 909	$ (55)
Mortgage-backed securities	1,231	(104)	1,683	(367)	2,914	(471)
Tax-exempt municipal securities	64	(2)	615	(36)	679	(38)
Mortgage-backed securities:						
Residential	124	(16)	274	(60)	398	(76)
Commercial	243	(13)	1,157	(142)	1,400	(155)
Asset-backed securities	620	(32)	1,011	(46)	1,631	(78)
Corporate debt securities	1,625	(98)	3,825	(730)	5,450	(828)
Total debt securities	$ 4,419	$ (270)	$ 8,962	$ (1,431)	$ 13,381	$ (1,701)

Approximately 98% of our debt securities were investment-grade quality, with a weighted average credit rating of AA by Standard & Poor's Rating Service, or S&P, at March 31, 2023. Most of the debt securities that were below investment-grade were rated BB-, the higher end of the below investment-grade rating scale. Tax-exempt municipal securities were diversified among general obligation bonds of states and local municipalities in the United States as well as special revenue bonds issued by municipalities to finance specific public works projects such as utilities, water and sewer, transportation, or education. Our general obligation bonds are diversified across the United States with no individual state exceeding 1% of our total debt securities. Our investment policy limits investments in a single issuer and requires diversification among various asset types.

Our unrealized losses from all debt securities were generated from approximately 1,550 positions out of a total of approximately 1,950 positions at March 31, 2023. All issuers of debt securities we own that were trading at an unrealized loss at March 31, 2023 remain current on all contractual payments. After taking into account these and

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

other factors previously described, we believe these unrealized losses primarily were caused by an increase in market interest rates in the current markets since the time these debt securities were purchased. At March 31, 2023, we did not intend to sell any debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not likely that we will be required to sell these debt securities before recovery of their amortized cost basis. Additionally, we did not record any material credit allowances for debt securities that were in an unrealized loss position for the three months ended March 31, 2023 or 2022.

The detail of (losses) gains related to investment securities and included within investment income was as follows for the three months ended March 31, 2023 and 2022:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	(in millions)	
Gross gains on investment securities	$ —	$ 33
Gross losses on investment securities	(61)	(1)
Gross gains on equity securities	1	—
Gross losses on equity securities	—	(108)
Net recognized losses on investment securities	$ (60)	$ (76)

The gains and losses related to equity securities for the three months ended March 31, 2023 and 2022 was as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	(in millions)	
Net gains (losses) recognized on equity securities during the period	$ 1	$ (108)
Less: Net gains (losses) recognized on equity securities sold during the period	1	(59)
Unrealized losses recognized on equity securities still held at the end of the period	$ —	$ (49)

The contractual maturities of debt securities available for sale at March 31, 2023, regardless of their balance sheet classification, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(in millions)	
Due within one year	$ 500	$ 49
Due after one year through five years	4,116	3,94
Due after five years through ten years	3,014	2,65
Due after ten years	1,251	1,05
Mortgage and asset-backed securities	7,866	7,16
Total debt securities	$ 16,747	$ 15,30

For additional information regarding our investment securities, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

5. FAIR VALUE

Financial Assets

The following table summarizes our fair value measurements at March 31, 2023 and December 31, 2022, respectively, for financial assets measured at fair value on a recurring basis:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	(in millions)			
March 31, 2023				
Cash equivalents	$ 13,613	$ 13,613	$ —	$ —
Debt securities:				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	1,356	—	1,356	—
Mortgage-backed securities	3,503	—	3,503	—
Tax-exempt municipal securities	736	—	736	—
Mortgage-backed securities:				
Residential	397	—	397	—
Commercial	1,413	—	1,413	—
Asset-backed securities	1,853	—	1,853	—
Corporate debt securities	6,045	—	5,946	99
Total debt securities	15,303	—	15,204	99
Common stock	—	—	—	—
Total invested assets	$ 28,916	$ 13,613	$ 15,204	$ 99
December 31, 2022				
Cash equivalents	$ 4,832	$ 4,832	$ —	$ —
Debt securities:				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	1,039	—	1,039	—
Mortgage-backed securities	3,230	—	3,230	—
Tax-exempt municipal securities	728	—	728	—
Mortgage-backed securities:				
Residential	401	—	401	—
Commercial	1,399	—	1,399	—
Asset-backed securities	1,731	—	1,731	—
Corporate debt securities	5,726	—	5,625	101
Total debt securities	14,254	—	14,153	101
Common stock	7	7	—	—
Total invested assets	$ 19,093	$ 4,839	$ 14,153	$ 101

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Our Level 3 assets had a fair value of $99 million at March 31, 2023, or 0.3% of our total invested assets. During the year ended March 31, 2023, the changes in the fair value of the assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	For the three months ended March 31, 2023	For the three months ended March 31, 20
	Private Placements	
	(in millions)	
Beginning balance at January 1	$ 101	$ [illegible]
Total gains or losses:		
Unrealized in other comprehensive income	1	[illegible]
Purchases	1	[illegible]
Sales	—	[illegible]
Transfer out	(4)	[illegible]
Balance at March 31	$ 99	$ [illegible]

Financial Liabilities

Our debt is recorded at carrying value in our consolidated balance sheets. The carrying value of our senior notes debt outstanding, net of unamortized debt issuance costs, was $11.2 billion at March 31, 2023 and $10.0 billion at December 31, 2022. The fair value of our senior notes debt was $10.9 billion at March 31, 2023 and $9.4 billion at December 31, 2022. The fair value of our senior notes debt is determined based on Level 2 inputs, including quoted market prices for the same or similar debt, or if no quoted market prices are available, on the current prices estimated to be available to us for debt with similar terms and remaining maturities. Carrying value approximates fair value for our term loans and commercial paper borrowings. The commercial paper borrowings were $426 million at March 31, 2023. The term loans and commercial paper borrowings were $1.1 billion at December 31, 2022.

Put and Call Options Measured at Fair Value

Our put and call options associated with our equity method investments are measured at fair value each period using a Monte Carlo simulation.

The put and call options fair values associated with our Primary Care Organization strategic partnership with Welsh, Carson, Anderson & Stowe, or WCAS, which are exercisable at a fixed revenue exit multiple and provide a minimum return on WCAS' investment if exercised, are measured at fair value each reporting period using a Monte Carlo simulation. The put and call options fair values, derived from the Monte Carlo simulation, were $318 million and $8 million, respectively, at March 31, 2023. The put and call options fair values, derived from the Monte Carlo simulation, were $267 million and $10 million, respectively, at December 31, 2022.

The significant unobservable inputs utilized in these Level 3 fair value measurements (and selected values) include the enterprise value, annualized volatility and credit spread. Enterprise value was derived from a discounted cash flow model, which utilized significant unobservable inputs for long-term revenue, to measure underlying cash flows, weighted average cost of capital and long term growth rate. The table below presents the assumptions used for each reporting period.

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	March 31, 2023	December 31, 2022
Annualized volatility	16.7% - 19.3%	16.7% - 20.8
Credit spread	1.2% - 1.4%	1.3% - 1.5
Revenue exit multiple	1.5x - 2.5x	1.5x - 2.
Weighted average cost of capital	12.0% - 13.0%	11.5% - 12.5
Long term growth rate	3.0 %	3.0

The assumptions used for annualized volatility, credit spread and weighted average cost of capital reflect the lowest and highest values where they differ significantly across the series of put and call options due to their expected exercise dates.

Other Assets and Liabilities Measured at Fair Value

Certain assets and liabilities are measured at fair value on a non-recurring basis subject to fair value adjustment only in certain circumstances. As disclosed in Note 3, we acquired various health and wellness related businesses during 2023. The net assets acquired and resulting goodwill and other intangible assets were recorded at fair value primarily using Level 3 inputs. The net tangible assets including receivables and accrued liabilities were recorded at their carrying value which approximated their fair value due to their short term nature. The fair value of goodwill and other intangible assets were internally estimated based primarily on the income approach. The income approach estimates fair value based on the present value of cash flow that the assets could be expected to generate in the future. We developed internal estimates for expected cash flows in the present value calculation using inputs and significant assumptions that include historical revenues and earnings, revenue growth rates, the amount and timing of future cash flows, discount rates, contributory asset charges and future tax rates, among others. The excess purchase price over the fair value of assets and liabilities acquired is recorded as goodwill.

As disclosed in Note 3, we completed the sale of Gentiva Hospice on August 11, 2022. The carrying value of the assets and liabilities of Gentiva Hospice disposed approximates fair value. The amount of goodwill included in the carrying value is based on the relative fair value of the Home Solutions reporting unit included within the CenterWell segment.

Other than the assets and liabilities acquired during 2023, there were no other material assets or liabilities measured at fair value on a recurring or nonrecurring basis during 2023.

For additional information regarding our fair value measurements, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

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6. MEDICARE PART D

We cover prescription drug benefits in accordance with Medicare Part D under multiple contracts with the Centers for Medicare and Medicaid Services, or CMS. The accompanying condensed consolidated balance sheets include the following amounts associated with Medicare Part D at March 31, 2023 and December 31, 2022. CMS subsidies/discounts in the table below include the reinsurance and low-income cost subsidies funded by CMS for which we assume no risk as well as brand name prescription drug discounts for Part D plan participants in the coverage gap funded by CMS and pharmaceutical manufacturers. For additional information regarding our prescription drug benefits coverage in accordance with Medicare Part D, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

	March 31, 2023		December 31, 2022	
	Risk Corridor Settlement	CMS Subsidies/ Discounts	Risk Corridor Settlement	CMS Subsidies/ Discounts
	(in millions)			
Other current assets	$ 86	$ 239	$ 240	$ 696
Trade accounts payable and accrued expenses	(147)	(3,805)	(166)	(1,236)
Net current (liability) asset	(61)	(3,566)	74	(540)
Other long-term assets	307	—	19	—
Other long-term liabilities	(93)	—	(78)	—
Net long-term asset (liability)	214	—	(59)	—
Total net asset (liability)	$ 153	$ (3,566)	$ 15	$ (540)

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for our reportable segments for the three months ended March 31, 2023 were as follows:

	Insurance	CenterWell	Total
	(in millions)		
Balance at January 1, 2023	$ 2,472	$ 6,670	$ 9,142
Acquisitions	106	72	178
Balance at March 31, 2023	$ 2,578	$ 6,742	$ 9,320

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The following table presents details of our other intangible assets included in other long-term assets in the accompanying condensed consolidated balance sheets at March 31, 2023 and December 31, 2022:

		March 31, 2023			December 31, 2022		
	Weighted Average Life	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
		($ in millions)					
Other intangible assets:							
Certificates of need	Indefinite	$ 1,132	$ —	$ 1,132	$ 1,132	$ —	$ 1,132
Medicare licenses	Indefinite	286	—	286	286	—	286
Customer contracts/ relationships	9.3 years	932	685	247	929	673	256
Trade names and technology	6.8 years	134	101	33	142	107	35
Provider contracts	11.6 years	73	63	10	73	63	10
Noncompetes and other	8.4 years	84	38	46	86	40	46
Total other intangible assets	9.1 years	$ 2,641	$ 887	$ 1,754	$ 2,648	$ 883	$ 1,765

For the three months ended March 31, 2023 and 2022, amortization expense for other intangible assets was approximately $18 million. The following table presents our estimate of amortization expense remaining for 2023 and each of the five next succeeding years at March 31, 2023:

	(in millions)
For the years ending December 31,	
2023	$ 47
2024	56
2025	54
2026	41
2027	32
2028	27

For additional information regarding our goodwill and intangible assets, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

8. BENEFITS PAYABLE

On a consolidated basis, which represents our Insurance segment net of eliminations, activity in benefits payable was as follows for the three months ended March 31, 2023 and 2022:

	For the three months ended March 31,	
	2023	2022
	(in millions)	
Balances, beginning of period	$ 9,264	$ 8,289
Incurred related to:		
Current year	22,380	19,985
Prior years	(522)	(360)
Total incurred	21,858	19,625
Paid related to:		
Current year	(14,203)	(12,284)
Prior years	(6,901)	(6,252)
Total paid	(21,104)	(18,536)
Balances, end of period	$ 10,018	$ 9,378

The total estimate of benefits payable for claims incurred but not reported, or IBNR, is included within the net incurred claims amounts. At March 31, 2023, benefits payable included IBNR of approximately $6.3 billion, primarily associated with claims incurred in 2023.

Amounts incurred related to prior periods vary from previously estimated liabilities as the claims ultimately are settled. Negative amounts reported for incurred related to prior years result from claims being ultimately settled for amounts less than originally estimated (favorable development).

Our reserving practice is to consistently recognize the actuarial best estimate of our ultimate liability for claims. Actuarial standards require the use of assumptions based on moderately adverse experience, which generally results in favorable reserve development, or reserves that are considered redundant. For additional information regarding our benefits payable and benefits expense recognition, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

9. EARNINGS PER COMMON SHARE COMPUTATION

Detail supporting the computation of basic and diluted earnings per common share was as follows for the three months ended March 31, 2023 and 2022:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	(dollars in millions, except per common share results; number of shares in thousands)	
Net income available for common stockholders	$ 1,239	$ 930
Weighted average outstanding shares of common stock used to compute basic earnings per common share	125,005	126,938
Dilutive effect of:		
Employee stock options	34	40
Restricted stock	525	496
Shares used to compute diluted earnings per common share	125,564	127,474
Basic earnings per common share	$ 9.91	$ 7.32
Diluted earnings per common share	$ 9.87	$ 7.29
Number of antidilutive stock options and restricted stock excluded from computation	538	626

For additional information regarding earnings per common share, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

10. STOCKHOLDERS' EQUITY

Dividends

The following table provides details of dividend payments, excluding dividend equivalent rights for unvested stock awards, during 2023 under our Board approved quarterly cash dividend policy:

Record Date	Payment Date	Amount per Share	Total Amount (in millions)
12/30/2022	1/27/2023	$ 0.7900	$ 98

In February 2023, the Board declared a cash dividend of $0.885 per share payable on April 28, 2023 to stockholders of record on March 31, 2023. In April 2023, the Board declared a cash dividend of $0.885 per share payable on July 28, 2023 to stockholders of record as of the close of business on June 30, 2023. Declaration and payment of future quarterly dividends are at the discretion of our Board and may be adjusted as business needs or market conditions change.

Stock Repurchases

Our Board of Directors may authorize the purchase of our common stock shares. Under the share repurchase authorization, shares may be purchased from time to time at prevailing prices in the open market, by block purchases, through plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, or in privately-negotiated transactions, including pursuant to accelerated share repurchase agreements with investment banks, subject to certain regulatory restrictions on volume, pricing, and timing.

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On February 15, 2023, the Board of Directors replaced the previous share repurchase authorization of up to $3 billion (of which approximately $1 billion remained unused) with a new authorization for repurchases of up to $3 billion of our common shares exclusive of shares repurchased in connection with employee stock plans, expiring as of February 15, 2026. During the three months ended March 31, 2023, we repurchased 0.1 million shares in open market transactions for $67 million at an average price of $495.68 under the current share repurchase authorization. During the three months ended March 31, 2022 we did not repurchase shares in open market transactions.

Our remaining repurchase authorization was $2.8 billion as of April 25, 2023.

In connection with employee stock plans, we acquired 0.05 million common shares for $27 million and 0.06 million common shares for $24 million during the three months ended March 31, 2023 and 2022, respectively.

For additional information regarding our stockholders' equity, refer to Note 16 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

11. INCOME TAXES

The effective income tax rate was 22.5% and 23.5% for the three months ended March 31, 2023 and 2022, respectively. The year-over-year decrease in the effective income tax rate is primarily due to the recognition of a non-taxable gain in the 2023 quarter.

For additional information regarding income taxes, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

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12. DEBT

The carrying value of debt outstanding, net of unamortized debt issuance costs, was as follows at March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
	(in millions)	
Short-term debt:		
Commercial paper	$ 426	$ 595
Senior notes:		
$1.5 billion, 0.650% due August 3, 2023	1,441	1,497
Total senior notes	1,441	1,497
Total short-term debt	$ 1,867	$ 2,092
Long-term debt:		
Senior notes:		
$600 million, 3.850% due October 1, 2024	$ 595	$ 599
$600 million, 4.500% due April 1, 2025	597	597
$500 million, 5.700% due March 13, 2026	497	—
$750 million, 1.350% due February 3, 2027	745	745
$600 million, 3.950% due March 15, 2027	597	597
$500 million, 5.750% due March 1, 2028	494	494
$750 million, 3.700% due March 23, 2029	743	743
$500 million, 3.125% due August 15, 2029	496	496
$500 million, 4.875% due April 1, 2030	496	495
$750 million, 2.150% due February 3, 2032	743	743
$750 million, 5.880% due March 1, 2033	740	739
$250 million, 8.150% due June 15, 2038	261	261
$400 million, 4.625% due December 1, 2042	396	396
$750 million, 4.950% due October 1, 2044	740	740
$400 million, 4.800% due March 15, 2047	396	396
$500 million, 3.950% due August 15, 2049	493	493
$750 million, 5.500% due March 15, 2053	714	—
Total senior notes	9,743	8,534
Term loans:		
Delayed draw term loan, due May 28, 2024	—	500
Total term loans	—	500
Total long-term debt	$ 9,743	$ 9,034

Senior Notes

In March 2023, we issued $500 million of 5.700% unsecured senior notes due March 13, 2026 and $750 million of 5.500% unsecured senior notes due March 15, 2053. Our net proceeds, reduced for the underwriters' discounts and commissions paid, were $1.2 billion. We used the net proceeds to repay outstanding amounts under our $500 million Delayed Draw Term Loan. The remaining net proceeds will be used for general corporate purposes, which include the repayment of existing indebtedness, including borrowings under our commercial paper program.

In March 2023, we entered into a Rule 10b5-1 Repurchase Plan, or the Plan, to repurchase a portion of our $1.5 billion aggregate principal amount of 0.650% senior notes maturing in August 2023 and our $600 million aggregate principal amount of 3.850% senior notes maturing in October 2024 during the Plan period beginning on March 13, 2023 and ending on June 15, 2023. During the three months ended March 31, 2023, we repurchased $61 million aggregate principal amount, for cash totaling approximately $60 million.

For additional information regarding our Senior Notes, refer to Note 13 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

Revolving Credit Agreements

Our credit agreements contain customary restrictive covenants and a financial covenant regarding maximum debt to capitalization of 60%, as well as customary events of default. We are in compliance with this financial covenant, with actual debt to capitalization of 41.1% as measured in accordance with the revolving credit agreements as of March 31, 2023.

At March 31, 2023, we had no borrowings and approximately $39 million of letters of credit outstanding under the revolving credit agreements, including those of KAH. Accordingly, as of March 31, 2023, we had $2.4 billion of remaining borrowing capacity under the 5-year revolving credit agreement and $1.5 billion of remaining borrowing capacity under the 364-day revolving credit agreement (which excludes the uncommitted $750 million of incremental loan facilities), none of which would be restricted by our financial covenant compliance requirement.

For additional information regarding our Revolving Credit Agreements, refer to Note 13 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

Commercial Paper

Under our commercial paper program we may issue short-term, unsecured commercial paper notes privately placed on a discount basis through certain broker dealers at any time. Amounts available under the program may be borrowed, repaid and re-borrowed from time to time. The net proceeds of issuances have been and are expected to be used for general corporate purposes. The maximum principal amount outstanding at any one time during the three months ended March 31, 2023 was $626 million, with $426 million outstanding at March 31, 2023 compared to $595 million outstanding at December 31, 2022. The outstanding commercial paper at March 31, 2023 had a weighted average annual interest rate of 5.45%.

For additional information regarding our Commercial Paper refer to Note 13 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

Other Short-term Borrowings

We are a member, through one subsidiary, of the Federal Home Loan Bank of Cincinnati, or FHLB. As a member we have the ability to obtain short-term cash advances, subject to certain minimum collateral requirements. At March 31, 2023 we had no outstanding short-term FHLB borrowings.

13. COMMITMENTS, GUARANTEES AND CONTINGENCIES

Government Contracts

Our Medicare products, which accounted for approximately 84% of our total premiums and services revenue for the three months ended March 31, 2023, primarily consisted of products covered under the Medicare Advantage and Medicare Part D Prescription Drug Plan contracts with the federal government. These contracts are renewed generally for a calendar year term unless CMS notifies us of its decision not to renew by May 1 of the calendar year in which the contract would end, or we notify CMS of our decision not to renew by the first Monday in June of the calendar year in which the contract would end. All material contracts between Humana and CMS relating to our Medicare products have been renewed for 2023, and all of our product offerings filed with CMS for 2023 have been approved.

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CMS uses a risk-adjustment model which adjusts premiums paid to Medicare Advantage, or MA, plans according to health status of covered members. The risk-adjustment model, which CMS implemented pursuant to the Balanced Budget Act of 1997, or BBA, and the Benefits Improvement and Protection Act of 2000, or BIPA, generally pays more where a plan's membership has higher expected costs. Under this model, rates paid to MA plans are based on actuarially determined bids, which include a process whereby our prospective payments are based on our estimated cost of providing standard Medicare-covered benefits to an enrollee with a "national average risk profile." That baseline payment amount is adjusted to account for certain demographic characteristics and health status of our enrolled members. Under the risk-adjustment methodology, all MA plans must collect from providers and submit the necessary diagnosis code information to CMS within prescribed deadlines. The CMS risk-adjustment model uses the diagnosis data, collected from providers, to calculate the health status-related risk-adjusted premium payment to MA plans, which CMS further adjusts for coding pattern differences between the health plans and the government fee-for-service, or FFS, program. We generally rely on providers, including certain providers in our network who are our employees, to code their claim submissions with appropriate diagnoses, which we send to CMS as the basis for our health status-adjusted payment received from CMS under the actuarial risk-adjustment model. We also rely on these providers to document appropriately all medical data, including the diagnosis data submitted with claims. In addition, we conduct medical record reviews as part of our data and payment accuracy compliance efforts, to more accurately reflect diagnosis conditions under the risk adjustment model.

CMS and the Office of the Inspector General of Health and Human Services, or HHS-OIG, perform audits of various companies' risk adjustment diagnosis data submissions. We refer to these audits as Risk-Adjustment Data Validation Audits, or RADV audits. RADV audits review medical records in an attempt to validate provider medical record documentation and coding practices that influence the calculation of health status-related premium payments to MA plans.

In 2012, CMS released an MA contract-level RADV methodology that would extrapolate the results of each CMS RADV audit sample to the audited MA contract's entire health status-related risk adjusted premium amount for the year under audit. In doing so, CMS recognized "that the documentation standard used in RADV audits to determine a contract's payment error (medical records) is different from the documentation standard used to develop the Part C risk-adjustment model (FFS claims)." To correct for this difference, CMS stated that it would apply a "Fee-for-Service Adjuster (FFS Adjuster)" as "an offset to the preliminary recovery amount." This adjuster would be "calculated by CMS based on a RADV-like review of records submitted to support FFS claims data." CMS stated that this methodology would apply to audits beginning with PY 2011. Humana relied on CMS's 2012 guidance in submitting MA bids to CMS. Humana also launched a "Self-Audits" program in 2013 that applied CMS's 2012 RADV audit methodology and included an estimated FFS Adjuster. Humana completed Self-Audits for PYs 2011-2016 and reported results to CMS.

In October 2018, however, CMS issued a proposed rule announcing possible changes to the RADV audit methodology, including elimination of the FFS Adjuster. CMS proposed applying its revised methodology, including extrapolated recoveries without application of a FFS Adjuster, to RADV audits dating back to PY 2011. On January 30, 2023, CMS published a final rule related to the RADV audit methodology (Final RADV Rule). The Final RADV Rule confirmed CMS's decision to eliminate the FFS Adjuster. The Final RADV Rule states CMS's intention to extrapolate results from CMS and HHS-OIG RADV audits beginning with PY 2018, rather than PY 2011 as proposed. However, CMS's Final RADV Rule does not adopt a specific sampling, extrapolation or audit methodology. CMS instead stated its general plan to rely on "any statistically valid method . . . that is determined to be well-suited to a particular audit."

Humana is considering its legal options with respect to CMS's changed position on the FFS Adjuster and seeking clarity regarding our compliance obligations in light of the Final RADV Rule. We believe that the Final RADV Rule fails to address adequately the statutory requirement of actuarial equivalence. Further, Humana's actuarially certified bids through PY 2023 preserved Humana's position that CMS should apply an FFS Adjuster in any RADV audit that CMS intends to extrapolate. We expect CMS to apply the Final RADV Rule, including the first application of extrapolated audit results to determine audit settlements without a FFS Adjuster, to CMS and HHS-OIG RADV audits conducted for PY 2018 and subsequent years. The Final RADV Rule, including the lack of a FFS Adjuster, and any related regulatory, industry or company reactions, could have a material adverse effect on our results of operations, financial position, or cash flows.

In addition, as part of our internal compliance efforts, we routinely perform ordinary course reviews of our internal business processes related to, among other things, our risk coding and data submissions in connection with the risk adjustment model. These reviews may also result in the identification of errors and the submission of corrections to CMS that may, either individually or in the aggregate, be material. As such, the result of these reviews may have a material adverse effect on our results of operations, financial position, or cash flows.

As we explore our legal options and compliance obligations, we remain committed to working alongside CMS to promote the integrity of the MA program as well as affordability and cost certainty for our members. It is critical that MA plans are paid accurately and that payment model principles, including the application of a FFS Adjuster, are in accordance with the requirements of the Social Security Act, which, if not implemented correctly could have a material adverse effect on our results of operations, financial position, or cash flows.

Our state-based Medicaid business, which accounted for approximately 7% of our total premiums and services revenue for the three months ended March 31, 2023 primarily consisted of serving members enrolled in Medicaid, and in certain circumstances members who qualify for both Medicaid and Medicare, under contracts with various states.

At March 31, 2023, our Military business, which accounted for approximately 1% of our total premiums and services revenue for the three months ended March 31, 2023, primarily consisted of the TRICARE T2017 East Region contract. The T2017 East Region contract comprising 32 states and approximately 6 million TRICARE beneficiaries, under which delivery of health care services commenced on January 1, 2018. The T2017 East Region contract, which was originally set to expire on December 31, 2022, was subsequently extended by the DoD and is currently scheduled to expire on December 31, 2023, unless further extended.

In December 2022, we were awarded the next generation of TRICARE Managed Care Support Contracts, or T-5, for the TRICARE East Region by the Defense Health Agency of the DoD. The contract is expected to go into effect in 2024. Until then the T2017 contract remains in place. Under the terms of the award, our service area covers approximately 4.6 million beneficiaries in a region consisting of 24 states and Washington, D.C. The length of the contract is one base year with eight annual option periods, which, if all options are exercised, would result in a total contract length of nine years.

The loss of any of the contracts above or significant changes in these programs as a result of legislative or regulatory action, including reductions in premium payments to us, regulatory restrictions on profitability, including reviews by regulatory bodies that may compare our Medicare Advantage profitability to our non-Medicare Advantage business profitability, or compare the profitability of various products within our Medicare Advantage business, and require that they remain within certain ranges of each other, or increases in member benefits or member eligibility criteria without corresponding increases in premium payments to us, may have a material adverse effect on our results of operations, financial position, and cash flows.

Legal Proceedings and Certain Regulatory Matters

As previously disclosed, the Civil Division of the United States Department of Justice provided us with an information request in December 2014, concerning our Medicare Part C risk adjustment practices. The request relates to our oversight and submission of risk adjustment data generated by providers in our Medicare Advantage network, as well as to our business and compliance practices related to risk adjustment data generated by our providers and by us, including medical record reviews conducted as part of our data and payment accuracy compliance efforts, the use of health and well-being assessments, and our fraud detection efforts. We believe that this request for information is in connection with a wider review of Medicare Risk Adjustment generally that includes a number of Medicare Advantage plans, providers and vendors. We cooperated with the Department of Justice, and we have not heard from the Department of Justice on this matter since 2020.

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As previously disclosed, on January 19, 2016, an individual filed a qui tam suit captioned United States of America ex rel. Steven Scott v. Humana, Inc., in United States District Court, Central District of California, Western Division. The complaint alleges certain civil violations by us in connection with the actuarial equivalence of the plan benefits under Humana's Basic PDP plan, a prescription drug plan offered by us under Medicare Part D. The action seeks damages and penalties on behalf of the United States under the False Claims Act. The court ordered the qui tam action unsealed on September 13, 2017, so that the relator could proceed, following notice from the U.S. Government that it was not intervening at that time. On January 29, 2018, the suit was transferred to the United States District Court, Western District of Kentucky, Louisville Division. We have substantially completed discovery with the relator who has pursued the matter on behalf of the United States following its unsealing. On March 31, 2022, the Court denied the parties' Motions for Summary Judgement. We take seriously our obligations to comply with applicable CMS requirements and actuarial standards of practice, and continue to vigorously defend against these allegations.

Other Lawsuits and Regulatory Matters

Our current and past business practices are subject to review or other investigations by various state insurance and health care regulatory authorities and other state and federal regulatory authorities. These authorities regularly scrutinize the business practices of health insurance, health care delivery and benefits companies. These reviews focus on numerous facets of our business, including claims payment practices, statutory capital requirements, provider contracting, risk adjustment, competitive practices, commission payments, privacy issues, utilization management practices, pharmacy benefits, access to care, sales practices, and provision of care by our healthcare services businesses, among others. Some of these reviews have historically resulted in fines imposed on us and some have required changes to some of our practices. We continue to be subject to these reviews, which could result in additional fines or other sanctions being imposed on us or additional changes in some of our practices.

We also are involved in various other lawsuits that arise, for the most part, in the ordinary course of our business operations, certain of which may be styled as class-action lawsuits. Among other matters, this litigation may include employment matters, claims of medical malpractice, bad faith, nonacceptance or termination of providers, anticompetitive practices, improper rate setting, provider contract rate and payment disputes, including disputes over reimbursement rates required by statute, disputes arising from competitive procurement process, general contractual matters, intellectual property matters, and challenges to subrogation practices. Under state guaranty assessment laws, including those related to state cooperative failures in the industry, we may be assessed (up to prescribed limits) for certain obligations to the policyholders and claimants of insolvent insurance companies that write the same line or lines of business as we do.

As a government contractor, we may also be subject to false claims litigation, such as qui tam lawsuits brought by individuals who seek to sue on behalf of the government, alleging that the government contractor submitted false claims to the government or related overpayments from the government, including, among other allegations, those resulting from coding and review practices under the Medicare risk adjustment model. Qui tam litigation is filed under seal to allow the government an opportunity to investigate and to decide if it wishes to intervene and assume control of the litigation. If the government does not intervene, the individual may continue to prosecute the action on his or her own, on behalf of the government. We also are subject to other allegations of nonperformance of contractual obligations to providers, members, and others, including failure to properly pay claims, improper policy terminations, challenges to our implementation of the Medicare Part D prescription drug program and other litigation.

A limited number of the claims asserted against us are subject to insurance coverage. Personal injury claims, claims for extra contractual damages, care delivery malpractice, and claims arising from medical benefit denials are covered by insurance from our wholly owned captive insurance subsidiary and excess carriers, except to the extent that claimants seek punitive damages, which may not be covered by insurance in certain states in which insurance coverage for punitive damages is not permitted. In addition, insurance coverage for all or certain forms of liability has become increasingly costly and may become unavailable or prohibitively expensive in the future.

We record accruals for the contingencies discussed in the sections above to the extent that we conclude it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. No estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made at this time regarding the matters specifically described above because of the inherently unpredictable nature of legal proceedings, which also may be exacerbated by various factors, including: (i) the damages sought in the proceedings are unsubstantiated or indeterminate; (ii) discovery is not complete; (iii) the proceeding is in its early stages; (iv) the matters present legal uncertainties; (v) there are significant facts in dispute; (vi) there are a large number of parties (including where it is uncertain how liability, if any, will be shared among multiple defendants); or (vii) there is a wide range of potential outcomes.

The outcome of any current or future litigation or governmental or internal investigations, including the matters described above, cannot be accurately predicted, nor can we predict any resulting judgments, penalties, fines or other sanctions that may be imposed at the discretion of federal or state regulatory authorities or as a result of actions by third parties. Nevertheless, it is reasonably possible that any such outcome of litigation, judgments, penalties, fines or other sanctions could be substantial, and the outcome of these matters may have a material adverse effect on our results of operations, financial position, and cash flows, and may also affect our reputation.

14. SEGMENT INFORMATION

During December 2022, we realigned our businesses into two distinct segments: Insurance and CenterWell. The Insurance segment includes the businesses that were previously included in the Retail and Group and Specialty segments, as well as the Pharmacy Benefit Manager, or PBM, business which was previously included in the Healthcare Services segment. The CenterWell segment (formerly Healthcare Services) represents our payor-agnostic healthcare services offerings, including pharmacy dispensing services, provider services, and home services. In addition to the new segment classifications being utilized to assess performance and allocate resources, we believe this simpler structure will create greater collaboration across the Insurance and CenterWell businesses and will accelerate work that is underway to centralize and integrate operations within the organization. Prior period segment financial information has been recast to conform to the 2023 presentation.

Our two reportable segments, Insurance and CenterWell, are based on a combination of the type of health plan customer and adjacent businesses centered on well-being solutions for our health plans and other customers, as described below. These segment groupings are consistent with information used by our Chief Executive Officer, the Chief Operating Decision Maker, to assess performance and allocate resources.

The Insurance segment consists of Medicare benefits, marketed to individuals or directly via group Medicare accounts, as well as our contract with CMS to administer the Limited Income Newly Eligible Transition, or LI-NET, prescription drug plan program and contracts with various states to provide Medicaid, dual eligible demonstration, and Long-Term Support Services benefits, which we refer to collectively as our state-based contracts. This segment also includes products consisting of employer group commercial fully-insured medical and specialty health insurance benefits marketed to individuals and employer groups, including dental, vision, and other supplemental health benefits, as well as administrative services only, or ASO. In addition, our Insurance segment includes our Military business, primarily our T-2017 East Region contract, as well as the operations of our PBM business.

The CenterWell segment includes our pharmacy, provider services, and home solutions operations. The segment also includes our strategic partnerships with WCAS to develop and operate senior-focused, payor-agnostic, primary care centers, as well as our minority ownership interest in hospice operations. Services offered by this segment are designed to enhance the overall healthcare experience. These services may lead to lower utilization associated with improved member health and/or lower drug costs.

Our CenterWell intersegment revenues primarily relate to the operations of CenterWell Pharmacy (our mail- order pharmacy business), CenterWell Specialty Pharmacy, and retail pharmacies jointly located within CenterWell Senior Primary Care clinics.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

In addition, our CenterWell intersegment revenues include revenues earned by certain owned providers derived from certain value-based arrangements with our health plans. Under these value-based arrangements, our owned providers enter into agreements with our health plans to stand ready to deliver, integrate, direct and control the administration and management of certain health care services for our members. In exchange, the owned provider receives a premium that is typically paid on a per-member per-month basis. These value-based arrangements represent a single performance obligation where revenues are recognized in the period in which we are obligated to provide integrated health care services to our members. Fee-for-service revenue is recognized at agreed upon rates, net of contractual allowances, as the performance obligation is completed on the date of service.

We present our condensed consolidated results of operations from the perspective of the health plans. As a result, the cost of providing benefits to our members, whether provided via a third party provider or internally through a stand-alone subsidiary, is classified as benefits expense and excludes the portion of the cost for which the health plans do not bear responsibility, including member co-share amounts and government subsidies of $4.0 billion and $4.0 billion for the three months ended March 31, 2023 and 2022, respectively. In addition, depreciation and amortization expense associated with certain businesses delivering benefits to our members, primarily associated with our provider services and pharmacy operations, are included with benefits expense. The amount of this expense was $33 million and $30 million for the three months ended March 31, 2023 and 2022, respectively.

Other than those described previously, the accounting policies of each segment are the same. For additional information regarding our accounting policies refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K. Transactions between reportable segments primarily consist of sales of services rendered by our CenterWell segment, primarily pharmacy, provider, and home services, to our Insurance segment customers. Intersegment sales and expenses are recorded at fair value and eliminated in consolidation. Members served by our segments often use the same provider networks, enabling us in some instances to obtain more favorable contract terms with providers. Our segments also share indirect costs and assets. As a result, the profitability of each segment is interdependent. We allocate most operating expenses to our segments. Assets and certain corporate income and expenses are not allocated to the segments, including the portion of investment income not supporting segment operations, interest expense on corporate debt, and certain other corporate expenses. These items are managed at a corporate level. These corporate amounts are reported separately from our reportable segments and are included with intersegment eliminations in the tables presenting segment results below.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Our segment results were as follows for the three months ended March 31, 2023 and 2022:

Three months ended March 31, 2023	Insurance	CenterWell	Eliminations/ Corporate	Consolidated
	(in millions)			
External revenues				
Premiums:				
Individual Medicare Advantage	$ 19,809	$ —	$ —	$ 19,809
Group Medicare Advantage	1,765	—	—	1,765
Medicare stand-alone PDP	616	—	—	616
Total Medicare	22,190	—	—	22,190
Commercial fully-insured	1,018	—	—	1,018
Specialty benefits	254	—	—	254
Medicare Supplement	179	—	—	179
Medicaid and other	1,909	—	—	1,909
Total premiums	25,550	—	—	25,550
Services revenue:				
Home solutions	—	314	—	314
Provider services	—	201	—	201
Commercial ASO	71	—	—	71
Military and other	171	—	—	171
Pharmacy solutions	—	242	—	242
Total services revenue	242	757	—	999
Total external revenues	25,792	757	—	26,549
Intersegment revenues				
Services	14	1,133	(1,147)	—
Products	—	2,615	(2,615)	—
Total intersegment revenues	14	3,748	(3,762)	—
Investment income	97	—	96	193
Total revenues	25,903	4,505	(3,666)	26,742
Operating expenses:				
Benefits	21,993	—	(135)	21,858
Operating costs	2,418	4,126	(3,565)	2,979
Depreciation and amortization	165	49	(28)	186
Total operating expenses	24,576	4,175	(3,728)	25,023
Income from operations	1,327	330	62	1,719
Interest expense	—	—	113	113
Other income, net	—	—	(8)	(8)
Income (loss) before income taxes and equity in net losses	1,327	330	(43)	1,614
Equity in net losses	(3)	(14)	—	(17)
Segment earnings (loss)	$ 1,324	$ 316	$ (43)	$ 1,597
Net loss attributable to noncontrolling interests	1	—	—	1
Segment earnings (loss) attributable to Humana	$ 1,325	$ 316	$ (43)	$ 1,598

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

	Insurance	CenterWell	Eliminations/ Corporate	Consolidated
Three months ended March 31, 2022		(in millions)		
External Revenues				
Premiums:				
Individual Medicare Advantage	$ 17,052	$ —	$ —	$ 17,052
Group Medicare Advantage	1,875	—	—	1,875
Medicare stand-alone PDP	639	—	—	639
Total Medicare	19,566	—	—	19,566
Commercial fully-insured	1,140	—	—	1,140
Specialty benefits	261	—	—	261
Medicare Supplement	182	—	—	182
Medicaid and other	1,554	—	—	1,554
Total premiums	22,703	—	—	22,703
Services revenue:				
Home solutions	—	726	—	726
Provider services	—	113	—	113
Commercial ASO	77	—	—	77
Military and other	127	—	—	127
Pharmacy solutions	—	221	—	221
Total services revenue	204	1,060	—	1,264
Total external revenues	22,907	1,060	—	23,967
Intersegment revenues				
Services	14	857	(871)	—
Products	—	2,446	(2,446)	—
Total intersegment revenues	14	3,303	(3,317)	—
Investment income (loss)	46	2	(45)	3
Total revenues	22,967	4,365	(3,362)	23,970
Operating expenses:				
Benefits	19,734	—	(109)	19,625
Operating costs	2,087	3,948	(3,149)	2,886
Depreciation and amortization	150	47	(27)	170
Total operating expenses	21,971	3,995	(3,285)	22,681
Income (loss) from operations	996	370	(77)	1,289
Interest expense	—	—	90	90
Other income, net	—	—	(21)	(21)
Income (loss) before income taxes and equity in net losses	996	370	(146)	1,220
Equity in net losses	—	(4)	—	(4)
Segment earnings (loss)	$ 996	$ 366	$ (146)	$ 1,216
Net loss (income) attributable to noncontrolling interests	—	—	—	—
Segment earnings (loss) attributable to Humana	$ 996	$ 366	$ (146)	$ 1,216

Humana Inc.
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The condensed consolidated financial statements of Humana Inc. in this document present the Company's financial position, results of operations and cash flows, and should be read in conjunction with the following discussion and analysis. References to "we," "us," "our," "Company," and "Humana" mean Humana Inc. and its subsidiaries. This discussion includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in filings with the Securities and Exchange Commission, or SEC, in our press releases, investor presentations, and in oral statements made by or with the approval of one of our executive officers, the words or phrases like "believes," "expects," "anticipates," "intends," "likely will result," "estimates," "projects" or variations of such words and similar expressions are intended to identify such forward–looking statements. These forward–looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, including, among other things, information set forth in Item 1A. – Risk Factors in our 2022 Form 10-K, as modified by any changes to those risk factors included in this document and in other reports we filed subsequent to February 16, 2023, in each case incorporated by reference herein. In making these statements, we are not undertaking to address or update such forward-looking statements in future filings or communications regarding our business or results. In light of these risks, uncertainties and assumptions, the forward–looking events discussed in this document might not occur. There may also be other risks that we are unable to predict at this time. Any of these risks and uncertainties may cause actual results to differ materially from the results discussed in the forward–looking statements.

Executive Overview

General

Humana Inc., headquartered in Louisville, Kentucky, is a leading health and well-being company committed to helping our millions of medical and specialty members achieve their best health. Our successful history in care delivery and health plan administration is helping us create a new kind of integrated care with the power to improve health and well being and lower costs. Our efforts are leading to a better quality of life for people with Medicare, families, individuals, military service personnel, and communities at large. To accomplish that, we support physicians and other health care professionals as they work to deliver the right care in the right place for their patients, our members. Our range of clinical capabilities, resources and tools, such as in home care, behavioral health, pharmacy services, data analytics and wellness solutions, combine to produce a simplified experience that makes health care easier to navigate and more effective.

Our industry relies on two key statistics to measure performance. The benefit ratio, which is computed by taking total benefits expense as a percentage of premiums revenue, represents a statistic used to measure underwriting profitability. The operating cost ratio, which is computed by taking total operating costs, excluding depreciation and amortization, as a percentage of total revenue less investment income, represents a statistic used to measure administrative spending efficiency.

Employer Group Commercial Medical Products Business Exit

In February 2023, we announced our planned exit from the Employer Group Commercial Medical Products business, which includes all fully insured, self-funded and Federal Employee Health Benefit medical plans, as well as associated wellness and rewards programs. No other Humana health plan offerings are materially affected. Following a strategic review, we determined the Employer Group Commercial Medical Products business was no longer positioned to sustainably meet the needs of commercial members over the long term or support our long-term strategic plans. The exit from this line of business will be phased over the next 18 to 24 months.

Sale of Hospice and Personal Care Divisions

On August 11, 2022, we completed the sale of a 60% interest in Gentiva, formerly Kindred, Hospice to Clayton, Dubilier & Rice, or CD&R, for cash proceeds of approximately $2.7 billion, net of cash disposed, including debt repayments from Gentiva Hospice to Humana of $1.9 billion. In connection with the sale we recognized a pre-tax gain, net of transaction costs, of $237 million.

COVID-19

The emergence and spread of the novel coronavirus, or COVID-19, beginning in the first quarter of 2020 has impacted our business. During periods of increased incidences of COVID-19, a reduction in non-COVID-19 hospital admissions for non-emergent and elective medical care have resulted in lower overall healthcare system utilization. At the same time, COVID-19 treatment and testing costs increased utilization. During 2022, we experienced lower overall utilization of the healthcare system than anticipated, as the reduction in COVID-19 utilization following the increased incidence associated with the Omicron variant outpaced the increase in non-COVID-19 utilization. The significant disruption in utilization during 2020 also impacted our ability to implement clinical initiatives to manage health care costs and chronic conditions of our members, and appropriately document their risk profiles, and, as such, significantly affected our 2021 revenue under the risk adjustment payment model for Medicare Advantage plans. Finally, changes in utilization patterns and actions taken in 2021 as a result of the COVID-19 pandemic, including the suspension of certain financial recovery programs for a period of time and shifting the timing of claim payments and provider capitation surplus payments, impacted our claim reserve development and operating cash flows for 2021.

The COVID-19 National Emergency declared in 2020 was terminated on April 10, 2023 and the Public Health Emergency is set to expire on May 11, 2023.

Value Creation Initiatives

During 2022, in order to create capacity to fund growth and investment in our Medicare Advantage business and further expansion of our healthcare services capabilities in 2023, we committed to drive additional value for the enterprise through cost saving, productivity initiatives, and value acceleration from previous investments. As a result of these initiatives, we recorded charges of $473 million for the year-ended December 31, 2022. These charges primarily relate to $248 million in asset impairments, including software and abandonment, and $116 million of severance charges in connection with workforce optimization. The remainder of the charges primarily relate to external consulting fees. These charges were recorded at the corporate level and not allocated to the segments. We did not record any charges in the first quarter of 2022, with no recurring charges in 2023.

Business Segments

During December 2022, we realigned our businesses into two distinct segments: Insurance and CenterWell. The Insurance segment includes the businesses that were previously included in the Retail and Group and Specialty segments, as well as the Pharmacy Benefit Manager, or PBM, business which was previously included in the Healthcare Services segment. The CenterWell segment (formerly Healthcare Services) represents our payor-agnostic healthcare services offerings, including pharmacy dispensing services, provider services, and home services. In addition to the new segment classifications being utilized to assess performance and allocate resources, we believe this simpler structure will create greater collaboration across the Insurance and CenterWell businesses and will accelerate work that is underway to centralize and integrate operations within the organization. Prior period segment financial information has been recast to conform to the 2023 presentation. For a recast of prior period segment financial information, refer to Note 14 to the unaudited Consolidated Financial Statements included in Part I, Item 1, "Financial Statements" of this Form 10-Q.

Our two reportable segments, Insurance and CenterWell, are based on a combination of the type of health plan customer and adjacent businesses centered on well-being solutions for our health plans and other customers, as described below. These segment groupings are consistent with information used by our Chief Executive Officer, the Chief Operating Decision Maker, to assess performance and allocate resources.

The Insurance segment consists of Medicare benefits, marketed to individuals or directly via group Medicare accounts, as well as our contract with CMS to administer the Limited Income Newly Eligible Transition, or LI-NET, prescription drug plan program and contracts with various states to provide Medicaid, dual eligible demonstration, and Long-Term Support Services benefits, which we refer to collectively as our state-based contracts. This segment also includes products consisting of employer group commercial fully-insured medical and specialty health insurance benefits marketed to individuals and employer groups, including dental, vision, and other supplemental health benefits, as well as administrative services only, or ASO. In addition, our Insurance segment includes our Military business, primarily our T-2017 East Region contract, as well as the operations of our PBM business.

The CenterWell segment includes our pharmacy, provider services, and home solutions operations. The segment also includes our strategic partnerships with WCAS to develop and operate senior-focused, payor-agnostic, primary care centers, as well as our minority ownership interest in hospice operations. Services offered by this segment are designed to enhance the overall healthcare experience. These services may lead to lower utilization associated with improved member health and/or lower drug costs.

The results of each segment are measured by income (loss) from operations. Transactions between reportable segments primarily consist of sales of services rendered by our CenterWell segment, primarily pharmacy, provider, and home services, to our Insurance segment customers. Intersegment sales and expenses are recorded at fair value and eliminated in consolidation. Members served by our segments often use the same provider networks, enabling us in some instances to obtain more favorable contract terms with providers. Our segments also share indirect costs and assets. As a result, the profitability of each segment is interdependent. We allocate most operating expenses to our segments. Assets and certain corporate income and expenses are not allocated to the segments, including the portion of investment income not supporting segment operations, interest expense on corporate debt, and certain other corporate expenses. These items are managed at a corporate level. These corporate amounts are reported separately from our reportable segments and are included with intersegment eliminations.

Seasonality

COVID-19 disrupted the pattern of our quarterly earnings and operating cash flows largely due to the temporary deferral of non-essential care which resulted in reductions in non-COVID-19 hospital admissions and lower overall healthcare system utilization during higher levels of COVID-19 hospital admissions. At the same time, during periods of increased incidences of COVID-19, COVID-19 treatment and testing costs increase. Similar impacts and seasonal disruptions from either higher or lower utilization are expected to persist as we respond to and recover from the COVID-19 global health crisis.

One of the product offerings of our Insurance segment is Medicare stand-alone prescription drug plans, or PDP, under the Medicare Part D program. Our quarterly Insurance segment earnings and operating cash flows are impacted by the Medicare Part D benefit design and changes in the composition of our membership. The Medicare Part D benefit design results in coverage that varies as a member’s cumulative out-of-pocket costs pass through successive stages of a member’s plan period, which begins annually on January 1 for renewals. These plan designs generally result in us sharing a greater portion of the responsibility for total prescription drug costs in the early stages and less in the latter stages. As a result, the PDP benefit ratio generally decreases as the year progresses. In addition, the number of low income senior members as well as year-over-year changes in the mix of membership in our standalone PDP products affects the quarterly benefit ratio pattern.

The Insurance segment also experiences seasonality in the commercial fully-insured product offering. The effect on the Insurance segment benefit ratio is opposite of the Medicare stand-alone PDP impact, with the benefit ratio increasing as fully-insured members progress through their annual deductible and maximum out-of-pocket expenses. The Employer Group Commercial Fully-Insured business decreased our Insurance segment benefit ratio by 30 basis points and 20 basis points for the three months ended March 31, 2023 and 2022, respectively. The Employer Group Commercial Fully-Insured business increased our Insurance segment operating cost ratio by 40 basis points and 50 basis points for the three months ended March 31, 2023 and 2022, respectively.

In addition, the Insurance segment also experiences seasonality in the operating cost ratio as a result of costs incurred in the second half of the year associated with the Medicare marketing season.

2023 Highlights

- Our strategy offers our members affordable health care combined with a positive consumer experience in growing markets. At the core of this strategy is our integrated care delivery model, which unites quality care, high member engagement, and sophisticated data analytics. Our approach to primary, physician-directed care for our members aims to provide quality care that is consistent, integrated, cost-effective, and member-focused, provided by both employed physicians and physicians with network contract arrangements. The model is designed to improve health outcomes and affordability for individuals and for the health system as a whole, while offering our members a simple, seamless healthcare experience. We believe this strategy is positioning us for long-term growth in both membership and earnings. We offer providers a continuum of opportunities to increase the integration of care and offer assistance to providers in transitioning from a fee-for-service to a value-based arrangement. These include performance bonuses, shared savings and shared risk relationships. At March 31, 2023, approximately 3,505,100 members, or 68%, of our individual Medicare Advantage members were in value-based relationships under our integrated care delivery model, as compared to 3,053,600 members, or 67%, at March 31, 2022.

- Net income was $1.2 billion, or $9.87 per diluted common share, and $930 million, or $7.29 per diluted common share, for the three months ended March 31, 2023, and 2022, respectively. These comparisons were significantly impacted by put/call valuation adjustments associated with non-consolidating minority interest investments, transaction and integration costs, and the change in the fair value of publicly-traded equity securities. The impact of these adjustments to our consolidated income before income taxes and equity in net earnings and diluted earnings per common share was as follows for the 2023 and 2022 quarter:

	For the three months ended March 31,	
	2023	2022
Consolidated income before income taxes and equity in net earnings:		
Put/call valuation adjustments associated with our non consolidating minority interest investments	$ 53	$ (21)
Transaction and integration costs	(51)	17
Change in the fair value of publicly-traded equity securities	1	109
Total	$ 3	$ 105

	For the three months ended March 31,	
	2023	2022
Diluted earnings per common share:		
Put/call valuation adjustments associated with our non consolidating minority interest investments	$ 0.42	$ (0.16)
Transaction and integration costs	(0.41)	0.13
Change in the fair value of publicly-traded equity securities	(0.01)	0.85
Tax impact of all transactions	(0.11)	(0.18)
Total	$ (0.11)	$ 0.64

Health Care Reform

We are and will continue to be regularly subject to new laws and regulations, changes to existing laws and regulations, and judicial determinations that impact the interpretation and applicability of those laws and regulations. The Health Care Reform Law, the Families First Act, the CARES Act, and the Inflation Reduction Act, and related regulations, are examples of laws which have enacted significant reforms to various aspects of the U.S. health insurance industry, including, among others, mandated coverage requirements, mandated benefits and guarantee issuance associated with commercial medical insurance, rebates to policyholders based on minimum benefit ratios, adjustments to Medicare Advantage premiums, the establishment of federally facilitated or state-based exchanges coupled with programs designed to spread risk among insurers, and the introduction of plan designs based on set actuarial values, and changes to the Part D prescription drug benefit design.

It is reasonably possible that these laws and regulations, as well as other current or future legislative, judicial or regulatory changes (including further legislative or regulatory action taken in response to COVID-19) including restrictions on our ability to manage our provider network or otherwise operate our business, or restrictions on profitability, including reviews by regulatory bodies that may compare our Medicare Advantage profitability to our non-Medicare Advantage business profitability, or compare the profitability of various products within our Medicare Advantage business, and require that they remain within certain ranges of each other, increases in member benefits or changes to member eligibility criteria without corresponding increases in premium payments to us, or increases in regulation of our prescription drug benefit businesses, in the aggregate may have a material adverse effect on our results of operations (including restricting revenue, enrollment and premium growth in certain products and market segments, restricting our ability to expand into new markets, increasing our medical and operating costs, further lowering our Medicare payment rates and increasing our expenses associated with assessments); our financial position (including our ability to maintain the value of our goodwill); and our cash flows.

We intend for the discussion of our financial condition and results of operations that follows to assist in the understanding of our financial statements and related changes in certain key items in those financial statements from year to year, including the primary factors that accounted for those changes. Transactions between reportable segments primarily consist of sales of services rendered by our CenterWell segment, primarily pharmacy, provider, and home services, to our Insurance segment customers and are described in Note 14 to the condensed consolidated financial statements included in this report.

Comparison of Results of Operations for 2023 and 2022

The following discussion primarily deals with our results of operations for the three months ended March 31, 2023, or the 2023 quarter and the three months ended March 31, 2022, or the 2022 quarter.

Consolidated

	Three months ended March 31,		Change Three months ended March 31, 2023 vs 2022	
	2023	2022	$	%
	($ in millions, except per common share results)			
Revenues:				
Premiums:				
Insurance	$ 25,550	$ 22,703	$ 2,847	12.5 %
Total premiums revenue	25,550	22,703	2,847	12.5 %
Services:				
Insurance	242	204	38	18.6 %
CenterWell	757	1,060	(303)	(28.6)%
Total services revenue	999	1,264	(265)	(21.0)%
Investment income	193	3	190	6,333.3 %
Total revenues	26,742	23,970	2,772	11.6 %
Operating expenses:				
Benefits	21,858	19,625	2,233	11.4 %
Operating costs	2,979	2,886	93	3.2 %
Depreciation and amortization	186	170	16	9.4 %
Total operating expenses	25,023	22,681	2,342	10.3 %
Income from operations	1,719	1,289	430	33.4 %
Interest expense	113	90	23	25.6 %
Other income, net	(8)	(21)	(13)	(61.9)%
Income before income taxes and equity in net earnings	1,614	1,220	394	32.3 %
Provision for income taxes	359	286	73	25.5 %
Equity in net losses	(17)	(4)	(13)	325.0 %
Net income	$ 1,238	$ 930	$ 308	33.1 %
Diluted earnings per common share	$ 9.87	$ 7.29	$ 2.58	35.4 %
Benefit ratio (a)	85.5 %	86.4 %		(0.9)%
Operating cost ratio (b)	11.2 %	12.0 %		(0.8)%
Effective tax rate	22.5 %	23.5 %		(1.0)%

(a) Represents benefits expense as a percentage of premiums revenue.
(b) Represents operating costs as a percentage of total revenues less investment income.

Premiums Revenue

Consolidated premiums revenue increased $2.8 billion, or 12.5%, from $22.7 billion in the 2022 quarter to $25.6 billion in the 2023 quarter primarily due to individual Medicare Advantage and state-based contracts membership growth and higher per member individual Medicare Advantage premiums. These factors were partially offset by the phase-out of COVID-19 sequestration relief in 2022, as well as the year-over-year decline in membership associated with group commercial medical, group Medicare Advantage and stand-alone PDP products.

Services Revenue

Consolidated services revenue decreased $0.3 billion, or 21.0%, from $1.3 billion in the 2022 quarter to $1.0 billion in the 2023 quarter primarily due to the divestiture of the 60% ownership of Gentiva Hospice in August 2022.

Investment Income

Investment income increased $190 million, or 6333.3%, from $3 million in the 2022 quarter to $193 million in the 2023 quarter primarily due to an increase in interest income on our debt securities combined with the 2022 quarter decrease in the fair value of our publicly traded equity securities investments.

Benefit Expense

Consolidated benefits expense increased $2.2 billion, or 11.4%, from $19.6 billion in the 2022 quarter to $21.9 billion in the 2023 quarter. The consolidated benefit ratio decreased 90 basis points from 86.4% for the 2022 quarter to 85.5% for the 2023 quarter primarily due to increased individual Medicare Advantage premium yield, lower COVID-19 inpatient utilization in the 2023 quarter, and the corresponding decrease in average unit cost given the additional 20% payment on these admissions during the Public Health Emergency, as well as higher favorable prior-period medical claims reserve development in the 2023 quarter. These factors were partially offset by investments in the benefit design of our products for 2023. Further, the 2023 quarter ratio continues to reflect a shift in line of business mix, with growth in individual Medicare Advantage and state-based contracts and other membership, which can carry a higher benefits expense ratio.

Consolidated benefits expense included $522 million of favorable prior-period medical claims reserve development in the 2023 quarter and $360 million of favorable prior-period medical claims development in the 2022 quarter. Prior-period medical claims reserve development decreased the consolidated benefit ratio by approximately 200 basis points in the 2023 quarter and decreased the consolidated benefit ratio by approximately 160 basis points in the 2022 quarter.

Operating Costs

Our segments incur both direct and shared indirect operating costs. We allocate the indirect costs shared by the segments primarily as a function of revenues. As a result, the profitability of each segment is interdependent.

Consolidated operating costs increased $0.1 billion, or 3.2%, from $2.9 billion in the 2022 quarter to $3.0 billion in the 2023 quarter. The consolidated operating cost ratio decreased 80 basis points from 12.0% for the 2022 quarter to 11.2% for the 2023 quarter primarily due to the divestiture of the 60% ownership of Gentiva Hospice in August 2022, which carried a significantly higher operating cost ratio compared to the historical consolidated operating cost ratio, scale efficiencies associated with growth in individual Medicare Advantage membership, as well as the impact of initiatives related to the previously-disclosed value creation plan. These factors were partially offset by an increase in commissions for brokers related to the individual Medicare Advantage membership growth during the 2023 Annual Election Period, or AEP, and the Open Enrollment Period, or OEP, as well as the favorable impact to revenues in the 2022 quarter as a result of sequestration relief.

Depreciation and Amortization

Depreciation and amortization increased $16 million, or 9.4%, from $170 million in the 2022 quarter to $186 million in the 2023 quarter primarily due to capital expenditures.

Interest Expense

Interest expense increased $23 million, or 25.6%, from $90 million in the 2022 quarter to $113 million in the 2023 quarter due to higher rates on the lower average debt balances.

Income Taxes

The effective income tax rate was 22.5% and 23.5% for the three months ended March 31, 2023, and 2022, respectively. The year-over-year decrease in the effective income tax rate is primarily due to the recognition of a non-taxable gain in the 2023 quarter.

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Insurance Segment

	March 31,		Change	
	2023	2022	Members	%
Membership:				
Individual Medicare Advantage	5,153,000	4,538,200	614,800	13.5 %
Group Medicare Advantage	511,200	562,200	(51,000)	(9.1)%
Medicare stand-alone PDP	2,956,300	3,607,000	(650,700)	(18.0)%
Total Medicare	8,620,500	8,707,400	(86,900)	(1.0)%
Medicare Supplement	294,000	318,400	(24,400)	(7.7)%
Commercial fully-insured	522,600	624,400	(101,800)	(16.3)%
Medicaid and other	1,371,500	1,010,300	361,200	35.8 %
Military	5,930,700	6,027,500	(96,800)	(1.6)%
Commercial ASO	414,800	451,800	(37,000)	(8.2)%
Total Medical Membership	17,154,100	17,139,800	14,300	0.1 %
Total Specialty Membership (a)	5,114,700	5,182,600	(67,900)	(1.3)%

(a) We provide a full range of insured specialty products including dental, vision, and life insurance benefits marketed to individuals and groups. Members included in these products may not be unique to each product since members have the ability to enroll in a medical product and one or more specialty products.

	Three months ended March 31,		Change Three months ended March 31, 2023 vs 2022	
	2023	2022	$	%
	($ in millions)			
Premiums and Services Revenue:				
Premiums:				
Individual Medicare Advantage	$ 19,809	$ 17,052	$ 2,757	16.2 %
Group Medicare Advantage	1,765	1,875	(110)	(5.9)%
Medicare stand-alone PDP	616	639	(23)	(3.6)%
Total Medicare	22,190	19,566	2,624	13.4 %
Commercial fully-insured	1,018	1,140	(122)	(10.7)%
Specialty benefits	254	261	(7)	(2.7)%
Medicare Supplement	179	182	(3)	(1.6)%
Medicaid and other	1,909	1,554	355	22.8 %
Total premiums revenue	25,550	22,703	2,847	12.5 %
Commercial ASO	71	77	(6)	(7.8)%
Military and other	171	127	44	34.6 %
Services revenue	242	204	38	18.6 %
Total premiums and services revenue	$ 25,792	$ 22,907	$ 2,885	12.6 %
Income from operations	$ 1,327	$ 996	$ 331	33.2 %
Benefit ratio	86.1 %	86.9 %		(0.8)%
Operating cost ratio	9.4 %	9.1 %		0.3 %

Income from operations

Insurance segment income from operations increased $0.3 billion, or 33.2%, from $1.0 billion in the 2022 quarter to $1.3 billion in the 2023 quarter primarily due to the same factors impacting the segment's lower benefit ratio offset by the segment's higher operating cost ratio as more fully described below.

Enrollment

Individual Medicare Advantage membership increased 614,800 members, or 13.5%, from March 31, 2022 to March 31, 2023 primarily due to membership additions associated with the most recent Annual Election Period, or AEP. The year-over-year growth was further impacted by continued enrollment resulting from special elections, age-ins, and Dual Eligible Special Need Plans, or D-SNP, membership. Individual Medicare Advantage membership includes 782,100 D-SNP members as of March 31, 2023, a net increase of 141,500, or 22.1%, from 640,600 as of March 31, 2022.

Group Medicare Advantage membership decreased 51,000 members, or 9.1%, from March 31, 2022 to March 31, 2023 reflecting the net loss of certain large accounts partially offset by continued growth in small group accounts.

Medicare stand-alone PDP membership decreased 650,700 members, or 18.0%, from March 31, 2022 to March 31, 2023 primarily due to continued intensified competition for Medicare stand-alone PDP offerings.

Medicaid and other membership increased 361,200 members, or 35.8%, from March 31, 2022 to March 31, 2023 reflecting the impact of membership additions associated with the implementation of the Louisiana and Ohio contracts effective January 2023 and February 2023, respectively.

Commercial fully-insured medical membership decreased 101,800 members, or 16.3%, from March 31, 2022 to March 31, 2023 and commercial ASO medical membership decreased 37,000 members, or 8.2%, from March 31, 2022 to March 31, 2023. These decreases reflect our planned exit of the Employer Group Commercial Medical Products business, which includes all fully insured, self-funded and Federal Employee Health Benefit medical plans, as well as associated wellness and rewards programs. The exit from this line of business will be phased over the next 18 to 24 months.

Military membership decreased 96,800 members, or 1.6%, from March 31, 2022 to March 31, 2023. Membership includes military service members, retirees, and their families to whom we are providing healthcare services under the current TRICARE East Region contract.

Specialty membership decreased 67,900 members, or 1.3%, from March 31, 2022 to March 31, 2023 primarily due to the loss of dental and vision groups cross-sold with medical, as reflected in the loss of group fully-insured commercial medical membership above.

Premiums Revenue

Insurance segment premiums revenue increased $2.8 billion, or 12.5%, from $22.7 billion in the 2022 quarter to $25.6 billion in the 2023 quarter primarily due to individual Medicare Advantage and state-based contracts membership growth and higher per member individual Medicare Advantage premiums. These factors were partially offset by the phase-out of COVID-19 sequestration relief in 2022, as well as the year-over-year decline in membership associated with group commercial medical, group Medicare Advantage and stand-alone PDP products.

Services Revenue

Insurance segment services revenue increased $38 million, or 18.6%, from $204 million in the 2022 quarter to $242 million in the 2023 quarter.

Benefits Expense

The Insurance segment benefit ratio decreased 80 basis points from 86.9% for the 2022 quarter to 86.1% for the 2023 quarter primarily due to increased individual Medicare Advantage premium yield, lower COVID-19 inpatient utilization in the 2023 quarter, and the corresponding decrease in average unit cost given the additional 20% payment on these admissions during the Public Health Emergency, as well as higher favorable prior-period medical claims reserve development in the 2023 quarter. These factors were partially offset by investments in the benefit design of our products for 2023. Further, the 2023 quarter ratio continues to reflect a shift in line of business mix, with growth in individual Medicare Advantage and state-based contracts and other membership, which can carry a higher benefits expense ratio.

The Insurance segment benefits expense included $522 million of favorable prior-period medical claims reserve development in the 2023 quarter and $360 million of favorable prior-period medical claims reserve development in the 2022 quarter. Prior-period medical claims reserve development decreased the Insurance segment benefit ratio by approximately 200 basis points in the 2023 quarter and decreased the Insurance segment benefit ratio by approximately 160 basis points in the 2022 quarter.

Operating Costs

The Insurance segment operating cost ratio increased 30 basis points from 9.1% for the 2022 quarter to 9.4% for the 2023 quarter primarily due to an increase in commissions for brokers related to the individual Medicare Advantage membership growth during the 2023 AEP and OEP, as well as the favorable impact to revenues in the 2022 quarter as a result of sequestration relief. These factors were partially offset by scale efficiencies associate with growth in the individual Medicare Advantage membership and the impact of initiatives related to the previously-disclosed value creation plan.

CenterWell Segment

	Three months ended March 31, 2023	Three months ended March 31, 2022	Change Three months ended March 31, 2023 vs 2022 $	Change Three months ended March 31, 2023 vs 2022 %
	($ in millions)			
Revenues:				
Services:				
Home solutions	$ 314	$ 726	$ (412)	(56.7)%
Pharmacy solutions	242	221	21	9.5 %
Provider services	201	113	88	77.9 %
Total services revenue	757	1,060	(303)	(28.6)%
Intersegment revenues:				
Home solutions	314	109	205	188.1 %
Pharmacy solutions	2,615	2,446	169	6.9 %
Provider services	819	748	71	9.5 %
Total intersegment revenues	3,748	3,303	445	13.5 %
Total services and intersegment revenues	$ 4,505	$ 4,363	$ 142	3.3 %
Income from operations	$ 330	$ 370	$ (40)	(10.8)%
Operating cost ratio	91.6 %	90.5 %		1.1 %

Income from operations

CenterWell income from operations decreased $40 million, or 10.8%, from $370 million in the 2022 quarter to $330 million in the 2023 quarter primarily due to the same factors impacting the segment's higher operating cost ratio offset by the segment's increase in revenues as more fully described below.

Services Revenue

CenterWell services revenue decreased $0.3 billion, or 28.6%, from $1.1 billion in the 2022 quarter to $0.8 billion in the 2023 quarter primarily due to the divestiture of the 60% ownership of Gentiva Hospice in August 2022.

Intersegment Revenues

CenterWell intersegment revenues increased $0.4 billion, or 13.5%, from $3.3 billion in the 2022 quarter to $3.7 billion in the 2023 quarter primarily due to individual Medicare Advantage membership growth, which led to higher pharmacy revenues, higher revenues associated with growth in the provider business, and greater intersegment revenues associated with the home solutions business as a result of the expansion of the value-based care home model in the 2023 quarter compared to the 2022 quarter.

Operating Costs

The CenterWell segment operating cost ratio increased 110 basis points from 90.5% for the 2022 quarter to 91.6% for the 2023 quarter primarily due the divestiture of the 60% ownership of Gentiva Hospice in August 2022, which carried a lower operating cost ratio compared to other businesses within the segment, the expansion of the value-based care model within the home solutions business, which carries a higher ratio compared to the core fee-for-service business, along with growth in the core fee-for-service business, as well as further investments within the home solutions business to abate the pressures of the current nursing labor environment. These increases were partially offset by an improving ratio in the provider business.

Liquidity

Historically, our primary sources of cash have included receipts of premiums, services revenue, and investment and other income, as well as proceeds from the sale or maturity of our investment securities, and borrowings. Our primary uses of cash historically have included disbursements for claims payments, operating costs, interest on borrowings, taxes, purchases of investment securities, acquisitions, capital expenditures, repayments on borrowings, dividends, and share repurchases. As premiums generally are collected in advance of claim payments by a period of up to several months, our business normally should produce positive cash flows during periods of increasing premiums and enrollment. Conversely, cash flows would be negatively impacted during periods of decreasing premiums and enrollment. From period to period, our cash flows may also be affected by the timing of working capital items including premiums receivable, benefits payable, and other receivables and payables. Our cash flows are impacted by the timing of payments to and receipts from CMS associated with Medicare Part D subsidies for which we do not assume risk. The use of cash flows may be limited by regulatory requirements of state departments of insurance (or comparable state regulators) which require, among other items, that our regulated subsidiaries maintain minimum levels of capital and seek approval before paying dividends from the subsidiaries to the parent. Our use of cash flows derived from our non-insurance subsidiaries, such as in our CenterWell segment, is generally not restricted by state departments of insurance (or comparable state regulators).

For additional information regarding our liquidity risk, refer to Part I, Item 1A, "Risk Factors" in our 2022 Form 10-K and Part II, Item 1A, "Risk Factors" of this Form 10-Q.

Cash and cash equivalents increased to approximately $13.7 billion at March 31, 2023 from $5.1 billion at December 31, 2022. The change in cash and cash equivalents for the three months ended March 31, 2023 and 2022 is summarized as follows:

	Three Months Ended	
	2023	2022
	(in millions)	
Net cash provided by operating activities	$ 6,687	$ 302
Net cash used in investing activities	(1,292)	(648)
Net cash provided by financing activities	3,279	1,816
Increase in cash and cash equivalents	$ 8,674	$ 1,470

Cash Flow from Operating Activities

Cash flows provided by operations of $6.7 billion in the 2023 quarter increased $6.4 billion from cash flows provided by operations of $302 million in the 2022 quarter. Our operating cash flows for the 2023 quarter were significantly impacted by the early receipt of the Medicare premium remittance of $6.6 billion in March 2023 because the payment date for April 2023 fell on a weekend. Generally, when the first day of a month falls on a weekend or holiday, with the exception of January 1 (New Year's Day), we receive this payment at the end of the previous month. This also resulted in an increase to unearned revenues in our condensed consolidated balance sheet at March 31, 2023. Our operating cash flows for the 2023 quarter were further negatively impacted by working capital items in the quarter compared to the 2022 quarter.

The most significant drivers of changes in our working capital are typically the timing of payments of benefits expense and receipts for premiums. Benefits expense includes claim payments, capitation payments, pharmacy costs net of rebates, allocations of certain centralized expenses and various other costs incurred to provide health insurance coverage to members, as well as estimates of future payments to hospitals and others for medical care and other supplemental benefits provided on or prior to the balance sheet date. For additional information regarding our benefits payable and benefits expense recognition, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2022 Form 10-K.

The detail of total net receivables at March 31, 2023 and December 31, 2022 and reconciliation to cash flow for the three months ended March 31, 2023 and 2022 was as follows:

	March 31, 2023	December 31, 2022	2023 Quarter Change	2022 Quarter Change
	(in millions)			
Medicare	$ 2,658	$ 1,260	$ 1,398	$ 1,358
Commercial and other	449	383	66	(16)
Military	69	101	(32)	4
Allowances	(69)	(70)	1	14
Total net receivables	$ 3,107	$ 1,674	$ 1,433	$ 1,360

The changes in Medicare receivables for both the 2023 quarter and the 2022 quarter reflect individual Medicare Advantage membership growth and the typical pattern caused by the timing of accruals and related collections associated with the CMS risk-adjustment model. Significant collections occur with the mid-year and final settlements with CMS in the second and third quarter.

Cash Flow from Investing Activities

During the 2023 quarter, we acquired various businesses totaling to approximately $73 million, net of cash received.

During the 2022 quarter, we acquired various health and wellness related businesses for cash consideration of approximately $74 million, net of cash received.

Our ongoing capital expenditures primarily relate to our information technology initiatives, support of services in our provider services operations including medical and administrative facility improvements necessary for activities such as the provision of care to members, claims processing, billing and collections, wellness solutions, care coordination, regulatory compliance and customer service. Total capital expenditures, excluding acquisitions, were $223 million in the 2023 quarter and $295 million in the 2022 quarter.

Net purchases of investment securities were $1.0 billion in the 2023 quarter and net purchases of investment securities were $279 million in the 2022 quarter.

Cash Flow from Financing Activities

Receipts from CMS associated with Medicare Part D claim subsidies for which we do not assume risk were higher than claim payments by $3.03 billion and $2.48 billion in the 2023 and 2022 quarters, respectively.

Under our administrative services only TRICARE contracts, health care costs payments for which we do not assume risk exceeded reimbursements from the federal government by $29 million and $2 million in the 2023 and 2022 quarters, respectively.

Net repayments from the issuance of commercial paper were $177 million in the 2023 quarter and net repayments from the issuance of commercial paper were $265 million in the 2022 quarter. The maximum principal amount outstanding at any one time during the 2023 quarter was $626 million.

In March 2023, we issued $500 million of 5.700% unsecured senior notes due March 13, 2026 and $750 million of 5.500% unsecured senior notes due March 15, 2053. Our net proceeds, reduced for the underwriters' discounts and commissions paid, were $1.2 billion. We used the net proceeds to repay outstanding amounts under our $500 million Delayed Draw Term Loan. The remaining net proceeds will be used for general corporate purposes, which include the repayment of existing indebtedness, including borrowings under our commercial paper program.

In March 2022, we issued $750 million of 3.700% unsecured senior notes due March 23, 2029. Our net proceeds, reduced for the underwriters' discounts and commissions paid, were $744 million.

In March 2023, we entered into a Rule 10b5-1 Repurchase Plan, or the Plan, to repurchase a portion of our $1.5 billion aggregate principal amount of 0.650% senior notes maturing in August 2023 and our $600 million aggregate principal amount of 3.850% senior notes maturing in October 2024 during the Plan period beginning on March 13, 2023 and ending on June 15, 2023. At March 31, 2023, we repurchased $61 million, for cash totaling approximately $60 million.

We repurchased common shares for $67 million and $1.0 billion in the 2023 quarter and 2022 quarter, respectively, under share repurchase plans authorized by the Board of Directors. We also acquired common shares in connection with employee stock plans for $27 million and $24 million in the 2023 quarter and 2022 quarter, respectively.

We paid dividends to stockholders of $100 million during the 2023 quarter and $91 million during the 2022 quarter.

The remainder of the cash used in or provided by financing activities in 2023 and 2022 primarily resulted from the change in book overdraft.

Future Sources and Uses of Liquidity

Dividends

For additional information regarding our dividends to stockholders, refer to Note 10 to the unaudited Consolidated Financial Statements included in Part I, Item 1, "Financial Statements" of this Form 10-Q.

Stock Repurchases

For additional information regarding stock repurchases, refer to Note 10 to the unaudited Consolidated Financial Statements included in Part I, Item 1, "Financial Statements" of this Form 10-Q.

Debt

For additional information regarding debt, including our senior notes, term loans, revolving credit agreements, commercial paper program and other short-term borrowings, refer to Note 12 to the unaudited Consolidated Financial Statements included in Part I, Item 1, "Financial Statements" of this Form 10-Q.

Divestiture

On August 11, 2022, we completed the sale of a 60% interest in Gentiva Hospice to CD&R, for cash proceeds of approximately $2.7 billion, net of cash disposed, including debt repayments from Gentiva Hospice to Humana of $1.9 billion. In connection with the sale we recognized a pre-tax gain, net of transaction costs, of $237 million.

For additional information regarding the divestiture, refer to Note 3 to the unaudited Consolidated Financial Statements included in Part I, Item 1, "Financial Statements" of this Form 10-Q.

Liquidity Requirements

We believe our cash balances, investment securities, operating cash flows, and funds available under our credit agreement and our commercial paper program or from other public or private financing sources, taken together, provide adequate resources to fund ongoing operating and regulatory requirements, acquisitions, future expansion opportunities, and capital expenditures for at least the next twelve months, as well as to refinance or repay debt, and repurchase shares.

Adverse changes in our credit rating may increase the rate of interest we pay and may impact the amount of credit available to us in the future. Our investment-grade credit rating at March 31, 2023 was BBB+ according to Standard & Poor’s Rating Services, or S&P, and Baa3 according to Moody’s Investors Services, Inc., or Moody’s. A downgrade by S&P to BB+ or by Moody’s to Ba1 triggers an interest rate increase of 25 basis points with respect to

$250 million of our senior notes. Successive one notch downgrades increase the interest rate an additional 25 basis points, or annual interest expense by less than $1 million, up to a maximum 100 basis points, or annual interest expense by $3 million.

In addition, we operate as a holding company in a highly regulated industry. Humana Inc., our parent company, is dependent upon dividends and administrative expense reimbursements from our subsidiaries, most of which are subject to regulatory restrictions. We continue to maintain significant levels of aggregate excess statutory capital and surplus in our state-regulated operating subsidiaries. Cash, cash equivalents, and short-term investments at the parent company were $909 million at March 31, 2023 compared to $934 million at December 31, 2022. This decrease primarily reflects common stock repurchases, repayment of the delayed draw term loan, repayment of maturing senior notes, capital expenditures, repayment of borrowings under the commercial paper program, capital contributions to certain subsidiaries, cash dividends to shareholders and acquisitions, partially offset by net proceeds from the issuance of senior notes and the sale of investment securities. Our use of operating cash derived from our non-insurance subsidiaries, such as our CenterWell segment, is generally not restricted by departments of insurance (or comparable state regulators).

Regulatory Requirements

Certain of our subsidiaries operate in states that regulate the payment of dividends, loans, or other cash transfers to Humana Inc., our parent company, and require minimum levels of equity as well as limit investments to approved securities. The amount of dividends that may be paid to Humana Inc. by these subsidiaries, without prior approval by state regulatory authorities, or ordinary dividends, is limited based on the entity’s level of statutory income and statutory capital and surplus. If the dividend, together with other dividends paid within the preceding twelve months, exceeds a specified statutory limit or is paid from sources other than earned surplus, it is generally considered an extraordinary dividend requiring prior regulatory approval. In most states, prior notification is provided before paying a dividend even if approval is not required.

Although minimum required levels of equity are largely based on premium volume, product mix, and the quality of assets held, minimum requirements vary significantly at the state level. Based on the most recently filed statutory financial statements as of December 31, 2022, our state regulated subsidiaries had aggregate statutory capital and surplus of approximately $11.3 billion, which exceeded aggregate minimum regulatory requirements of $8.4 billion. The amount of ordinary dividends that may be paid to our parent company in 2023 is approximately $1.8 billion in the aggregate. The amount, timing and mix of ordinary and extraordinary dividend payments will vary due to state regulatory requirements, the level of excess statutory capital and surplus and expected future surplus requirements related to, for example, premium volume and product mix. Actual dividends paid to our parent company were approximately $1.3 billion in 2022.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our earnings and financial position are exposed to financial market risk, including those resulting from changes in interest rates.

Interest rate risk also represents a market risk factor affecting our consolidated financial position due to our significant investment portfolio, consisting primarily of fixed maturity securities of investment-grade quality with a weighted average S&P credit rating of AA at March 31, 2023. Our net unrealized position increased $248 million from a net unrealized loss position of $1.7 billion at December 31, 2022 to a net unrealized loss position of $1.4 billion at March 31, 2023. At March 31, 2023, we had gross unrealized losses of $1.5 billion on our investment portfolio primarily due to an increase in market interest rates since the time the securities were purchased. There were no material credit allowances during the three months ended March 31, 2023. While we believe that these securities in an unrealized loss will recover in value over time and we currently do not have the intent to sell such securities, given the current market conditions and the significant judgments involved, there is a continuing risk that future declines in fair value may occur and material realized losses from sales or credit allowances may be recorded in future periods.

Duration is the time-weighted average of the present value of the bond portfolio's cash flow. Duration is indicative of the relationship between changes in fair value and changes in interest rates, providing a general indication of the sensitivity of the fair values of our fixed maturity securities to changes in interest rates. However, actual fair values may differ significantly from estimates based on duration. The average duration of our investment portfolio, including cash and cash equivalents, was approximately 3.2 years as of March 31, 2023 and December 31, 2022. Based on the duration, including cash equivalents, a 1% increase in interest rates would generally decrease the fair value of our securities by approximately $656 million at March 31, 2023.

Item 4. Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer, or CEO, our Chief Financial Officer, or CFO, and our Principal Accounting Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures for the quarter ended March 31, 2023.

Based on our evaluation, our CEO, CFO, and our Principal Accounting Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information the Company is required to disclose in its reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, including, without limitation, ensuring that such information is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

For additional information regarding legal proceedings pending against us and certain other pending or threatened litigation, investigations or other matters, refer to “Legal Proceedings and Certain Regulatory Matters” in Note 13 to the unaudited Consolidated Financial Statements included in Part I, Item 1, "Financial Statements" of this Form 10-Q.

Item 1A. Risk Factors

There have been no changes to the risk factors included in our 2022 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None.

(b) N/A

(c) The following table provides information about our purchases of equity securities that are registered by us pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, during the three months ended March 31, 2023:

Period	Total Number of Shares Purchased (1)(2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)(2)	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2)
January 2023	—	$ —	—	$ 3,000,000,000
February 2023	—	—	—	3,000,000,000
March 2023	134,490	495.68	134,490	2,933,335,748
Total	134,490	$ 495.68	134,490	

(1) On February 15, 2023, the Board of Directors replaced the previous share repurchase authorization of up to $3 billion (of which approximately $1 billion remained unused) with a new authorization for repurchases of up to $3 billion of our common shares exclusive of shares repurchased in connection with employee stock plans, expiring as of February 15, 2026. Our remaining repurchase authorization was $2.8 billion as of April 25, 2023.

(2) Excludes 52,434 shares repurchased in connection with employee stock plans.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6: Exhibits

3(i)	Restated Certificate of Incorporation of Humana Inc. filed with the Secretary of State of Delaware on November 9, 1989, as restated to incorporate the amendment of January 9, 1992, and the correction of March 23, 1992 (incorporated herein by reference to Exhibit 4(i) to Humana Inc.'s Post-Effective Amendment No. 1 to the Registration Statement on Form S-8 (Reg. No. 33-49305) filed February 2, 1994).
3(ii)	Humana Inc. Amended and Restated By-laws, effective as of December 8, 2022 (incorporated herein by reference to Exhibit 3(b) to Humana Inc.'s Current Report on Form 8-K filed on December 8, 2022).
10.1	Twenty-Fourth Supplemental Indenture, dated March 13, 2023, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated herein by reference to Exhibit 4.2 to Humana Inc.'s Current Report on Form 8-K filed on March 13, 2023).
10.2	Twenty-Fifth Supplemental Indenture, dated March 13, 2023, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated herein by reference to Exhibit 4.4 to Humana Inc.'s Current Report on Form 8-K filed on March 13, 2023).
10.3	Humana Inc. Executive Severance Policy, effective as of March 1, 2023.
31.1	Principal Executive Officer certification pursuant to Section 302 of Sarbanes–Oxley Act of 2002.
31.2	Principal Financial Officer certification pursuant to Section 302 of Sarbanes–Oxley Act of 2002.
32	Principal Executive Officer and Principal Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Humana Inc.'s Quarterly Report on Form 10-Q formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets at March 31, 2023 and December 31, 2022; (ii) the Condensed Consolidated Statements of Income for the three months ended March 31, 2023 and 2022; (iii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2023 and 2022; (iv) the Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2023 and 2022; (v) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2023 and 2022; and (vi) Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File formatted in Inline XBRL and contained in Exhibit 101.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			HUMANA INC.
			(Registrant)
Date:	April 26, 2023	By:	/s/ JOHN-PAUL W. FELTER
			John-Paul W. Felter
			Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)

HUMANA INC.

EXECUTIVE SEVERANCE POLICY

This Humana Inc. Executive Severance Policy has been adopted by the Organization & Compensation Committee (the "Committee") of the Board of Directors of the Company to apply to selected executive employees of the Company. Executives will be eligible for coverage under the Policy for the payment of severance benefits upon termination of employment under certain circumstances, subject to the conditions set forth below. This Policy shall be effective as of the Effective Date as provided herein.

1. Definitions. For purposes of this Policy, the following terms shall have the following meaning:

"*Annual Base Salary*" shall mean an Executive's stated annual compensation without regard to any bonus, perquisite or other benefits.

"*Annual Bonus*" means the annual bonus or incentive compensation payable to Executive under the Company's annual bonus or incentive compensation program in which Executive participates from time to time.

"*Cause*" means (i) a felony conviction of Executive, (ii) the failure of Executive to contest prosecution for a felony, or (iii) Executive's willful misconduct or dishonesty, any of which is determined by the Compensation Committee to be directly and materially harmful to the business or reputation of the Company or any of its subsidiaries.

"*CEO*" shall mean the Company's President and Chief Executive Officer.

"CEO Direct Reports" shall mean Executive Officers of the Company who are direct reports to the Company's President and Chief Executive Officer.

"*Company*" means Humana Inc., a Delaware corporation.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Compensation Committee*" means the Organization and Compensation Committee of the Board of Directors of the Company.

"*Date of Termination*" means the effective date of the relevant Executive's termination of employment with the Company.

"*Effective Date*" means March 1, 2023, or such later date as determined by the Compensation Committee with respect to an Executive.

"*Executive*" means Executive Officers of the Company (including the CEO) and such other individuals as identified by the Compensation Committee, in each case employed by the Company or an affiliate of the Company on a full-time or part-time basis. Individuals will continue to be deemed an "Executive" eligible for the rights and benefits under this Policy for a period of twelve (12) months following a change in role or title at the Company that would otherwise have caused the individual to cease to be an eligible Executive Officer or other individual identified by the Compensation Committee as eligible.

"*Executive Officer*" shall include those executive officers designated by the Board under Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended.

“*Policy*” means this Humana Inc. Executive Severance Policy.

“Separation from Service” means a termination of the employment relationship of the Executive with the Company or an affiliate within the meaning of Section 409A of the Code and Treasury Regulation section 1.409A-1(h) or any successor thereto.

“*Severance Period*” means (i) for the CEO, twenty-four (24) months following the Date of Termination, (ii) for CEO Direct Reports, eighteen (18) months following the Date of Termination and (iii) for all other Executives, six (6) months plus two (2) weeks per year of completed service.

“*Severance Rate”* means (i) for the CEO, the CEO’s then current Annual Base Salary plus the target annual bonus or incentive compensation which could have been earned by the CEO, calculated as if all relevant goals had been met during the Company’s then-current fiscal year pursuant to the terms of the incentive compensation plan in which the CEO participates, and (ii) for all of Executives, such Executive’s then current Annual Base Salary.

2. Term of Policy. The term of this Policy shall begin on the Effective Date and shall continue in effect until modified or terminated by the Company pursuant to Section 13 hereof.

3. Termination. The Company may terminate the employment of Executive for any reason and at any time. In the event that the Company terminates the employment of Executive without Cause, Executive shall be entitled to the following rights and benefits under this Section 3:

1.1 Severance Benefits. Subject to Executive’s compliance with all terms of this Policy, including, without limitation, Sections 5 and 6 hereof:

(i) Salary Continuation Payments. The Company will pay Executive salary continuation through the Severance Period at an annual rate equal to such Executive’s Severance Rate; provided that any payments that would otherwise be paid during the Severance Period that remain outstanding as of March 15 of the year following the year during which the Date of Termination occurred shall be paid in a lump sum on such date. Salary continuation under this Section 3.1 shall be paid on a bi-weekly basis in accordance with the Company’s customary payroll practices with the first payment to be made in accordance with Section 5 hereof, subject to the accelerated payment of the remaining amounts in accordance with the prior sentence.

(ii) Pro-Rata Bonus. The Company will pay Executive an amount equal to the product of (A) the Annual Bonus, if any, that Executive would have earned for the calendar year in which the Date of Termination occurs, based on achievement of the applicable performance goals for each such calendar year, as uniformly applied to other Executives who remain employed through the end of the applicable performance period and (B) a fraction, the numerator of which is the number of days Executive was employed by the Company during the calendar year of termination, and the denominator of which is the number of days in such calendar year. This amount shall be paid on the date that Annual Bonuses are normally paid, but in no event later than March 15th of the year following the year in which the Date of Termination occurs.

(iii) Continued Health Benefit Coverage. The Company will provide to each Executive and Executive’s eligible dependents, through the end of the (i) applicable Severance Period for such Executive, or (ii) the effective date of Executive’s coverage under equivalent benefits from a new employer (provided that no such equivalent benefits shall be considered effective unless and until all pre-existing condition limitations and waiting period restrictions have been waived or have otherwise lapsed), at the Compensation Committee's option, either (A) continued medical and dental coverage under the Company's health care plan at the same level of coverage to which such Executive was entitled on the Date of Termination, subject to eligibility requirements and other conditions contained in the plan, including the requirement that Executive continue to pay the "employee portion" of the cost thereof, or (B) equivalent benefits (or equivalent cash value, payable on an after-tax basis), as determined in the sole reasonable discretion of the Compensation Committee. The coverage provided pursuant to this Section 3.1(iii) shall be in satisfaction of the Company's obligation to provide coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA).

(iv) Outplacement Services; Financial Planning. The Company will provide an Executive who is the CEO or a CEO Direct Report or otherwise designated by the Committee (i) with financial planning services during the one year period immediately following the Date of Termination on the same terms as the financial planning services were provided to such Executive immediately prior to the Date of Termination, and (ii) with outplacement services through an outplacement firm of the Company's choosing at a level of services to be determined by the Company, with such services to extend until the earlier of (A) one year following the Date of Termination or (B) the date Executive secures full time employment.

1.2 Accrued Rights. Within fifteen (15) business days following the Date of Termination, the Company will pay or provide Executive with (i) all accrued but unpaid base salary through the Date of Termination, (ii) vacation pay accrued but not used in accordance with the Company's vacation pay policy, (iii) any previously awarded but unpaid Annual Bonus for a completed calendar year prior to the Date of Termination, (iv) any unreimbursed business expenses that are reimbursable under the Company's business expense policy, and (v) all rights and benefits under the employee benefit plans of the Company in which Executive is then participating, (collectively, the "Accrued Rights").

1.3 No Additional Rights. Except as provided in this Section 3, Executive's participation under any benefit plan, program, policy or arrangement sponsored or maintained by the Company shall be treated in accordance with the terms of the applicable plan. Without limiting the generality of the foregoing, Executive's eligibility for and active participation in any of the retirement plans maintained by the Company will end on the Date of Termination and Executive will earn no additional benefits, including, without limitation, any additional service credit, under those plans after that date. Executive shall be treated as a terminated employee for purposes of all such benefit plans and programs effective as of the Date of Termination, and shall receive all payments and benefits due under such plans and programs in accordance with the terms and conditions thereof.

4. Other Terminations. The Company may terminate the employment of Executive for any reason and at any time. In the event that the Company terminates the employment of Executive during the term of the Policy, other than a termination of employment by the Company for Cause, the Company will pay or provide Executive with all Accrued Rights. Executive may terminate his or her employment for any reason and at any time and shall not be entitled to any payments or benefits under this Policy by reason of such termination of employment from the Company. This Policy shall have no effect on the rights and benefits to which an Executive is entitled upon retirement under (without limitation) any retirement or savings plan of the Company, which shall be governed exclusively by the terms of such plans and agreements, as applicable.

5. Release.

1.1 As a condition precedent to receiving the payments and benefits as provided herein, Executive will execute (and not revoke) a general release of claims (the

"Release"), in a form provided by the Company. If Executive fails to execute and deliver the Release, or revokes the Release, Executive agrees that he shall not be entitled to receive the payments and benefits described herein. For purposes of this Policy, the Release shall be considered to have been executed by Executive if it is signed by Executive's legal representative in the case of legal incompetence or on behalf of Executive's estate in the case of Executive's death.

1.2 Except as otherwise specified or agreed to by Executive and the Company, payment of any amounts described hereunder that are subject to the Release will begin on the 60th day following the Date of Termination, with the first such payment to include any amounts attributable to payroll intervals occurring prior to such date, provided, however, that, to the extent that the payments are exempt from Section 409A of the Code, such exempt payments shall be made beginning with the first payroll date following the effectiveness of the Release.

6. Restrictive Covenants. In consideration of Executive's employment by the Company and the rights and benefits of Executive provided by this Policy, Executive hereby agrees and acknowledges that the covenants attached as Exhibit A hereto are effective as of the Effective Date hereof (the "Restrictive Covenants Effective Date"), with the restricted period for such non-competition and non-solicitation covenants to be the applicable Severance Period for the Executive, commencing upon the Date of Termination.

7. Section 409A.

1.1 Compliance. It is intended that this Policy be exempt from the provisions of Section 409A of the Code and this Policy shall be construed, administered, and governed in a manner consistent with this intent. If and to the extent that any payment or benefit under this Policy is determined by the Company to constitute "non-qualified deferred compensation" subject to Section 409A of the Code and is payable to Executive by reason of Executive's termination of employment, then such payment or benefit shall be made or provided to Executive only upon a Separation from Service as defined for purposes of Section 409A of the Code. Each severance payment under this Policy will be considered a "separate payment" and not one of a series of payments for purposes of Section 409A of the Code. To the extent that any benefits to be provided to Executive pursuant to this Policy are considered nonqualified deferred compensation and are reimbursements subject to Treasury Regulation Section 1.409A-3(i)(1)(iv), then (i) the reimbursement of eligible expenses related to such benefits shall be made on or before the last day of the Executive's taxable year following the Executive's taxable year in which the expense was incurred and (ii) notwithstanding anything to the contrary in this Policy or any plan providing for such benefits, the amount of expenses eligible for reimbursement during any taxable year of the Executive shall not affect the expenses eligible for reimbursement in any other taxable year. Nothing in this Policy will provide a basis for any person to take action against the Company or its affiliates based on matters covered by Section 409A of the Code and in no event will the Company or its affiliates be liable for any additional tax, interest or penalties that may be imposed on Executive under Section 409A of the Code or any damages for failing to comply with Section 409A of the Code.

1.2 Six Month Delay for Specified Executives. To the extent that any amount payable or benefit to be provided under this Policy constitutes a nonexempt "nonqualified deferred compensation plan" (as defined in Section 409A of the Code) upon a Separation from Service, and to the extent an Executive is deemed to be a "specified employee" (as that term is defined in Section 409A of the Code and pursuant to procedures established by the Company) on the Date of Termination, notwithstanding any other provision in this Policy to the contrary, such payment or benefit provision will not be made to the Executive during the six month period immediately following the Date of Termination. Instead, on the first day of the seventh month following the Date of Termination, all amounts that otherwise would have been paid or provided to the Executive during the six month period, but were not paid or provided because of this Section 7.2, will be paid or provided to the Executive at such time without interest. This six month delay will cease to be applicable if the Executive incurs a Separation from Service due to death or if the Executive dies before the six month period has expired.

8. Withholding Taxes. All compensation payable pursuant to this Policy shall be subject to reduction by all applicable withholding, social security and other federal, state and local taxes and deductions, and the Company shall be authorized to make all such withholdings to the extent it determines necessary under applicable law.

9. Acknowledgment. Executive acknowledges that this Policy does not constitute a contract of employment or impose on the Company any obligation to retain Executive as an employee and that this Policy does not prevent Executive from terminating employment at any time.

10. Non-Duplication of Benefits; CIC Policy. The severance benefit under this Policy is not intended to duplicate any other benefits provided by the Company in connection with the termination of an employee's employment, such as wage replacement benefits, pay-in-lieu-of-notice, severance pay, or similar benefits under any other benefit plans, severance programs, employment contracts, or applicable federal or state laws, such as the WARN Acts. Should such other benefits be payable, the severance benefit under this Policy will be reduced accordingly or, alternatively, severance benefits previously paid under this Policy will be treated as having been paid to satisfy such other benefit obligations. In either case, the Company will determine how to apply this provision and may override other provisions in this Policy in doing so. In addition, and notwithstanding anything else provided herein, to the extent Executive is entitled to severance payments and benefits upon termination of employment pursuant to the Company's Change in Control Policy or any other change in control arrangements, this Policy will cease to apply and Executive's entitlement to severance benefits shall be governed solely by the Change in Control Policy.

11. Administration. The Compensation Committee is responsible for the administration of this Policy and shall have all powers and duties necessary to fulfill its responsibilities. The Compensation Committee shall determine any and all questions of fact, resolve all questions of interpretation of the Policy which may arise, and exercise all other powers and discretion necessary to be exercised under the terms of the Policy which it is herein given or for which no contrary provision is made. The Compensation Committee shall have full power and discretion to interpret the Policy and related documents, to resolve ambiguities, inconsistencies and omissions, to determine any question of fact, and to determine the rights and benefits, if any, of any Executive or other employee, in accordance with the provisions of the Policy. The Compensation Committee's decision with respect to any matter shall be final and binding on all parties concerned. The validity of any such interpretation, construction, decision, or finding of fact shall not be given de novo review if challenged in court, by arbitration, or in any other forum, and shall be upheld unless clearly arbitrary or capricious. The Compensation Committee may, from time to time, by action of its appropriate officers, delegate to designated persons or entities the right to exercise any of its powers or the obligation to carry out its duties under the Policy.

12. Amendment and Termination. The Company reserves the right to amend or terminate this Policy at any time and in any manner, without consent or advance notice to Executives or other employees. No amendment or termination of the Policy shall affect the rights of an Executive whose Date of Termination has occurred prior to the date of such amendment or termination of the Policy and who remains entitled to severance payments or benefits under this Policy.

Adopted by the Board of Directors on February 15, 2023

Exhibit A

Restrictive Covenants

Confidential Information and Trade Secrets

The Executive recognizes that the Executive's position with the Company requires considerable responsibility and trust, and, in reliance on the Executive's loyalty, the Company may entrust the Executive with highly sensitive confidential, restricted and proprietary information involving Trade Secrets and Confidential Information.

"Trade Secret" shall be defined as any scientific or technical information, design, process, procedure, formula or improvement that is valuable and not generally known to competitors of the Company. "Confidential Information" is any data or information, other than Trade Secrets, that is important, competitively sensitive, and not generally known by the public, including, but not limited to, the Company's business plans, business prospects, training manuals, product development plans, bidding and pricing procedures, market strategies, internal performance statistics, financial data, confidential personnel information concerning employees of the Company, supplier data, operational or administrative plans, policy manuals, and terms and conditions of contracts and agreements. The terms "Trade Secrets" and "Confidential Information" shall not apply to information which is (i) already in the Executive's possession (unless such information was used in connection with formulating the Company's business plans, obtained by the Executive from the Company or was obtained by the Executive in the course of the Executive's employment by the Company), or (ii) required to be disclosed by any applicable law.

Except as may be required by law or legal process or an order of a court of competent jurisdiction, the Executive will not use or disclose any Trade Secrets or Confidential Information of the Company at any time after termination of employment and prior to such time as they cease to be Trade Secrets or Confidential Information through no act of the Executive in violation of this Section.

Upon termination of employment, Executive will surrender to the Company all memoranda, notes, records, plans, manuals or other documents pertaining to the Company's business or the Executive's employment (including all copies thereof). The Executive will also leave with the Company all materials involving Trade Secrets or Confidential Information of the Company. All such information and materials, whether or not made or developed by the Executive, shall be the sole and exclusive property of the Company, and the Executive hereby assigns to the Company all of the Executive's right, title and interest in and to any and all of such information and materials.

Agreement Not to Compete and Agreement Not to Solicit

The Executive hereby covenants and agrees that, for a period commencing on the Restrictive Covenants Effective Date and ending at the conclusion of the applicable Severance Period (as defined in the Humana Inc. Executive Severance Policy (the "Policy")), the Executive, directly or indirectly, personally, or as an employee, officer, director, partner, member, owner, stockholder, investor or principal of, or consultant or independent contractor with, another entity, shall not participate in any business which competes with the Company including, without limitation, health maintenance organizations, insurance companies or prepaid health plan businesses in which the Company has been actively engaged during any part of the two (2) year period immediately preceding the Date of Termination (as defined in the Policy) ("Company Business"), in any Geographic Area (as defined below) in which the Company and/or any of its Affiliates is then doing business. For purposes of this Policy, "Geographic Area" means any state, commonwealth or territory of the United States or any equivalent entity in any foreign country.

The Executive hereby covenants and agrees that, for a period commencing on the Restrictive Covenants Effective Date and ending at the conclusion of the applicable Severance Period, the Executive, directly or indirectly, personally, or as an employee, officer, director, partner, member, owner, stockholder, investor or principal of, or consultant or independent contractor with, another entity, shall not: (1) interfere with the relationship of the Company and any of its employees, agents, representatives, consultants or advisors; (2) divert, or attempt to cause the diversion from the Company, any Company Business, nor interfere with relationships of the Company with its policyholders, agents, brokers, dealers, distributors, marketers, sources of supply or customers; or (3) solicit, recruit or otherwise induce or influence any employee of the Company to accept employment in any business which competes with the Company Business, in any Geographic Area in which the Company and/or any of its Affiliates is then doing business.

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Bruce D. Broussard, principal executive officer of Humana Inc., certify that:

1. I have reviewed this Report of Humana Inc. (the "Company") on Form 10-Q for the period ending March 31, 2023;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	April 26, 2023
Signature:	/s/ Bruce D. Broussard
	Bruce D. Broussard Principal Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Susan M. Diamond, principal financial officer of Humana Inc., certify that:

1. I have reviewed this Report of Humana Inc. (the "Company") on Form 10-Q for the period ending March 31, 2023;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	April 26, 2023
Signature:	/s/ Susan M. Diamond
	Susan M. Diamond Principal Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of Humana Inc. (the "Company") on Form 10-Q for the period ending March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, in their capacity as an officer of Humana Inc., that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Bruce D. Broussard

Bruce D. Broussard
Principal Executive Officer

April 26, 2023

/s/ Susan M. Diamond

Susan M. Diamond
Principal Financial Officer

April 26, 2023

A signed original of this written statement required by Section 906 has been provided to Humana Inc. and will be retained by Humana Inc. and furnished to the Securities and Exchange Commission or its staff upon request.