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 June 30, 2022

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 June 30, 2022
$0.16 2/3 par value	126,553,698 shares

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Humana Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2022	December 31, 2021
	(in millions, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,153	$ 3,394
Investment securities	13,037	13,192
Receivables, net of allowances of $72 in 2022 and $83 in 2021	3,369	1,814
Other current assets	5,393	6,493
Current assets held-for-sale	265	—
Total current assets	27,217	24,893
Property and equipment, net	3,121	3,073
Long-term investment securities	380	780
Equity method investments	174	141
Goodwill	8,911	11,092
Other long-term assets	3,690	4,379
Long-term assets held-for-sale	3,327	—
Total assets	$ 46,820	$ 44,358
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Benefits payable	$ 9,650	$ 8,289
Trade accounts payable and accrued expenses	5,787	4,509
Book overdraft	391	326
Unearned revenues	264	254
Short-term debt	1,541	1,953
Current liabilities held-for-sale	206	—
Total current liabilities	17,839	15,331
Long-term debt	11,290	10,541
Other long-term liabilities	1,907	2,383
Long-term liabilities held-for-sale	274	—
Total liabilities	31,310	28,255
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 June 30, 2022 and 198,648,742 shares at December 31, 2021	33	33
Capital in excess of par value	3,153	3,082
Retained earnings	24,511	23,086
Accumulated other comprehensive (loss) income	(1,051)	42
Treasury stock, at cost, 72,112,900 shares at June 30, 2022 and 69,846,758 shares at December 31, 2021	(11,156)	(10,163)
Noncontrolling interests	20	23
Total stockholders' equity	15,510	16,103
Total liabilities and stockholders' equity	$ 46,820	$ 44,358

See accompanying notes to condensed consolidated financial statements.

Humana Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in millions, except per share results)			
Revenues:				
Premiums	$ 22,266	$ 19,978	$ 44,969	$ 40,102
Services	1,349	491	2,613	957
Investment income	47	176	50	254
Total revenues	23,662	20,645	47,632	41,313
Operating expenses:				
Benefits	19,099	17,149	38,724	34,445
Operating costs	3,173	2,116	6,059	4,123
Depreciation and amortization	175	144	345	286
Total operating expenses	22,447	19,409	45,128	38,854
Income from operations	1,215	1,236	2,504	2,459
Interest expense	101	79	191	147
Other (income) expense, net	(8)	419	(29)	534
Income before income taxes and equity in net earnings	1,122	738	2,342	1,778
Provision for income taxes	427	183	713	416
Equity in net earnings (losses)	2	33	(2)	54
Net income	$ 697	$ 588	$ 1,627	$ 1,416
Less: Net income attributable to noncontrolling interests	(1)	—	(1)	—
Net income attributable to Humana	$ 696	$ 588	$ 1,626	$ 1,416
Basic earnings per common share	$ 5.50	$ 4.57	$ 12.83	$ 11.00
Diluted earnings per common share	$ 5.48	$ 4.55	$ 12.77	$ 10.94

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Net income attributable to Humana	$ 696	$ 588	$ 1,626	$ 1,416
Other comprehensive income:				
Change in gross unrealized investment (losses) gains	(623)	136	(1,392)	(184)
Effect of income taxes	144	(31)	320	42
Total change in unrealized investment (losses) gains, net of tax	(479)	105	(1,072)	(142)
Reclassification adjustment for net realized gains	—	(9)	(27)	(64)
Effect of income taxes	—	2	6	15
Total reclassification adjustment, net of tax	—	(7)	(21)	(49)
Other comprehensive (loss) income, net of tax	(479)	98	(1,093)	(191)
Comprehensive income attributable to equity method investments	—	10	—	16
Comprehensive income attributable to Humana	$ 217	$ 696	$ 533	$ 1,241

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock		Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Noncontrolling Interests	Total Stockholders' Equity
	Issued Shares	Amount						
	(dollars in millions, share amounts in thousands)							
Three months ended June 30, 2022								
Balances, March 31, 2022	198,649	$ 33	$ 3,103	$ 23,915	$ (572)	$ (11,160)	$ 23	$ 15,342
Net income				696			1	697
Distribution to noncontrolling interest holders							(4)	(4)
Other comprehensive loss					(479)			(479)
Common stock repurchases			—			(4)		(4)
Dividends and dividend equivalents			—	(100)				(100)
Stock-based compensation			50					50
Restricted stock unit vesting	18	—	(4)			4		—
Stock option exercises	—	—	4			4		8
Balances, June 30, 2022	198,667	$ 33	$ 3,153	$ 24,511	$ (1,051)	$ (11,156)	$ 20	$ 15,510
Three months ended June 30, 2021								
Balances, March 31, 2021	198,649	$ 33	$ 2,712	$ 21,252	$ 108	$ (9,915)	$ —	$ 14,190
Net income				588			—	588
Distribution to noncontrolling interest holders							—	—
Other comprehensive income					108			108
Common stock repurchases			263			(265)		(2)
Dividends and dividend equivalents			—	(89)				(89)
Stock-based compensation			45					45
Restricted stock unit vesting	—	—	(3)			3		—
Stock option exercises	—	—	1			2		3
Balances, June 30, 2021	198,649	$ 33	$ 3,018	$ 21,751	$ 216	$ (10,175)	$ —	$ 14,843

See accompanying notes to condensed consolidated financial statements.

	Common Stock		Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Noncontrolling Interests	Total Stockholders' Equity
	Issued Shares	Amount						
	(dollars in millions, share amounts in thousands)							
Six months ended June 30, 2022								
Balances, December 31, 2021	198,649	$ 33	$ 3,082	$ 23,086	$ 42	$ (10,163)	$ 23	$ 16,103
Net income				1,626			1	1,627
Distribution to noncontrolling interest holders							(4)	(4)
Other comprehensive loss					(1,093)			(1,093)
Common stock repurchases			—			(1,028)		(1,028)
Dividends and dividend equivalents			—	(201)				(201)
Stock-based compensation			93					93
Restricted stock unit vesting	18	—	(28)			28		—
Stock option exercises	—	—	6			7		13
Balances, June 30, 2022	198,667	$ 33	$ 3,153	$ 24,511	$ (1,051)	$ (11,156)	$ 20	$ 15,510
Six months ended June 30, 2021								
Balances, December 31, 2020	198,649	$ 33	$ 2,705	$ 20,517	$ 391	$ (9,918)	$ —	$ 13,728
Net income				1,416			—	1,416
Distribution to noncontrolling interest holders							—	—
Other comprehensive loss					(175)			(175)
Common stock repurchases			263			(296)		(33)
Dividends and dividend equivalents			—	(182)				(182)
Stock-based compensation			84					84
Restricted stock unit vesting	—	—	(36)			36		—
Stock option exercises	—	—	2			3		5
Balances, June 30, 2021	198,649	$ 33	$ 3,018	$ 21,751	$ 216	$ (10,175)	$ —	$ 14,843

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

	For the six months ended June 30,	
	2022	2021
	(in millions)	
Cash flows from operating activities		
Net income	$ 1,627	$ 1,416
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Losses (gains) on investment securities, net	137	(86)
Equity in net losses (earnings)	2	(54)
Stock-based compensation	93	84
Depreciation	369	308
Amortization	45	30
Impairment on property and equipment	140	—
Provision for deferred income taxes	167	—
Changes in operating assets and liabilities, net of effect of businesses acquired:		
Receivables	(1,733)	(1,285)
Other assets	(655)	(879)
Benefits payable	1,361	300
Other liabilities	(333)	(301)
Unearned revenues	10	5
Other	31	(15)
Net cash provided by (used in) operating activities	1,261	(477)
Cash flows from investing activities		
Acquisitions, net of cash and cash equivalents acquired	(167)	(325)
Purchases of property and equipment, net	(574)	(619)
Purchases of investment securities	(3,239)	(5,307)
Proceeds from maturities of investment securities	947	1,627
Proceeds from sales of investment securities	1,363	2,421
Net cash used in investing activities	(1,670)	(2,203)
Cash flows from financing activities		
Receipts from contract deposits, net	3,076	1,183
Proceeds from issuance of senior notes, net	744	—
(Repayments) proceeds from issuance of commercial paper, net	(418)	508
Debt issue costs	(2)	(21)
Change in book overdraft	65	(84)
Common stock repurchases	(1,028)	(33)
Dividends paid	(191)	(173)
Other	(11)	5
Net cash provided by financing activities	2,235	1,385
Increase (decrease) in cash and cash equivalents	1,826	(1,295)
Cash and cash equivalents at beginning of period	3,394	4,673
Cash and cash equivalents at end of period (1)	$ 5,220	$ 3,378

(1) Includes $67 million of cash and cash equivalents classified as held-for-sale at June 30, 2022.

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

	For the six months ended June 30,	
	2022	2021
	(in millions)	
Supplemental cash flow disclosures:		
Interest payments	$ 171	$ 132
Income tax payments, net	$ 373	$ 386
Details of businesses acquired in purchase transactions:		
Fair value of assets acquired, net of cash and cash equivalents acquired	$ 190	$ 602
Less: Fair value of liabilities assumed	(23)	(277)
Cash paid for acquired businesses, net of cash and cash equivalents acquired	$ 167	$ 325

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 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, 2021, that was filed with the Securities and Exchange Commission, or the SEC, on February 17, 2022. We refer to the Form 10-K as the “2021 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 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. Refer to Note 2 to the consolidated financial statements included in our 2021 Form 10-K for information on accounting policies that we consider in preparing our consolidated financial statements.

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.

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, during the second quarter of 2022, we recorded a charge of $203 million, primarily related to asset and software impairment and abandonment in the amount of $140 million. These charges are included within operating costs in the condensed consolidated statements of income for the three and six months ended June 30, 2022, and were recorded at the corporate level and not allocated to the segments. Included in this charge is $21 million in future severance payments in connection with the optimization of our workforce to increase speed, agility, and the pace at which Humana must work as a large, integrated healthcare organization. We expect this liability to be primarily paid within the next 12 months and classified it as a current liability, included in trade accounts payable and accrued expenses.

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 the first half of 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.

Revenue Recognition

Our revenues include premium and service revenues. Services revenues include 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, service revenues include net patient service revenues that are recorded based upon established billing rates, less allowances for contractual adjustments, and are recognized as services are provided. For more information about our revenues, refer to Note 2 to the consolidated financial statements included in our 2021 Form 10-K for information on accounting policies that we consider in preparing our consolidated financial statements. See Note 14 for disaggregation of revenue by segment and type.

At June 30, 2022, accounts receivable related to services were $490 million, including $178 million classified as held-for-sale at June 30, 2022. For the three and six months ended June 30, 2022, 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 June 30, 2022.

For the three and six months ended June 30, 2022, services revenue recognized from performance obligations related to prior periods (for example, 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 September 2018, the FASB issued new guidance related 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 revenues, is effective for us beginning with annual and interim periods in 2023 and, using a modified retrospective approach, 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. We are currently evaluating the impact on our results of operations, financial position and cash flows.

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.

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

3. ACQUISITIONS AND DIVESTITURES

On April 21, 2022, we signed a definitive agreement with private investment firm Clayton, Dubilier & Rice, or CD&R, to divest a 60% interest in the Hospice and Personal Care divisions of Humana's Kindred at Home subsidiary, or KAH Hospice, at an enterprise valuation of $3.4 billion. These divisions include patient-centered services for Hospice, Palliative, Community and Personal Care. Under the agreement, we will receive cash proceeds of approximately $2.8 billion, which includes a combination of debt repayments from KAH Hospice to Humana and equity proceeds from the 60% interest purchased by CD&R. The transaction is expected to close in the third quarter of 2022 and is subject to customary state and federal regulatory approvals.

As of June 30, 2022, we classified KAH Hospice as held-for-sale and aggregated KAH Hospice's assets and liabilities separately on the balance sheet. With the fair value exceeding the carrying value of KAH Hospice's net assets, the resulting gain will be recognized upon closing of the transaction. The ultimate gain to be recognized will reflect considerations for costs to sell, changes in the carrying value of net assets and the related tax effect. The carrying value of the assets and liabilities of KAH Hospice classified as held-for-sale 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 Healthcare Services segment.

During the three months ended June 30, 2022, Humana Inc., our parent company, recognized a deferred tax liability of approximately $167 million for the excess of the book basis over the tax basis of its KAH Hospice subsidiary because realization of the liability in the foreseeable future was apparent with the classification as held-for-sale at June 30, 2022. Upon closing of the transaction, the deferred tax liability will be adjusted to reflect any changes to the excess of the book basis over tax basis of the KAH Hospice subsidiary.

KAH Hospice revenues for the three and six months ended June 30, 2022 were $399 million and $781 million, respectively. KAH Hospice pretax earnings for the three and six months ended June 30, 2022 were $64 million and $126 million, respectively.

The assets and liabilities of KAH Hospice classified as held-for-sale are as follows:

	June 30, 2022 (in millions)	
Assets		
Cash and cash equivalents	$	67
Receivables, net of allowances		178
Other current assets		20
Current assets held-for-sale		**265**
Property and equipment, net		41
Goodwill		2,331
Other assets		955
Long-term assets held-for-sale		**3,327**
Total assets held-for-sale	**$**	**3,592**
Liabilities		
Trade accounts payable and accrued expenses	$	206
Current liabilities held-for-sale		**206**
Other liabilities		274
Long-term liabilities held-for-sale		**274**
Total liabilities held-for-sale	**$**	**480**

On August 17, 2021, we acquired the remaining 60% interest in Kindred at Home, or KAH, the nation's largest home health and hospice provider, from TPG Capital, or TPG, and Welsh, Carson, Anderson & Stowe, or WCAS, two private equity funds, or the Sponsors, for an enterprise value of $8.2 billion, which includes our equity value of $2.4 billion associated with our 40% minority ownership interest. We paid the approximate $5.8 billion transaction price (net of our existing equity stake) through a combination of debt financing, the assumption of existing KAH indebtedness and parent company cash.

During 2022 and 2021, 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 2022 and 2021 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 2022 and 2021 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 June 30, 2022 and December 31, 2021, respectively:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in millions)		
June 30, 2022				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	$ 568	$ —	$ (43)	$ 525
Mortgage-backed securities	3,332	—	(392)	2,940
Tax-exempt municipal securities	776	1	(34)	743
Mortgage-backed securities:				
Residential	493	—	(54)	439
Commercial	1,582	—	(109)	1,473
Asset-backed securities	1,764	—	(50)	1,714
Corporate debt securities	6,181	2	(685)	5,498
Total debt securities	$ 14,696	$ 3	$ (1,367)	13,332
Common stock				85
Total investment securities				$ 13,417
December 31, 2021				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	$ 611	$ 1	$ (10)	$ 602
Mortgage-backed securities	3,265	33	(69)	3,229
Tax-exempt municipal securities	810	33	(2)	841
Mortgage-backed securities:				
Residential	373	—	(6)	367
Commercial	1,394	27	(11)	1,410
Asset-backed securities	1,346	6	(4)	1,348
Corporate debt securities	5,641	118	(59)	5,700
Total debt securities	$ 13,440	$ 218	$ (161)	13,497
Common stock				475
Total investment securities				$ 13,972

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

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 June 30, 2022 and December 31, 2021, 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)			
June 30, 2022						
U.S. Treasury and other U.S. government corporations and agencies:						
U.S. Treasury and agency obligations	$ 91	$ (4)	$ 431	$ (39)	$ 522	$ (43)
Mortgage-backed securities	1,109	(129)	1,785	(263)	2,894	(392)
Tax-exempt municipal securities	38	(3)	594	(31)	632	(34)
Mortgage-backed securities:						
Residential	250	(23)	189	(31)	439	(54)
Commercial	282	(11)	1,191	(98)	1,473	(109)
Asset-backed securities	517	(19)	1,171	(31)	1,688	(50)
Corporate debt securities	1,775	(183)	3,441	(502)	5,216	(685)
Total debt securities	$ 4,062	$ (372)	$ 8,802	$ (995)	$ 12,864	$ (1,367)
December 31, 2021						
U.S. Treasury and other U.S. government corporations and agencies:						
U.S. Treasury and agency obligations	$ 201	$ (3)	$ 355	$ (7)	$ 556	$ (10)
Mortgage-backed securities	2,082	(49)	556	(20)	2,638	(69)
Tax-exempt municipal securities	68	(1)	34	(1)	102	(2)
Mortgage-backed securities:						
Residential	358	(6)	8	—	366	(6)
Commercial	295	(4)	400	(7)	695	(11)
Asset-backed securities	530	(3)	425	(1)	955	(4)
Corporate debt securities	1,456	(28)	769	(31)	2,225	(59)
Total debt securities	$ 4,990	$ (94)	$ 2,547	$ (67)	$ 7,537	$ (161)

Approximately 96% 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 June 30, 2022. 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 1,500 positions out of a total of approximately 1,830 positions at June 30, 2022. All issuers of debt securities we own that were trading at an unrealized loss at June 30, 2022 remain current on all contractual payments. After taking into account these and 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 June 30, 2022, 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 and six months ended June 30, 2022 and 2021.

The detail of (losses) gains related to investment securities and included within investment income was as follows for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in millions)		(in millions)	
Gross gains on investment securities	$ 6	$ 14	$ 39	$ 109
Gross losses on investment securities	(5)	—	(6)	—
Gross gains on equity securities	—	62	—	64
Gross losses on equity securities	(62)	—	(170)	(87)
Net recognized (losses) gains on investment securities	$ (61)	$ 76	$ (137)	$ 86

The gains and losses related to equity securities for the three and six months ended June 30, 2022 and 2021 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in millions)		(in millions)	
Net (losses) gains recognized on equity securities during the period	$ (62)	$ 62	$ (170)	$ (23)
Less: Net losses recognized on equity securities sold during the period	(2)	—	(61)	—
Unrealized (losses) gains recognized on equity securities still held at the end of the period	$ (60)	$ 62	$ (109)	$ (23)

The contractual maturities of debt securities available for sale at June 30, 2022, 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	$ 334	$ 333
Due after one year through five years	2,814	2,680
Due after five years through ten years	3,126	2,712
Due after ten years	1,251	1,041
Mortgage and asset-backed securities	7,171	6,566
Total debt securities	$ 14,696	$ 13,332

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5. FAIR VALUE

Financial Assets

The following table summarizes our fair value measurements at June 30, 2022 and December 31, 2021, 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)			
June 30, 2022				
Cash equivalents	$ 4,730	$ 4,730	$ —	$ —
Debt securities:				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	525	—	525	—
Mortgage-backed securities	2,940	—	2,940	—
Tax-exempt municipal securities	743	—	743	—
Mortgage-backed securities:				
Residential	439	—	439	—
Commercial	1,473	—	1,473	—
Asset-backed securities	1,714	—	1,714	—
Corporate debt securities	5,498	—	5,396	102
Total debt securities	13,332	—	13,230	102
Common stock	85	85	—	—
Total invested assets	$ 18,147	$ 4,815	$ 13,230	$ 102
December 31, 2021				
Cash equivalents	$ 3,322	$ 3,322	$ —	$ —
Debt securities:				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	602	—	602	—
Mortgage-backed securities	3,229	—	3,229	—
Tax-exempt municipal securities	841	—	841	—
Mortgage-backed securities:				
Residential	367	—	367	—
Commercial	1,410	—	1,410	—
Asset-backed securities	1,348	—	1,348	—
Corporate debt securities	5,700	—	5,632	68
Total debt securities	13,497	—	13,429	68
Common stock	475	475	—	—
Total invested assets	$ 17,294	$ 3,797	$ 13,429	$ 68

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Our Level 3 assets had a fair value of $102 million at June 30, 2022 , or 0.6% of our total invested assets. During the year ended June 30, 2022, the changes in the fair value of the assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	For the six months ended June 30,	
	Private Placements	
	(in millions)	
Beginning balance at January 1	$	68
Total gains or losses:		
Realized in earnings		—
Unrealized in other comprehensive income		(10)
Purchases		44
Sales		—
Settlements		—
Balance at June 30	$	102

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 $9.8 billion at June 30, 2022 and $9.0 billion at December 31, 2021. The fair value of our senior notes debt was $9.4 billion at June 30, 2022 and $10.0 billion at December 31, 2021. 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 term loan and commercial paper borrowings were $3.0 billion as of June 30, 2022 and $3.5 billion as of December 31, 2021.

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.

Effective April 27, 2021, with the signing of the definitive agreement to acquire the remaining 60% interest of KAH, the respective put and call options were terminated. As such, the $63 million put and $440 million call fair values as of March 31, 2021 were subsequently reduced to zero, resulting in $377 million in "Other (income) expense, net" in our consolidated statements of income for the quarter and period ended June 30, 2021.

The put and call options fair values associated with our Primary Care Organization strategic partnership with 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. The put and call options fair values were $173 million and $13 million, respectively, at June 30, 2022. The put and call options fair values, derived from the Monte Carlo simulation, were $202 million and $13 million, respectively, at December 31, 2021.

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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	June 30, 2022	December 31, 2021
Annualized volatility	23.2% - 23.3%	22.4 %
Credit spread	1.5% - 1.6%	0.9 %
Revenue exit multiple	1.5x - 2.5x	1.5x - 2.5x
Weighted average cost of capital	13.0 %	12.5 %
Long term growth rate	3.0 %	3.0 %

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, “Acquisitions and Divestitures”, we completed our acquisition of KAH during the third quarter of 2021. 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.

Other than the assets acquired and liabilities assumed in the KAH acquisition and other acquisitions in Note 3, there were no other material assets or liabilities measured at fair value on a recurring or nonrecurring basis during 2022.

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, as described further in Note 2 to the consolidated financial statements included in our 2021 Form 10-K. The accompanying condensed consolidated balance sheets include the following amounts associated with Medicare Part D at June 30, 2022 and December 31, 2021. 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.

	June 30, 2022		December 31, 2021	
	Risk Corridor Settlement	CMS Subsidies/ Discounts	Risk Corridor Settlement	CMS Subsidies/ Discounts
	(in millions)			
Other current assets	$ 148	$ 703	$ 363	$ 1,894
Trade accounts payable and accrued expenses	(93)	(2,355)	(68)	(466)
Net current asset (liability)	55	(1,652)	295	1,428
Other long-term assets	361	—	5	—
Other long-term liabilities	(212)	—	(194)	—
Net long-term asset (liability)	149	—	(189)	—
Total net asset (liability)	$ 204	$ (1,652)	$ 106	$ 1,428

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for our reportable segments for the six months ended June 30, 2022 were as follows:

	Retail	Group and Specialty	Healthcare Services	Total
		(in millions)		
Balance at January 1, 2022	$ 1,933	$ 261	$ 8,898	$ 11,092
Acquisitions	10	—	140	150
Held-for-sale	—	—	(2,331)	(2,331)
Balance at June 30, 2022	$ 1,943	$ 261	$ 6,707	$ 8,911

The following table presents details of our other intangible assets included in other long-term assets in the accompanying condensed consolidated balance sheets at June 30, 2022 and December 31, 2021:

		June 30, 2022			December 31, 2021		
	Weighted Average Life	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
				($ in millions)			
Other intangible assets:							
Certificates of need	Indefinite	$ 1,765	$ —	$ 1,765	$ 1,771	$ —	$ 1,771
Medicare licenses	Indefinite	514	—	514	522	—	522
Customer contracts/ relationships	9.4 years	912	647	265	883	620	263
Trade names and technology	7.0 years	159	102	57	160	97	63
Provider contracts	11.6 years	72	60	12	72	57	15
Noncompetes and other	6.7 years	39	30	9	35	30	5
Held-for-sale		(867)	(1)	(866)	—	—	—
Total other intangible assets	9.2 years	$ 2,594	$ 838	$ 1,756	$ 3,443	$ 804	$ 2,639

For the three months ended June 30, 2022 and 2021, amortization expense for other intangible assets was approximately $18 million and $15 million, respectively. For the six months ended June 30, 2022 and 2021, amortization expense for other intangible assets was approximately $36 million and $30 million, respectively. The following table presents our estimate of amortization expense remaining for 2022 and each of the five next succeeding years, excluding amortization expense on intangibles held-for-sale at June 30, 2022:

	(in millions)
For the years ending December 31,	
2022	$ 34
2023	55
2024	47
2025	45
2026	32
2027	24

8. BENEFITS PAYABLE

On a consolidated basis, activity in benefits payable was as follows for the six months ended June 30, 2022 and 2021:

	For the six months ended June 30,	
	2022	2021
	(in millions)	
Balances, beginning of period	$ 8,289	$ 8,143
Acquisitions	—	42
Incurred related to:		
Current year	39,121	35,164
Prior years	(397)	(719)
Total incurred	38,724	34,445
Paid related to:		
Current year	(30,356)	(27,556)
Prior years	(7,007)	(6,589)
Total paid	(37,363)	(34,145)
Balances, end of period	$ 9,650	$ 8,485

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.

Incurred and Paid Claims Development

The following discussion provides information about incurred and paid claims development for our Retail and Group and Specialty segments as of June 30, 2022 and 2021, net of reinsurance, and the total estimate of benefits payable for claims incurred but not reported, or IBNR, included within the net incurred claims amounts.

Retail Segment

Activity in benefits payable for our Retail segment was as follows for the six months ended June 30, 2022 and 2021:

	For the six months ended June 30,	
	2022	2021
	(in millions)	
Balances, beginning of period	$ 7,675	$ 7,428
Acquisitions	—	42
Incurred related to:		
Current year	37,299	32,986
Prior years	(367)	(619)
Total incurred	36,932	32,367
Paid related to:		
Current year	(29,061)	(25,953)
Prior years	(6,459)	(5,990)
Total paid	(35,520)	(31,943)
Balances, end of period	$ 9,087	$ 7,894

At June 30, 2022, benefits payable for our Retail segment included IBNR of approximately $5.5 billion, primarily associated with claims incurred in 2022.

Group and Specialty Segment

Activity in benefits payable for our Group and Specialty segment was as follows for the six months ended June 30, 2022 and 2021:

	For the six months ended June 30,	
	2022	2021
	(in millions)	
Balances, beginning of period	$ 614	$ 715
Incurred related to:		
Current year	2,121	2,492
Prior years	(30)	(100)
Total incurred	2,091	2,392
Paid related to:		
Current year	(1,594)	(1,917)
Prior years	(548)	(599)
Total paid	(2,142)	(2,516)
Balances, end of period	$ 563	$ 591

At June 30, 2022, benefits payable for our Group and Specialty segment included IBNR of approximately $488 million, primarily associated with claims incurred in 2022.

9. EARNINGS PER COMMON SHARE COMPUTATION

Detail supporting the computation of basic and diluted earnings per common share was as follows for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(dollars in millions, except per common share results; number of shares in thousands)			
Net income available for common stockholders	$ 697	$ 588	$ 1,627	$ 1,416
Weighted average outstanding shares of common stock used to compute basic earnings per common share	126,523	128,692	126,730	128,811
Dilutive effect of:				
Employee stock options	47	74	44	63
Restricted stock	514	621	505	595
Shares used to compute diluted earnings per common share	127,084	129,387	127,279	129,469
Basic earnings per common share	$ 5.50	$ 4.57	$ 12.83	$ 11.00
Diluted earnings per common share	$ 5.48	$ 4.55	$ 12.77	$ 10.94
Number of antidilutive stock options and restricted stock excluded from computation	98	103	362	317

10. STOCKHOLDERS' EQUITY

Dividends

The following table provides details of dividend payments, excluding dividend equivalent rights for unvested stock awards, in 2021 and 2022 under our Board approved quarterly cash dividend policy:

Record Date	Payment Date	Amount per Share	Total Amount
			(in millions)
2021 payments			
12/31/2020	1/29/2021	$ 0.6250	$ 81
3/31/2021	4/30/2021	0.7000	90
6/30/2021	7/30/2021	0.7000	90
9/30/2021	10/29/2021	0.7000	90
2022 payments			
12/31/2021	1/28/2022	$ 0.7000	$ 90
3/31/2022	4/29/2022	0.7875	100

In April 2022, the Board declared a cash dividend of $0.7875 per share payable on July 29, 2022 to stockholders of record on June 30, 2022. Declaration and payment of future quarterly dividends is 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.

On February 18, 2021, the Board of Directors replaced the previous share repurchase authorization of up to $3 billion (of which approximately $250 million 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 18, 2024.

On January 11, 2022, we entered into separate accelerated stock repurchase agreements, the January 2022 ASR Agreements, with Mizuho Markets Americas LLC, or Mizuho, and Wells Fargo Bank, or Wells Fargo, to repurchase $1 billion of our common stock as part of the $3 billion repurchase program authorized by the Board of Directors on February 18, 2021. On January 12, 2022, in accordance with the January 2022 ASR Agreements, we made a payment of $1 billion ($500 million to Mizuho and $500 million to Wells Fargo) and received an initial delivery of 2.2 million shares of our common stock (1.08 million shares each from Mizuho and Wells Fargo). In January 2022, we recorded the payments to Mizuho and Wells Fargo as a reduction to stockholders' equity, consisting of an $850 million increase in treasury stock, which reflects the value of the initial 2.2 million shares received upon initial settlement, and a $150 million decrease in capital in excess of par value, which reflects the value of stock held back by Mizuho and Wells Fargo pending final settlement of the January 2022 ASR Agreements. Upon final settlement of the January 2022 ASR Agreements with Mizuho and Wells Fargo on March 29, 2022 and March 30, 2022, respectively, we received an additional 0.1 million shares and 0.1 million shares, respectively, as determined by the average daily volume weighted-averages share price of our common stock during the term of the agreement, less a discount, of $410.96 and $411.66, respectively, bringing the total shares received under the January 2022 ASR Agreements to 2.4 million. In addition, upon settlement we reclassified the $150 million value of stock initially held back by Mizuho and Wells Fargo from capital in excess of par value to treasury stock. Our remaining repurchase authorization was $2 billion as of July 26, 2022.

In connection with employee stock plans, we acquired 0.06 million common shares for $28 million and 0.09 million common shares for $33 million during the six months ended June 30, 2022 and 2021, respectively.

11. INCOME TAXES

The effective income tax rate was 38.1% and 30.5% for the three and six months ended June 30, 2022, respectively, and 23.7% and 22.7% for the three and six months ended June 30, 2021, respectively. The increase is primarily due to the impact of the $167 million deferred tax liability recognized by Humana Inc., our parent company, for the excess of the book basis over the tax basis of its KAH Hospice subsidiary because realization of the liability in the foreseeable future was apparent with the classification as held-for-sale at June 30, 2022, as further discussed in Note 3.

12. DEBT

The carrying value of debt outstanding, net of unamortized debt issuance costs, was as follows at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
	(in millions)	
Short-term debt:		
Commercial paper	$ 541	$ 955
Senior notes:		
$600 million, 3.150% due December 1, 2022	600	599
$400 million, 2.900% due December 15, 2022	400	399
Total senior notes	1,000	998
Total short-term debt	$ 1,541	$ 1,953
Long-term debt:		
Senior notes:		
$1.5 billion, 0.650% due August 3, 2023	$ 1,495	$ 1,492
$600 million, 3.850% due October 1, 2024	598	598
$600 million, 4.500% due April 1, 2025	597	596
$750 million, 1.350% due February 3, 2027	744	742
$600 million, 3.950% due March 15, 2027	597	596
$750 million, 3.700% due March 23, 2029	741	—
$500 million, 3.125% due August 15, 2029	496	496
$500 million, 4.875% due April 1, 2030	495	495
$750 million, 2.150% due February 3, 2032	742	741
$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	395	395
$500 million, 3.950% due August 15, 2049	493	493
Total senior notes	8,790	8,041
Term loans:		
Term loan, due October 29, 2023	2,000	2,000
Delayed draw term loan, due May 28, 2024	500	500
Total term loans	2,500	2,500
Total long-term debt	$ 11,290	$ 10,541

Senior Notes

Our senior notes, which are unsecured, may be redeemed at our option at any time at 100% of the principal amount plus accrued interest and a specified make-whole amount. The 8.15% senior notes are subject to an interest rate adjustment if the debt ratings assigned to the notes are downgraded (or subsequently upgraded). In addition, our senior notes contain a change of control provision that may require us to purchase the notes under certain circumstances.

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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. We used the net proceeds for general corporate purposes, which included the repayment of existing indebtedness, including borrowings under our commercial paper program.

Delayed Draw Term Loan Credit Agreement

In May 2021, we entered into a $500 million unsecured delayed draw term loan credit agreement. Under the term loan credit agreement, loans bear interest at either LIBOR plus a spread or the base rate plus a spread. The loans under the term loan credit agreement mature on the third anniversary of the funding date. The LIBOR spread, currently 125 basis points, varies depending on our credit ratings ranging from 100.0 to 162.5 basis points. The term loan credit agreement provides for the transition from LIBOR and does not require amendment in connection with such transition.

In August 2021, we borrowed $500 million under the delayed draw term loan agreement, which was used, in combination with other debt financing, to fund the approximate $5.8 billion transaction price of Kindred at Home. The $500 million term loan will mature on May 28, 2024. The term loan credit agreement contains 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 45.3% as measured in accordance with the term loan credit agreement as of June 30, 2022.

We have other customary relationships, including financial advisory and banking, with some parties to the term loan agreement.

October 2021 Term Loan Agreement

On October 29, 2021, we entered into a $2.0 billion term loan credit agreement, which we refer to as the October 2021 Term Loan Agreement, with certain lending banks and other financial institutions. Proceeds of the October 2021 Term Loan Agreement were applied to finance the repayment in full of the outstanding KAH debt.

Loans under the October 2021 Term Loan Agreement bear interest at adjusted Term SOFR, as defined in the October 2021 Term Loan Agreement, or the base rate plus a spread. The applicable margin, currently 112.5 basis points, varies depending on our credit ratings ranging from 87.5 to 137.5 basis points. The loans under the October 2021 Term Loan Agreement will mature on October 29, 2023. The October 2021 Term Loan Agreement contains customary covenants, including a maximum debt to capitalization financial condition 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 45.3% as measured in accordance with the term loan credit agreement as of June 30, 2022. We have other relationships, including financial advisory and banking, with some parties to the October 2021 Term Loan Agreement.

At the time of the repayment in full of the KAH debt, there was $1.9 billion of outstanding debt thereunder and no prepayment penalty was due.

Revolving Credit Agreements

In June 2021, we entered into a 5-year, $2.5 billion unsecured revolving credit agreement. Under the 5-year revolving credit agreement, at our option, we can borrow on either a competitive advance basis or a revolving credit basis. The revolving credit portion bears interest at either LIBOR plus a spread or the base rate plus a spread. The competitive advance portion of any borrowings will bear interest at market rates prevailing at the time of borrowing on either a fixed rate or a floating rate based on LIBOR, at our option. The revolving credit agreement provides for the transition from LIBOR and does not require amendment in connection with such transition.

In June 2022, we entered into a 364-day $1.5 billion unsecured revolving credit agreement (replacing the 364-day $1.5 billion unsecured revolving credit agreement entered into in June 2021, which expired in accordance with its terms). Under the 364-day revolving credit agreement, at our option, we can borrow on either a competitive advance basis or a revolving credit basis. The revolving credit portion bears interest at Term SOFR or the base rate plus a spread. The competitive advance portion of any borrowings will bear interest at market rates prevailing at the time of borrowing on either a fixed rate or a floating rate based Term SOFR, at our option.

The LIBOR spread, currently 110.0 basis points under the 5-year revolving credit agreements and the SOFR spread, currently 115.0 basis points under the 364-day revolving credit agreement, varies depending on our credit ratings ranging from 91.0 to 140.0 basis points under the 5-year revolving credit agreement and from 94.0 to 135.0 basis points under the 364-day revolving credit agreement. We also pay an annual facility fee regardless of utilization. This facility fee, currently 15.0 basis points, under the 5-year revolving credit agreement and 10.0 basis points under the 364-day revolving agreement, varies depending on our credit ratings ranging from 9.0 to 22.5 basis points under the 5-year revolving credit agreement and from 6.0 to 15.0 basis points under the 364-day revolving credit agreement.

The terms of the revolving credit agreements include standard provisions related to conditions of borrowing which could limit our ability to borrow additional funds. In addition, the 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 45.3% as measured in accordance with the revolving credit agreements as of June 30, 2022. Upon our agreement with one or more financial institutions, we may expand the aggregate commitments under the revolving credit agreements by up to $750 million in the aggregate, to a maximum of $4.75 billion, across the 5-year and 364-day revolving credit agreements.

At June 30, 2022, we had no borrowings and approximately $73 million of letters of credit outstanding under the revolving credit agreements, including those of KAH. Accordingly, as of June 30, 2022, 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.

We have other customary relationships, including financial advisory and banking, with some parties to the revolving credit agreements.

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. On February 10, 2022, we increased the size of our commercial paper program to permit the issuance of commercial paper notes in an aggregate principal amount not to exceed $4 billion compared to the prior amount not to exceed $2 billion. 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 six months ended June 30, 2022 was $1.5 billion, with $541 million outstanding at June 30, 2022 compared to $955 million outstanding at December 31, 2021. The outstanding commercial paper at June 30, 2022 had a weighted average annual interest rate of 1.70%.

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 June 30, 2022 we had no outstanding short-term FHLB borrowings.

13. COMMITMENTS, GUARANTEES AND CONTINGENCIES

Government Contracts

Our Medicare products, which accounted for approximately 81% of our total premiums and services revenue for the six months ended June 30, 2022, 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. Our product offerings under those contracts are subject to approval by CMS in the third quarter of 2022.

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 reflect the health status of our enrolled membership. 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 to calculate the risk-adjusted premium payment to MA plans, which CMS adjusts for coding pattern differences between the health plans and the government fee-for-service 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 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. These compliance efforts include the internal contract level audits described in more detail below, as well as ordinary course reviews of our internal business processes.

CMS and the Office of the Inspector General of Health and Human Services, or HHS-OIG, are continuing to perform audits of various companies' selected MA contracts related to this risk adjustment diagnosis data. 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 which influence the calculation of premium payments to MA plans.

In 2012, CMS released a "Notice of Final Payment Error Calculation Methodology for Part C Medicare Advantage Risk Adjustment Data Validation (RADV) Contract-Level Audits." The payment error calculation methodology provided that, in calculating the economic impact of audit results for an MA contract, if any, the results of the RADV audit sample would be extrapolated to the entire MA contract after a comparison of the audit results to a similar audit of the government's traditional fee-for-service Medicare program, or Medicare FFS. We refer to the process of accounting for errors in FFS claims as the "FFS Adjuster". This comparison of RADV audit results to the FFS error rate is necessary to determine the economic impact, if any, of RADV audit results because the government used the Medicare FFS program data set, including any attendant errors that are present in that data set, to estimate the costs of various health status conditions and to set the resulting adjustments to MA plans' payment rates in order to establish actuarial equivalence in payment rates as required under the Medicare statute. CMS already makes other adjustments to payment rates based on a comparison of coding pattern differences between MA plans and Medicare FFS data (such as for frequency of coding for certain diagnoses in MA plan data versus the Medicare FFS program dataset).

The final RADV extrapolation methodology, including the first application of extrapolated audit results to determine audit settlements, is expected to be applied to CMS RADV contract level audits conducted for contract year 2011 and subsequent years. CMS is currently conducting RADV contract level audits for certain of our Medicare Advantage plans.

Estimated audit settlements are recorded as a reduction of premiums revenue in our consolidated statements of income, based upon available information. We perform internal contract level audits based on the RADV audit methodology prescribed by CMS. Included in these internal contract level audits is an audit of our Private Fee-For Service business which we used to represent a proxy of the FFS Adjuster which has not yet been finalized. We based our accrual of estimated audit settlements for each contract year on the results of these internal contract level audits and update our estimates as each audit is completed. Estimates derived from these results were not material to our results of operations, financial position, or cash flows. We report the results of these internal contract level audits to CMS, including identified overpayments, if any.

On October 26, 2018, CMS issued a proposed rule and accompanying materials, which we refer to as the "Proposed Rule", related to, among other things, the RADV audit methodology described above. If implemented, the Proposed Rule would use extrapolation in RADV audits applicable to payment year 2011 contract-level audits and all subsequent audits, without the application of a FFS Adjuster to audit findings. We believe that the Proposed Rule fails to address adequately the statutory requirement of actuarial equivalence, and have provided substantive comments to CMS on the Proposed Rule as part of the notice-and-comment rulemaking process. Whether, and to what extent, CMS finalizes the Proposed Rule, 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.

We will continue to work with CMS to ensure that MA plans are paid accurately and that payment model principles 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 6% of our total premiums and services revenue for the six months ended June 30, 2022 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 June 30, 2022, our military services business, which accounted for approximately 1% of our total premiums and services revenue for the six months ended June 30, 2022, 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 is a 5-year contract set to expire on December 31, 2022 and is subject to renewals on January 1 of each year during its term at the government's option.

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

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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 continue to cooperate with the Department of Justice. These matters are expected to result in additional qui tam litigation.

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 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, and sales practices, 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

We manage our business with three reportable segments: Retail, Group and Specialty, and Healthcare Services. The reportable segments 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 Retail segment consists of Medicare benefits, marketed to individuals or directly via group Medicare accounts. In addition, the Retail segment also includes 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, including Temporary Assistance for Needy Families, or TANF, dual eligible demonstration, and Long-Term Support Services benefits, which we refer to collectively as our state-based contracts. The Group and Specialty segment consists 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 products. In addition, our Group and Specialty segment includes our military services business, primarily our TRICARE T2017 East Region contract. The Healthcare Services segment includes pharmacy, provider, and home services, along with other services and capabilities to promote wellness and advance population health. The operations of the recently acquired full ownership of Kindred at Home, as well as the company's strategic partnerships with WCAS to develop and operate senior-focused, payor-agnostic, primary care centers are also included in the Healthcare Services segment.

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Our Healthcare Services intersegment revenues primarily relate to managing prescription drug coverage for members of our other segments through Humana Pharmacy Solutions®, or HPS, and includes the operations of Humana Pharmacy, Inc., our mail order pharmacy business. These revenues consist of the prescription price (ingredient cost plus dispensing fee), including the portion to be settled with the member (co-share) or with the government (subsidies), plus any associated administrative fees. Services revenues related to the distribution of prescriptions by third party retail pharmacies in our networks are recognized when the claim is processed and product revenues from dispensing prescriptions from our mail order pharmacies are recorded when the prescription or product is shipped. Our pharmacy operations, which are responsible for designing pharmacy benefits, including defining member co-share responsibilities, determining formulary listings, contracting with retail pharmacies, confirming member eligibility, reviewing drug utilization, and processing claims, act as a principal in the arrangement on behalf of members in our other segments. As principal, our Healthcare Services segment reports revenues on a gross basis, including co-share amounts from members collected by third party retail pharmacies at the point of service.

In addition, our Healthcare Services intersegment revenues include revenues earned by certain owned providers derived from risk-based and non-risk-based managed care agreements with our health plans. Under risk based agreements, the provider receives a monthly capitated fee that varies depending on the demographics and health status of the member, for each member assigned to these owned providers by our health plans. The owned provider assumes the economic risk of funding the assigned members' healthcare services. Under non risk-based agreements, our health plans retain the economic risk of funding the assigned members' healthcare services. Our Healthcare Services segment reports provider services revenues associated with risk-based agreements on a gross basis, whereby capitation fee revenue is recognized in the period in which the assigned members are entitled to receive healthcare services. Provider services revenues associated with non-risk-based agreements are presented net of associated healthcare costs.

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 $4.8 billion and $4.4 billion for the three months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022 and 2021 these amounts were $8.8 billion and $8.0 billion, respectively. In addition, depreciation and amortization expense associated with certain businesses in our Healthcare Services segment 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 $29 million and $26 million for the three months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022 and 2021, the amount of this expense was $59 million and $52 million, respectively.

Other than those described previously, the accounting policies of each segment are the same and are described in Note 2 to the consolidated financial statements included in our 2021 Form 10-K. Transactions between reportable segments primarily consist of sales of services rendered by our Healthcare Services segment, primarily pharmacy, provider, and home solutions services, to our Retail and Group and Specialty 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.

Our segment results were as follows for the three and six months ended June 30, 2022 and 2021:

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Three months ended June 30, 2022	Retail	Group and Specialty	Healthcare Services	Eliminations/ Corporate	Consolidated
			(in millions)		
External revenues					
Premiums:					
Individual Medicare Advantage	$ 16,692	$ —	$ —	$ —	$ 16,692
Group Medicare Advantage	1,857	—	—	—	1,857
Medicare stand-alone PDP	606	—	—	—	606
Total Medicare	19,155	—	—	—	19,155
Fully-insured	185	943	—	—	1,128
Specialty	—	427	—	—	427
Medicaid and other	1,556	—	—	—	1,556
Total premiums	20,896	1,370	—	—	22,266
Services revenue:					
Home solutions	—	—	752	—	752
Provider	—	—	137	—	137
ASO and other	8	196	—	—	204
Pharmacy	—	—	256	—	256
Total services revenue	8	196	1,145	—	1,349
Total external revenues	20,904	1,566	1,145	—	23,615
Intersegment revenues					
Services	—	14	5,327	(5,341)	—
Products	—	—	2,489	(2,489)	—
Total intersegment revenues	—	14	7,816	(7,830)	—
Investment income	42	4	1	—	47
Total revenues	20,946	1,584	8,962	(7,830)	23,662
Operating expenses:					
Benefits	18,182	1,045	—	(128)	19,099
Operating costs	1,712	415	8,469	(7,423)	3,173
Depreciation and amortization	131	23	50	(29)	175
Total operating expenses	20,025	1,483	8,519	(7,580)	22,447
Income (loss) from operations	921	101	443	(250)	1,215
Interest expense	—	—	—	101	101
Other income, net	—	—	—	(8)	(8)
Income (loss) before income taxes and equity in net earnings	921	101	443	(343)	1,122
Equity in net earnings (losses)	8	—	(6)	—	2
Segment earnings (loss)	$ 929	$ 101	$ 437	$ (343)	$ 1,124
Less: noncontrolling interests	—	—	(1)	—	(1)
Segment earnings (loss) attributable to Humana	$ 929	$ 101	$ 436	$ (343)	$ 1,123

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Three months ended June 30, 2021	Retail	Group and Specialty	Healthcare Services	Eliminations/ Corporate	Consolidated
			(in millions)		
External revenues					
Premiums:					
Individual Medicare Advantage	$ 14,585	$ —	$ —	$ —	$ 14,585
Group Medicare Advantage	1,775	—	—	—	1,775
Medicare stand-alone PDP	662	—	—	—	662
Total Medicare	17,022	—	—	—	17,022
Fully-insured	182	1,078	—	—	1,260
Specialty	—	432	—	—	432
Medicaid and other	1,264	—	—	—	1,264
Total premiums	18,468	1,510	—	—	19,978
Services revenue:					
Home solutions	—	—	25	—	25
Provider	—	—	97	—	97
ASO and other	12	194	—	—	206
Pharmacy	—	—	163	—	163
Total services revenue	12	194	285	—	491
Total external revenues	18,480	1,704	285	—	20,469
Intersegment revenues					
Services	—	10	4,977	(4,987)	—
Products	—	—	2,261	(2,261)	—
Total intersegment revenues	—	10	7,238	(7,248)	—
Investment income	65	4	1	106	176
Total revenues	18,545	1,718	7,524	(7,142)	20,645
Operating expenses:					
Benefits	16,068	1,247	—	(166)	17,149
Operating costs	1,533	409	7,205	(7,031)	2,116
Depreciation and amortization	108	22	41	(27)	144
Total operating expenses	17,709	1,678	7,246	(7,224)	19,409
Income from operations	836	40	278	82	1,236
Interest expense	—	—	—	79	79
Other expense, net	—	—	—	419	419
Income (loss) before income taxes and equity in net earnings	836	40	278	(416)	738
Equity in net earnings	—	—	33	—	33
Segment earnings (loss)	$ 836	$ 40	$ 311	$ (416)	$ 771

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Six months ended June 30, 2022	Retail	Group and Specialty	Healthcare Services (in millions)	Eliminations/ Corporate	Consolidated
External revenues					
Premiums:					
Individual Medicare Advantage	$ 33,744	$ —	$ —	$ —	$ 33,744
Group Medicare Advantage	3,732	—	—	—	3,732
Medicare stand-alone PDP	1,245	—	—	—	1,245
Total Medicare	38,721	—	—	—	38,721
Fully-insured	367	1,915	—	—	2,282
Specialty	—	856	—	—	856
Medicaid and other	3,110	—	—	—	3,110
Total premiums	42,198	2,771	—	—	44,969
Services revenue:					
Home solutions	—	—	1,478	—	1,478
Provider services	—	—	250	—	250
ASO and other	14	391	—	—	405
Pharmacy solutions	—	—	480	—	480
Total services revenue	14	391	2,208	—	2,613
Total external revenues	42,212	3,162	2,208	—	47,582
Intersegment revenues					
Services	—	28	10,504	(10,532)	—
Products	—	—	4,935	(4,935)	—
Total intersegment revenues	—	28	15,439	(15,467)	—
Investment income	85	7	3	(45)	50
Total revenues	42,297	3,197	17,650	(15,512)	47,632
Operating expenses:					
Benefits	36,932	2,091	—	(299)	38,724
Operating costs	3,406	828	16,654	(14,829)	6,059
Depreciation and amortization	254	45	103	(57)	345
Total operating expenses	40,592	2,964	16,757	(15,185)	45,128
Income (loss) from operations	1,705	233	893	(327)	2,504
Interest expense	—	—	—	191	191
Other income, net	—	—	—	(29)	(29)
Income (loss) before income taxes and equity in net earnings	1,705	233	893	(489)	2,342
Equity in net earnings (losses)	8	—	(10)	—	(2)
Segment earnings (loss)	$ 1,713	$ 233	$ 883	$ (489)	$ 2,340
Less: noncontrolling interests	—	—	(1)	—	(1)
Segment earnings (loss) attributable to Humana	$ 1,713	$ 233	$ 882	$ (489)	$ 2,339

Humana Inc.
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(Unaudited)

	Retail	Group and Specialty	Healthcare Services	Eliminations/ Corporate	Consolidated
Six months ended June 30, 2021			(in millions)		
External Revenues					
Premiums:					
Individual Medicare Advantage	$ 29,400	$ —	$ —	$ —	$ 29,400
Group Medicare Advantage	3,530	—	—	—	3,530
Medicare stand-alone PDP	1,326	—	—	—	1,326
Total Medicare	34,256	—	—	—	34,256
Fully-insured	360	2,177	—	—	2,537
Specialty	—	866	—	—	866
Medicaid and other	2,443	—	—	—	2,443
Total premiums	37,059	3,043	—	—	40,102
Services revenue:					
Home solutions	—	—	49	—	49
Provider services	—	—	188	—	188
ASO and other	17	384	—	—	401
Pharmacy solutions	—	—	319	—	319
Total services revenue	17	384	556	—	957
Total external revenues	37,076	3,427	556	—	41,059
Intersegment revenues					
Services	—	20	9,751	(9,771)	—
Products	—	—	4,413	(4,413)	—
Total intersegment revenues	—	20	14,164	(14,184)	—
Investment income	117	8	2	127	254
Total revenues	37,193	3,455	14,722	(14,057)	41,313
Operating expenses:					
Benefits	32,367	2,392	—	(314)	34,445
Operating costs	2,984	806	14,115	(13,782)	4,123
Depreciation and amortization	212	43	81	(50)	286
Total operating expenses	35,563	3,241	14,196	(14,146)	38,854
Income from operations	1,630	214	526	89	2,459
Interest expense	—	—	—	147	147
Other expense, net	—	—	—	534	534
Income (loss) before income taxes and equity in net earnings	1,630	214	526	(592)	1,778
Equity in net earnings	—	—	54	—	54
Segment earnings (loss)	$ 1,630	$ 214	$ 580	$ (592)	$ 1,832

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 2021 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 17, 2022, 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.

Kindred at Home Acquisition

On August 17, 2021, we acquired the remaining 60% interest in Kindred at Home, or KAH, the nation's largest home health and hospice provider, from TPG Capital, or TPG, and Welsh, Carson, Anderson & Stowe, or WCAS, two private equity funds, or the Sponsors, for an enterprise value of $8.2 billion, which includes our equity value of $2.4 billion associated with our 40% minority ownership interest. We paid the approximate $5.8 billion transaction price (net of our existing equity stake) through a combination of debt financing, the assumption of existing KAH indebtedness and parent company cash.

Sale of Hospice and Personal Care Divisions

On April 21, 2022, we signed a definitive agreement with private investment firm Clayton, Dubilier & Rice, or CD&R, to divest a 60% interest in the Hospice and Personal Care divisions of Humana's Kindred at Home subsidiary, or KAH Hospice, at an enterprise valuation of $3.4 billion. These divisions include patient-centered services for Hospice, Palliative, Community and Personal Care. Under the agreement, we will receive cash proceeds of approximately $2.8 billion, which includes a combination of debt repayments from KAH Hospice to Humana and equity proceeds from the 60% interest purchased by CD&R.

The transaction is expected to close in the third quarter of 2022 and is subject to customary state and federal regulatory approvals.

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, during the second quarter of 2022, we recorded a charge of $203 million, primarily related to asset and software impairment and abandonment in the amount of $140 million. These charges are included within operating costs in the condensed consolidated statements of income for the three and six months ended June 30, 2022, and were recorded at the corporate level and not allocated to the segments. Included in this charge is $21 million in future severance payments in connection with the optimization of our workforce to increase speed, agility, and the pace at which Humana must work as a large, integrated healthcare organization. We expect this liability to be primarily paid within the next 12 months and classified it as a current liability, included in trade accounts payable and accrued expenses. We anticipate additional charges in the remainder of the year across these same categories as additional cost saving, productivity initiatives, and value acceleration opportunities are identified.

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 the first half of 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.

Business Segments

We manage our business with three reportable segments: Retail, Group and Specialty, and Healthcare Services. The reportable segments 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 Retail segment consists of Medicare benefits, marketed to individuals or directly via group Medicare accounts. In addition, the Retail segment also includes 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, including Temporary Assistance for Needy Families, or TANF, dual eligible demonstration, and Long-Term Support Services benefits, which we refer to collectively as our state-based contracts. The Group and Specialty segment consists 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 products. In addition, our Group and Specialty segment includes our military services business, primarily our TRICARE T2017 East Region contract. The Healthcare Services segment includes pharmacy, provider, and home services, along with other services and capabilities to promote wellness and advance population health. The operations of the recently acquired full ownership of Kindred at Home, as well as the company's strategic partnerships with WCAS to develop and operate senior-focused, payor-agnostic, primary care centers are also included in the Healthcare Services segment.

The results of each segment are measured by segment earnings, and for our Healthcare Services Segment, also include equity in net earnings from our equity method investees. Transactions between reportable segments primarily consist of sales of services rendered by our Healthcare Services segment, primarily pharmacy, provider, and home solutions services, to our Retail and Group and Specialty 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. Likewise, 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 Retail segment is Medicare stand-alone prescription drug plans, or PDPs, under the Medicare Part D program. Our quarterly Retail 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.

In addition, the Retail 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.

Our Group and Specialty segment also experiences seasonality in the benefit ratio pattern. However, the effect is opposite of Medicare stand-alone PDP in the Retail segment, with the Group and Specialty segment’s benefit ratio increasing as fully-insured members progress through their annual deductible and maximum out-of-pocket expenses.

2022 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 June 30, 2022, approximately 3,095,300 members, or 68%, of our individual Medicare Advantage members were in value-based relationships under our integrated care delivery model, as compared to 2,914,300 members, or 67%, at June 30, 2021.

- Net income was $697 million, or $5.48 per diluted common share, and $588 million, or $4.55, for the three months ended June 30, 2022, and 2021, respectively. Net income was $1.6 billion, or $12.77 per diluted common share, and $1.4 billion, or $10.94 per diluted common share, for the six months ended June 30, 2022, and 2021, respectively. This comparison was significantly impacted by charges associated with productivity initiatives related to previously disclosed $1 billion value creation plan, tax provision related to the pending sale of Kindred at Home's Hospice and Personal Care divisions, put/call valuation adjustments associated with certain equity method investments, transaction and integration costs, as well as 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 2022 and 2021 quarter and period:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Consolidated income before income taxes and equity in net earnings:				
Charges associated with productivity initiatives related to the previously disclosed $1 billion value creation plan	$ 203	$ —	$ 203	$ —
Put/call valuation adjustments associated with company's non consolidating minority interest investments	(8)	419	(29)	534
Transaction and integration costs	36	22	53	22
Change in the fair value of publicly-traded equity securities	62	(63)	170	22
Total	$ 293	$ 378	$ 397	$ 578

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Diluted earnings per common share:				
Charges associated with productivity initiatives related to the previously disclosed $1 billion value creation plan	$ 1.23	$ —	$ 1.23	$ —
Tax provision related to the pending sale of Kindred at Home's Hospice and Personal Care divisions	1.31	—	1.31	—
Put/call valuation adjustments associated with company's non consolidating minority interest investments	(0.05)	2.49	(0.18)	3.18
Transaction and integration costs	0.22	0.13	0.32	0.13
Change in the fair value of publicly-traded equity securities	0.37	(0.37)	1.03	0.13
Total	$ 3.08	$ 2.25	$ 3.71	$ 3.44

  - Excluding these adjustments, our improved comparisons of our results of operations were primarily impacted by our Healthcare Services segment, including the consolidation of Kindred at Home operations.

Health Care Reform

The Health Care Reform Law enacted significant reforms to various aspects of the U.S. health insurance industry. Certain significant provisions of the Health Care Reform Law include, 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. In addition, the Health Care Reform Law established insurance industry assessments, including an annual health insurance industry fee. The annual health insurance industry fee, which was not deductible for income tax purposes and significantly increased our effective tax rate, was in effect for 2020, but was permanently repealed beginning in calendar year 2021.

It is reasonably possible that the Health Care Reform Law and related regulations, as well as other current or future legislative, judicial or regulatory changes such as the Families First Coronavirus Response Act, or the Families First Act, the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, and other 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 Healthcare Services segment, primarily pharmacy, provider, and home solutions services, to our Retail and Group and Specialty segment customers and are described in Note 14 to the condensed consolidated financial statements included in this report.

Comparison of Results of Operations for 2022 and 2021

The following discussion primarily deals with our results of operations for the three months ended June 30, 2022, or the 2022 quarter, the three months ended June 30, 2021, or the 2021 quarter, the six months ended June 30, 2022, or the 2022 period, and the six months ended June 30, 2021, or the 2021 period.

Consolidated

	For the three months ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(dollars in millions, except per common share results)			
Revenues:				
Premiums:				
Retail	$ 20,896	$ 18,468	$ 2,428	13.1 %
Group and Specialty	1,370	1,510	(140)	(9.3)%
Total premiums	22,266	19,978	2,288	11.5 %
Services:				
Retail	8	12	(4)	(33.3)%
Group and Specialty	196	194	2	1.0 %
Healthcare Services	1,145	285	860	301.8 %
Total services	1,349	491	858	174.7 %
Investment income	47	176	(129)	(73.3)%
Total revenues	23,662	20,645	3,017	14.6 %
Operating expenses:				
Benefits	19,099	17,149	1,950	11.4 %
Operating costs	3,173	2,116	1,057	50.0 %
Depreciation and amortization	175	144	31	21.5 %
Total operating expenses	22,447	19,409	3,038	15.7 %
Income from operations	1,215	1,236	(21)	(1.7)%
Interest expense	101	79	22	27.8 %
Other (income) expense, net	(8)	419	427	101.9 %
Income before income taxes and equity in net earnings	1,122	738	384	52.0 %
Provision for income taxes	427	183	244	133.3 %
Equity in net earnings	2	33	(31)	(93.9)%
Net income	$ 697	$ 588	$ 109	18.5 %
Diluted earnings per common share	$ 5.48	$ 4.55	$ 0.93	20.4 %
Benefit ratio (a)	85.8 %	85.8 %		— %
Operating cost ratio (b)	13.4 %	10.3 %		3.1 %
Effective tax rate	38.1 %	23.7 %		14.4 %

	For the six months ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(dollars in millions, except per common share results)			
Revenues:				
Premiums:				
Retail	$ 42,198	$ 37,059	$ 5,139	13.9 %
Group and Specialty	2,771	3,043	(272)	(8.9)%
Total premiums	44,969	40,102	4,867	12.1 %
Services:				
Retail	14	17	(3)	(17.6)%
Group and Specialty	391	384	7	1.8 %
Healthcare Services	2,208	556	1,652	297.1 %
Total services	2,613	957	1,656	173.0 %
Investment income	50	254	(204)	(80.3)%
Total revenues	47,632	41,313	6,319	15.3 %
Operating expenses:				
Benefits	38,724	34,445	4,279	12.4 %
Operating costs	6,059	4,123	1,936	47.0 %
Depreciation and amortization	345	286	59	20.6 %
Total operating expenses	45,128	38,854	6,274	16.1 %
Income from operations	2,504	2,459	45	1.8 %
Interest expense	191	147	44	29.9 %
Other (income) expense, net	(29)	534	563	105.4 %
Income before income taxes and equity in net earnings	2,342	1,778	564	31.7 %
Provision for income taxes	713	416	297	71.4 %
Equity in net (losses) earnings	(2)	54	(56)	(103.7)%
Net income	$ 1,627	$ 1,416	$ 211	14.9 %
Diluted earnings per common share	$ 12.77	$ 10.94	$ 1.83	16.7 %
Benefit ratio (a)	86.1 %	85.9 %		0.2 %
Operating cost ratio (b)	12.7 %	10.0 %		2.7 %
Effective tax rate	30.5 %	22.7 %		7.8 %

(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 increased $2.3 billion, or 11.5%, from $20.0 billion in the 2021 quarter to $22.3 billion in the 2022 quarter and increased $4.9 billion, or 12.1%, from $40.1 billion in the 2021 period to $45.0 billion in the 2022 period primarily due to individual Medicare Advantage and state-based contracts membership growth and higher per member individual Medicare Advantage premiums, partially offset by declining year-over-year membership associated with the group commercial medical products and a reduction in sequestration relief in the 2022 quarter compared to the 2021 quarter.

Services Revenue

Consolidated services revenue increased $858 million, or 174.7%, from $491 million in the 2021 quarter to $1.3 billion in the 2022 quarter and increased $1.7 billion, or 173.0%, from $1.0 billion in the 2021 period to $2.6 billion in the 2022 period primarily due to the impact of Kindred at Home revenues from external customers.

Investment Income

Investment income decreased $129 million, or 73.3%, from $176 million in the 2021 quarter to $47 million in the 2022 quarter and decreased $204 million, or 80.3%, from $254 million in the 2021 period to $50 million in the 2022 period primarily due to the decrease in the fair value of our publicly traded equity securities investments.

Benefit Expense

Consolidated benefits expense increased $2.0 billion, or 11.4%, from $17.1 billion in the 2021 quarter to $19.1 billion in the 2022 quarter and increased $4.3 billion, or 12.4%, from $34.4 billion in the 2021 period to $38.7 billion in the 2022 period. The consolidated benefit ratio was unchanged at 85.8% for the 2021 quarter and 2022 quarter and increased 20 basis points from 85.9% for the 2021 period to 86.1% for the 2022 period primarily due to the lower favorable prior-period medical claims reserve development, offset by higher per member individual Medicare Advantage premiums and lower admissions per thousand, or APT, associated with the individual Medicare Advantage business in the current year. Further, the 2022 quarter and period ratios reflect a shift in line of business mix with continued growth in certain government programs, which carry a higher benefits expense ratio, combined with a decline in Medicare stand-alone PDP and Group and Specialty membership, which have a lower benefits expense ratio.

Consolidated benefits expense included $37 million of favorable prior-period medical claims reserve development in the 2022 quarter and $164 million of favorable prior-period medical claims development in the 2021 quarter. Consolidated benefits expense included $397 million of favorable prior-period medical claims reserve development in the 2022 period and $719 million of favorable prior-period medical claims reserve development in the 2021 period. Prior-period medical claims reserve development decreased the consolidated benefit ratio by approximately 20 basis points in the 2022 quarter and decreased the consolidated benefit ratio by approximately 80 basis points in the 2021 quarter. Prior-period medical claims reserve development decreased the consolidated benefit ratio by approximately 90 basis points in the 2022 period and decreased the consolidated benefit ratio by approximately 180 basis points in the 2021 period.

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 $1.1 billion, or 50.0%, from $2.1 billion in the 2021 quarter to $3.2 billion in the 2022 quarter and increased $1.9 billion, or 47.0%, from $4.1 billion in the 2021 period to $6.1 billion in the 2022 period. The consolidated operating cost ratio increased 310 basis points from 10.3% for the 2021 quarter to 13.4% for the 2022 quarter and increased 270 basis points from 10.0% for the 2021 period to 12.7% for the 2022 period primarily due to the impact of the consolidation of Kindred at Home operations, which have a significantly higher operating cost ratio than our historical consolidated operating cost ratio. Kindred at Home operations added approximately 220 basis points and 210 basis points, respectively, to the 2022 quarter and period consolidated operating costs ratios. Further, the year-over-year increases reflect the $203 million in charges related to productivity initiatives in the 2022 quarter primary related to asset and software impairment and abandonment, partially offset by scale efficiencies associated with growth in individual Medicare Advantage membership.

Depreciation and Amortization

Depreciation and amortization increased $31 million, or 21.5%, from $144 million in the 2021 quarter to $175 million in the 2022 quarter and increased $59 million, or 20.6%, from $286 million in the 2021 period to $345 million in the 2022 period primarily due to capital expenditures.

Interest Expense

Interest expense increased $22 million, or 27.8%, from $79 million in the 2021 quarter to $101 million in the 2022 quarter and increased $44 million, or 29.9%, from $147 million in the 2021 period to $191 million in the 2022 period from borrowings to finance the Kindred at Home acquisition.

Income Taxes

The effective income tax rate was 38.1% and 23.7% for the three months ended June 30, 2022, and 2021, respectively, and 30.5% and 22.7% for the six months ended June 30, 2022 and 2021, respectively. The increase is primarily due to the tax impact resulting from the excess of the book basis over the tax basis of KAH Hospice in connection with the held-for-sale classification at June 30, 2022.

Retail Segment

	June 30,		Change	
	2022	2021	Members	Percentage
Membership:				
Medical membership:				
Individual Medicare Advantage	4,555,100	4,341,600	213,500	4.9 %
Group Medicare Advantage	562,500	557,300	5,200	0.9 %
Medicare stand-alone PDP	3,580,700	3,653,100	(72,400)	(2.0)%
Total Retail Medicare	8,698,300	8,552,000	146,300	1.7 %
State-based Medicaid and other	1,053,000	877,300	175,700	20.0 %
Medicare Supplement	317,400	330,400	(13,000)	(3.9)%
Total Retail medical members	10,068,700	9,759,700	309,000	3.2 %

	For the three months ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in millions)			
Premiums and Services Revenue:				
Premiums:				
Individual Medicare Advantage	$ 16,692	$ 14,585	$ 2,107	14.4 %
Group Medicare Advantage	1,857	1,775	82	4.6 %
Medicare stand-alone PDP	606	662	(56)	(8.5)%
Total Retail Medicare	19,155	17,022	2,133	12.5 %
State-based Medicaid and other	1,556	1,264	292	23.1 %
Medicare Supplement	185	182	3	1.6 %
Total premiums	20,896	18,468	2,428	13.1 %
Services	8	12	(4)	(33.3)%
Total premiums and services revenue	20,904	18,480	$ 2,424	13.1 %
Segment earnings	$ 929	$ 836	$ 93	11.1 %
Benefit ratio	87.0 %	87.0 %		— %
Operating cost ratio	8.2 %	8.3 %		(0.1)%

	For the six months ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in millions)			
Premiums and Services Revenue:				
Premiums:				
Individual Medicare Advantage	$ 33,744	$ 29,400	$ 4,344	14.8 %
Group Medicare Advantage	3,732	3,530	202	5.7 %
Medicare stand-alone PDP	1,245	1,326	(81)	(6.1)%
Total Retail Medicare	38,721	34,256	4,465	13.0 %
State-based Medicaid and other	3,110	2,443	667	27.3 %
Medicare Supplement	367	360	7	1.9 %
Total premiums	42,198	37,059	5,139	13.9 %
Services	14	17	(3)	(17.6)%
Total premiums and services revenue	$ 42,212	$ 37,076	$ 5,136	13.9 %
Segment earnings	$ 1,713	$ 1,630	$ 83	5.1 %
Benefit ratio	87.5 %	87.3 %		0.2 %
Operating cost ratio	8.1 %	8.0 %		0.1 %

Segment Earnings

- Retail segment earnings increased $93 million, or 11.1%, from $836 million in the 2021 quarter to $929 million in the 2022 quarter and increased $83 million, or 5.1%, from $1.6 billion in the 2021 period to $1.7 billion in the 2022 period primarily due to the same factors impacting the segment's benefit and operating cost ratios as more fully described below.

Enrollment

- Individual Medicare Advantage membership increased 213,500 members, or 4.9%, from June 30, 2021 to June 30, 2022 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 in the second half of 2021 and Dual Eligible Special Need Plans, or D-SNP, membership growth. Individual Medicare Advantage membership includes 661,200 D-SNP members as of June 30, 2022, a net increase of 128,300, or 24.1%, from 532,900 as of June 30, 2021.

- Group Medicare Advantage membership increased 5,200 members, or 0.9%, from June 30, 2021 to June 30, 2022 reflecting smaller account sales and organic growth in concurrent accounts with no large accounts won or lost for the period.

- Medicare stand-alone PDP membership decreased 72,400 members, or 2.0%, from June 30, 2021 to June 30, 2022 primarily due to continued intensified competition for Medicare stand-alone PDP offerings.

- State-based Medicaid membership increased 175,700 members, or 20.0%, from June 30, 2021 to June 30, 2022 reflecting the suspension of state eligibility redetermination efforts due to the currently enacted public health emergency, or PHE.

Premiums Revenue

- Retail segment premiums increased $2.4 billion, or 13.1%, from $18.5 billion in the 2021 quarter to $20.9 billion in the 2022 quarter and increased $5.1 billion, or 13.9%, from $37.1 billion in the 2021 period to $42.2 billion in the 2022 period primarily due to individual Medicare Advantage and state-based contracts membership growth and higher per member individual Medicare Advantage premiums partially offset by a reduction of sequestration relief in the 2022 quarter compared to the 2021 quarter.

Benefits Expense

- The Retail segment benefit ratio is unchanged at 87.0% for the 2021 quarter and 2022 quarter and increased 20 basis points from 87.3% for the 2021 period to 87.5% for the 2022 period primarily due to the lower favorable prior-period medical claims reserve development, partially offset by the impact of higher per member individual Medicare Advantage premiums and lower APT associated with the individual Medicare Advantage business. Further, the 2022 quarter and period ratios reflect a shift in line of business mix within the segment, with growth in individual Medicare Advantage and state-based contracts and other membership, which carry a higher benefits expense ratio, combined with a decline in Medicare stand-alone PDP, which has a lower benefits expense ratio.

- The Retail segment's benefits expense included $39 million of favorable prior-period medical claims reserve development in the 2022 quarter and $156 million of favorable prior-period medical claims development in the 2021 quarter. The Retail segment’s benefit expense included $367 million of favorable prior-period medical claims reserve development in the 2022 period and $619 million of favorable prior-period medical claims reserve development in the 2021 period. Prior-period medical claims reserve development decreased the Retail segment's benefit ratio by approximately 20 basis points in the 2022 quarter and decreased the Retail segment's benefit ratio by approximately 80 basis points in the 2021 quarter. Prior-period medical claims reserve development decreased the Retail segment benefit ratio by approximately 90 basis points in the 2022 period and decreased the Retail segment benefit ratio by approximately 170 basis points in the 2021 period.

Operating Costs

- The Retail segment operating cost ratio decreased 10 basis points from 8.3% for the 2021 quarter to 8.2% for the 2022 quarter primarily due to scale efficiencies associated with growth in the individual Medicare Advantage membership, partially offset by strategic investments to position the segment for long-term success. The Retail segment operating cost ratio increased 10 basis points from 8.0% for the 2021 period to

8.1% for the 2022 period primarily due to strategic investments to position the segment for long-term success, as well as the impact of higher marketing spend in the 2022 period to support individual Medicare Advantage growth. These factors were partially offset by scale efficiencies associated with growth in the individual Medicare Advantage membership.

Group and Specialty Segment

	June 30,		Change	
	2022	2021	Members	Percentage
Membership:				
Medical membership:				
Fully-insured commercial group	595,400	706,100	(110,700)	(15.7)%
ASO	448,100	497,800	(49,700)	(10.0)%
Military services	6,017,800	6,038,500	(20,700)	(0.3)%
Total group medical members	7,061,300	7,242,400	(181,100)	(2.5)%
Specialty membership (a)	5,156,400	5,327,500	(171,100)	(3.2)%

(a) Specialty products include dental, vision, and other supplemental health. Members included in these products may not be unique to each product since members have the ability to enroll in multiple products.

	For the three months ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in millions)			
Premiums and Services Revenue:				
Premiums:				
Fully-insured commercial group	$ 943	$ 1,078	$ (135)	(12.5)%
Group specialty	427	432	(5)	(1.2)%
Total premiums	1,370	1,510	(140)	(9.3)%
Services	196	194	2	1.0 %
Total premiums and services revenue	$ 1,566	$ 1,704	$ (138)	(8.1)%
Segment earnings	$ 101	$ 40	$ 61	152.5 %
Benefit ratio	76.3 %	82.6 %		(6.3)%
Operating cost ratio	26.3 %	23.9 %		2.4 %

	For the six months ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in millions)			
Premiums and Services Revenue:				
Premiums:				
Fully-insured commercial group	$ 1,915	$ 2,177	$ (262)	(12.0)%
Group specialty	856	866	(10)	(1.2)%
Total premiums	2,771	3,043	(272)	(8.9)%
Services	391	384	7	1.8 %
Total premiums and services revenue	$ 3,162	$ 3,427	$ (265)	(7.7)%
Segment earnings	$ 233	$ 214	$ 19	8.9 %
Benefit ratio	75.5 %	78.6 %		(3.1)%
Operating cost ratio	26.0 %	23.4 %		2.6 %

Segment Earnings

- Group and Specialty segment earnings increased $61 million, or 152.5%, from $40 million in the 2021 quarter to $101 million in the 2022 quarter and increased $19 million, or 8.9%, from $214 million in the 2021 period to $233 million in the 2022 period primarily due to the same factors that led to the segment's lower benefit ratio partially offset by the same factors that led to the segment's higher operating ratio as more fully described below.

Enrollment

- Fully-insured commercial group medical membership decreased 110,700 members, or 15.7%, from June 30, 2021 to June 30, 2022 reflecting the impact of pricing discipline to address COVID-19 and improve profitability.

- Group ASO commercial medical membership decreased 49,700 members, or 10.0%, from June 30, 2021 to June 30, 2022 reflecting continued intensified competition for small group accounts, partially offset by strong retention among large group accounts.

- Military services membership decreased 20,700 members, or 0.3%, from June 30, 2021 to June 30, 2022. 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 171,100 members, or 3.2%, from June 30, 2021 to June 30, 2022 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. In addition, current membership reflects the economic impact of the COVID-19 pandemic.

Premiums Revenue

- Group and Specialty segment premiums decreased $140 million, or 9.3%, from $1.5 billion in the 2021 quarter to $1.4 billion in the 2022 quarter and decreased $272 million, or 8.9%, from $3.0 billion in the 2021 period to $2.8 billion in the 2022 period primarily due to the decline in our fully-insured commercial medical and ASO commercial membership, partially offset by higher per member premiums across the fully-insured commercial business.

Services Revenue

- Group and Specialty segment services revenue increased $2 million, or 1.0%, from $194 million in the 2021 quarter to $196 million in the 2022 quarter and increased $7 million, or 1.8%, from $384 million in the 2021 period to $391 million in the 2022 period.

Benefits Expense

- The Group and Specialty segment benefit ratio decreased 630 basis points from 82.6% in the 2021 quarter to 76.3% in the 2022 quarter and decreased 310 basis points from 78.6% in the 2021 period to 75.5% in the 2022 period primarily due to the impact of the specialty product's lower benefit ratio, as the segment results now reflect a higher mix of the specialty business, pricing and benefit design efforts to address COVID-19 and increase profitability, as well as a less severe COVID-19 impact within the fully-insured commercial business due to the enrolled population's vaccination rate in 2022 compared to 2021. These factors were partially offset by the lower prior-period medical claims reserve development.

- The Group and Specialty segment's benefits expense included $2 million of unfavorable prior-period medical claims reserve development in the 2022 quarter and $8 million of favorable prior-period medical claims reserve development in the 2021 quarter. The Group and Specialty segment's benefits expense included $30 million of favorable prior-period medical claims reserve development in the 2022 period and $100 million of favorable prior-period medical claims reserve development in the 2021 period. Prior-period medical claims reserve development increased the Group and Specialty segment benefit ratio by approximately 10 basis points in the 2022 quarter and decreased the Group Specialty segment benefit ratio by approximately 50 basis points in the 2021 quarter. Prior-period medical claims reserve development decreased the Group and Specialty segment benefit ratio by approximately 110 basis points in the 2022 period and decreased the Group and Specialty segment benefit ratio by approximately 330 basis points in the 2021 period.

Operating Costs

- The Group and Specialty segment operating cost ratio increased 240 basis points from 23.9% for the 2021 quarter to 26.3% for the 2022 quarter and increased 260 basis points from 23.4% in the 2021 period to 26.0% in the 2022 period primarily due to the impact of membership declining at a greater rate than the decline in absolute administrative expenses, as well as a greater proportion of membership associated with our ASO commercial and military services businesses, each of which have a higher operating cost ratio than the fully-insured commercial product. The increase further reflects investments in the Military services business across demonstration programs, partners service contracts and in preparation for the next generation of the United States Department of Defenses's TRICARE contracts, as well as investments in the specialty business to promote growth.

Healthcare Services Segment

	For the three months ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in millions)			
Revenues:				
Services:				
Home solutions	$ 752	$ 25	$ 727	2908.0 %
Pharmacy solutions	256	163	93	57.1 %
Provider services	137	97	40	41.2 %
Total services revenues	1,145	285	860	301.8 %
Intersegment revenues:				
Home solutions	214	138	76	55.1 %
Pharmacy solutions	6,825	6,458	367	5.7 %
Provider services	777	642	135	21.0 %
Total intersegment revenues	7,816	7,238	578	8.0 %
Total services and intersegment revenues	$ 8,961	$ 7,523	$ 1,438	19.1 %
Segment earnings	$ 437	$ 311	$ 126	40.5 %
Operating cost ratio	94.5 %	95.8 %		(1.3)%

	For the six months ended June 30,		Change	
	2021	2021	Dollars	Percentage
	(in millions)			
Revenues:				
Services:				
Home solutions	1,478	49	1,429	2916.3 %
Pharmacy solutions	480	319	161	50.5 %
Provider services	250	188	62	33.0 %
Total services revenues	2,208	556	1,652	297.1 %
Intersegment revenues:				
Home solutions	416	261	155	59.4 %
Pharmacy solutions	13,498	12,675	823	6.5 %
Provider services	1,525	1,228	297	24.2 %
Total intersegment revenues	15,439	14,164	1,275	9.0 %
Total services and intersegment revenues	$ 17,647	$ 14,720	$ 2,927	19.9 %
Segment earnings	$ 883	$ 580	$ 303	52.2 %
Operating cost ratio	94.4 %	95.9 %		(1.5)%

Segment Earnings

- Healthcare Services segment earnings increased $126 million, or 40.5%, from $311 million in the 2021 quarter to $437 million in the 2022 quarter and increased $303 million, or 52.2%, from $580 million in the 2021 period to $883 million in the 2022 period primarily due to consolidation of Kindred at Home earnings, individual Medicare Advantage and state-based contracts membership growth leading to higher pharmacy earnings as well as the same factors that led to the segment's lower operating cost ratio.

Script Volume

- Humana Pharmacy Solutions script volumes on an adjusted 30-day equivalent basis increased to approximately 133 million in the 2022 quarter, up 3.3%, versus scripts of approximately 129 million in the 2021 quarter and increased to approximately 264 million in the 2022 period, up 3.8%, versus scripts of approximately 255 million in the 2021 period primarily due to individual Medicare Advantage membership growth, partially offset by the decline in stand-alone PDP, fully-insured commercial and ASO membership.

Services Revenues

- Services revenues increased $860 million, or 301.8%, from $285 million in the 2021 quarter to $1.1 billion in the 2022 quarter and increased $1.7 billion, or 297.1%, from $556 million in the 2021 period to $2.2 billion in the 2022 period primarily due to the impact of Kindred at Home revenues from external customers.

Intersegment Revenues

- Intersegment revenues increased $578 million, or 8.0%, from $7.2 billion in the 2021 quarter to $7.8 billion in the 2022 quarter and increased $1.3 billion, or 9.0%, from $14.2 billion in the 2021 period to $15.4 billion in the 2022 period primarily due to individual Medicare Advantage and state-based contracts membership growth leading to higher pharmacy revenues, the impact of greater mail-order pharmacy penetration, as well as higher revenues associated with growth in our provider business.

Operating Costs

- The Healthcare Services segment operating cost ratio decreased 130 basis points from 95.8% for the 2021 quarter to 94.5% for the 2022 quarter and decreased 150 basis points from 95.9% for the 2021 period to 94.4% for the 2022 period primarily due to consolidation of Kindred at Home operations which have a lower operating cost ratio than other businesses within the segment, combined with a favorable impact to the ratio related to our pharmacy operations.

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. Because 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 Healthcare Services segment, is generally not restricted by state departments of insurance (or comparable state regulators).

For additional information on our liquidity risk, please refer to the section entitled "Risk Factors" in our 2021 Form 10-K and Item 1A of Part II of this document.

Cash and cash equivalents increased to approximately $5.2 billion at June 30, 2022 from $3.4 billion at December 31, 2021. The change in cash and cash equivalents for the six months ended June 30, 2022 and 2021 is summarized as follows:

	Six Months Ended	
	2022	2021
	(in millions)	
Net cash provided by (used in) operating activities	$ 1,261	$ (477)
Net cash used in investing activities	(1,670)	(2,203)
Net cash provided by financing activities	2,235	1,385
Increase (decrease) in cash and cash equivalents	$ 1,826	$ (1,295)

Cash Flow from Operating Activities

Cash flows provided by operations of $1.3 billion in the 2022 period increased $1.7 billion from cash flows used in operations of $477 million in the 2021 period primarily due to higher earnings in the 2022 period combined with the 2021 period impact associated with the pay down of claims inventory and capitation for provider surplus amounts earned in 2020 and additional provider support.

The most significant drivers of changes in our working capital are typically the timing of payments of benefits expense and receipts for premiums. We illustrate these changes with the following summaries of benefits payable and receivables.

The detail of benefits payable was as follows at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021	2022 Period Change	2021 Period Change
	(in millions)			
IBNR (1)	$ 5,953	$ 5,695	$ 258	$ 129
Reported claims in process (2)	1,471	907	564	428
Other benefits payable (3)	2,226	1,687	539	(215)
Total benefits payable	$ 9,650	$ 8,289	$ 1,361	$ 342
Payables from acquisition			—	(42)
Change in benefits payable per cash flow statement resulting in cash from operations			$ 1,361	$ 300

(1) IBNR represents an estimate of benefits payable for claims incurred but not reported, or IBNR, at the balance sheet date and includes unprocessed claim inventories. The level of IBNR is primarily impacted by membership levels, medical claim trends and the receipt cycle time, which represents the length of time between when a claim is initially incurred and when the claim form is received and processed (i.e. a shorter time span results in a lower IBNR).

(2) Reported claims in process represents the estimated valuation of processed claims that are in the post claim adjudication process, which consists of administrative functions such as audit and check batching and handling, as well as amounts owed to our pharmacy benefit administrator which fluctuate due to bi-weekly payments and the month-end cutoff.

(3) Other benefits payable primarily include amounts owed to providers under capitated and risk sharing arrangements.

The increase in benefits payable in the 2022 period was primarily due to an increase in reported claims in process, higher capitation accruals and higher IBNR. Higher reported claims in process was a function of month-end cut off. IBNR increased primarily as a result of increased individual Medicare Advantage and state-based contracts membership.

The detail of total net receivables was as follows at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021	2022 Period Change	2021 Period Change
		(in millions)		
Medicare	$ 2,954	$ 1,214	$ 1,740	$ 1,225
Commercial and other	378	579	(201)	78
Military services	109	104	5	3
Allowance for doubtful accounts	(72)	(83)	11	(6)
Total net receivables	$ 3,369	$ 1,814	$ 1,555	$ 1,300
Reconciliation to cash flow statement:				
Receivables from acquisition			—	(15)
Receivables held-for-sale			178	
Change in receivables per cash flow statement resulting in cash from operations			$ 1,733	$ 1,285

The changes in Medicare receivables for both the 2022 period and the 2021 period 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. We received the 2022 mid-year settlement of approximately $2.0 billion in July 2022.

Cash Flow from Investing Activities

During the 2022 period and 2021 period, we acquired immaterial businesses of approximately $167 million and $325 million, net of cash and cash equivalents received, respectively.

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 $574 million in the 2022 period and $619 million in the 2021 period.

Net purchases of investment securities were $929 million in the 2022 period and net purchases of investment securities were $1.3 billion in the 2021 period.

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 $3.1 billion and $1.2 billion in the 2022 and 2021 periods, 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 $4 million and $2 million in the 2022 and 2021 periods, respectively.

Net repayments from the issuance of commercial paper were $418 million in the 2022 period and net proceeds from the issuance of commercial paper were $508 million in the 2021 period. The maximum principal amount outstanding at any one time during the 2022 period was $1.5 billion.

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.

On January 11, 2022, we entered into the January 2022 ASR Agreements with Mizuho and Wells Fargo to repurchase $1 billion of our common stock as part of the $3 billion repurchase program authorized by the Board of Directors on February 18, 2021. On January 12, 2022, we made a payment of $1 billion and received an initial delivery of 2.2 million shares of our common stock.

We acquired common shares in connection with employee stock plans for an aggregate cost of $28 million in the 2022 period and $33 million in the 2021 period.

We paid dividends to stockholders of $191 million during the 2022 period and $173 million during the 2021 period.

The remainder of the cash used in or provided by financing activities in 2022 and 2021 primarily resulted from the change in book overdraft.

Future Sources and Uses of Liquidity

Dividends

For a detailed discussion of dividends to stockholders, please refer to Note 10 to the condensed consolidated financial statements.

Stock Repurchases

For a detailed discussion of stock repurchases, please refer to Note 10 to the condensed consolidated financial statements.

Debt

For a detailed discussion of our debt, including our senior notes, term loans, credit agreements, commercial paper program, and other short-term borrowings, please refer to Note 12 to the condensed consolidated financial statements.

Divestiture

In the third quarter of 2022, we expect to divest a 60% interest in KAH Hospice pursuant to the definitive agreement we signed with CD&R on April 21, 2022. Under the agreement, we will receive cash proceeds of approximately $2.8 billion, which includes a combination of debt repayments from KAH Hospice to Humana and equity proceeds from the 60% interest purchased by CD&R. The transaction is subject to customary state and federal regulatory approvals. For a detailed discussion of this transaction, please refer to Note 3 to the condensed consolidated financial statements.

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 June 30, 2022 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 $800 million at June 30, 2022 compared to $1.3 billion at December 31, 2021. This decrease primarily was due to common stock repurchases, capital expenditures, repayment of borrowings under the commercial paper program, cash dividends to shareholders, capital contributions to certain subsidiaries and acquisitions, partially offset by net proceeds from the senior notes, proceeds from the sale of investment securities and earnings in non-regulated Healthcare Services subsidiaries. Our use of operating cash derived from our non-insurance subsidiaries, such as our Healthcare Services 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 March 31, 2022, our state regulated subsidiaries had aggregate statutory capital and surplus of approximately $10.3 billion, which exceeded aggregate minimum regulatory requirements of $7.9 billion. 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.

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 June 30, 2022. Our net unrealized position decreased $1,421 million from a net unrealized gain position of $57 million at December 31, 2021 to a net unrealized loss position of $1,364 million at June 30, 2022. At June 30, 2022, we had gross unrealized losses of $1,367 million 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 six months ended June 30, 2022. 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 3.3 years as of June 30, 2022 and approximately 3.6 years as of December 31, 2021. The decrease in the average duration is reflective of various portfolio management activities and the decreased holdings of cash and cash equivalents. Based on the duration, including cash equivalents, a 1% increase in interest rates would generally decrease the fair value of our securities by approximately $604 million at June 30, 2022.

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 June 30, 2022.

Based on our evaluation, which excluded the impact of the acquisition of Kindred at Home, or KAH, discussed below, 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.

On August 17, 2021, we acquired the remaining 60% interest in KAH. We currently exclude, and are in the process of working to incorporate, KAH in our evaluation of internal controls over financial reporting and related disclosure controls and procedures. Total KAH assets and revenues excluded from our evaluation represent 1% and 3%, respectively, of the related consolidated financial statement amounts as of and for the period ended June 30, 2022.

Other than the KAH acquisition mentioned above, there have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings

For a description of the legal proceedings pending against us and certain other pending or threatened litigation, investigations, or other matters, see “Legal Proceedings and Certain Regulatory Matters” in Note 13 to the condensed consolidated financial statements of this Form 10-Q.

Item 1A. Risk Factors

There have been no changes to the risk factors included in our 2021 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 June 30, 2022:

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)
April 2022	—	$ —	—	$ 2,000,000,000
May 2022	—	—	—	2,000,000,000
June 2022	—	—	—	2,000,000,000
Total	—	$ —	—	

(1) On February 18, 2021, the Board of Directors replaced the previous share repurchase authorization of up to $3 billion (of which approximately $250 million 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 18, 2024. On January 11, 2022, we entered into separate accelerated stock repurchase agreements, the January 2022 ASR Agreements, with Mizuho Markets Americas LLC, or Mizuho, and Wells Fargo Bank, or Wells Fargo, to repurchase $1 billion of our common stock as part of the $3 billion repurchase program authorized by the Board of Directors on February 18, 2021. On January 12, 2022, in accordance with the January 2022 ASR Agreements, we made a payment of $1 billion ($500 million to Mizuho and $500 million to Wells Fargo) and received an initial delivery of 2.2 million shares of our common stock (1.08 million shares each from Mizuho and Wells Fargo). In January 2022, we recorded the payments to Mizuho and Wells Fargo as a reduction to stockholders’ equity, consisting of an $850 million increase in treasury stock, which reflects the value of the initial 2.2 million shares received upon initial settlement, and a $150 million decrease in capital in excess of par value, which reflects the value of stock held back by Mizuho and Wells Fargo pending final settlement of the January 2022 ASR Agreements. Upon final settlement of the January 2022 ASR Agreements with Mizuho and Wells Fargo on March 29, 2022 and March 30, 2022, respectively, we received an additional 0.1 million shares and 0.1 million shares, respectively, as determined by the average daily volume weighted-averages share price of our common stock during the term of the agreement, less a discount, of $410.96 and $411.66, respectively, bringing the total shares received under the January 2022 ASR Agreements to 2.4 million. In addition, upon settlement we reclassified

the $150 million value of stock initially held back by Mizuho and Wells Fargo from capital in excess of par value to treasury stock. Our remaining repurchase authorization was $2 billion as of July 26, 2022.

(2) Excludes 64,812 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)	By-Laws of Humana Inc., as amended on December 14, 2017 (incorporated herein by reference to Exhibit 3(b) to Humana Inc.'s Current Report on Form 8-K, filed December 14, 2017).
10.1	364-Day $1.5 Billion Revolving Credit Agreement, dated as of June 3, 2022, among Humana Inc., and JPMorgan Chase Bank, N.A. as Agent and as CAF Loan Agent, Bank of America, N.A. as Syndication Agent, Citibank, N.A., Goldman Sachs Bank USA, PNC Capital Markets LLC, U.S. Bank National Association and Wells Fargo Securities, LLC, as Documentation Agents, and JPMorgan Chase Bank, N.A., BofA Securities, Inc., Goldman Sachs Bank USA, Citibank, N.A., PNC Capital Markets LLC, U.S. Bank National Association and Wells Fargo Securities, LLC, as Joint-Lead Arrangers and Joint Bookrunners (incorporated herein by reference to Exhibit 10.1 to Humana Inc.'s Current Report on Form 8-K filed on June 3, 2022).
10.2	Transition & Separation Agreement between Timothy Alan Wheatley and Humana Inc. and its affiliates and subsidiaries, dated July 25, 2022.
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 June 30, 2022 and December 31, 2021; (ii) the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2022 and 2021; (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2022 and 2021; (iv) the Consolidated Statements of Equity for the three and six months ended June 30, 2022 and 2021; (v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2022 and 2021; 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:	July 27, 2022	By:	/s/ MICHAEL A. KOEBERLEIN
			Michael A. Koeberlein Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)

TRANSITION & SEPARATION AGREEMENT

This Transition & Separation Agreement (the "**Agreement**") sets forth the understanding between you, **Timothy Alan Wheatley**, and Humana Inc. and its affiliates and subsidiaries ("**Humana**") with respect to your separation from employment with Humana.

RECITALS:

A. The Parties have mutually agreed that your position will be eliminated and therefore your employment with Humana will terminate as of an agreed upon date; and

B. In order to ensure a smooth transition prior to your exit, Humana has requested that you continue your employment as Segment President – Retail through the later of (x) December 31, 2022, and (y) a date mutually agreed upon by the parties (the "**Transition Date**"), and subsequently in an interim role as "Strategic Advisor" to the Company reporting to the Chief Executive Officer.

NOW, THEREFORE, in consideration of your agreement to the terms set forth below and the mutual benefits to be derived hereunder, it is agreed:

A. EMPLOYMENT STATUS

1. *Acceptance of Interim and Variable Staffing Pool Roles*. You agree to accept employment as a "Strategic Advisor," effective as of the Transition Date ("**Interim Role**"), advising Humana with respect to the Company's Retail segment operations. Humana agrees that you will remain employed in the Interim Role until December 31, 2023, and that effective as January 1, 2024, Humana will transition you to a Variable Staffing Pool associate (the "**VSP Role**"), as defined in Humana's Requisition Policy, assigned to advise Humana with respect to the Company's Retail segment operations. In order to maintain your employment while in the VSP Role, you agree to perform at least one hour of work every 60 days until March 1, 2024, at which time your employment will be terminated (the "**Separation Date**"). You agree and acknowledge that you are not eligible for payments under any Humana severance policy or Humana's Change In Control Policy while you are in either the Interim or VSP Role, except as provided in this Agreement and/or the Executive Severance Policy. Humana agrees that it will not change your employment status to the VSP Role prior to December 31, 2023 without your express written consent. In the event that during the period that you are in the Interim Role you obtain other employment and intend to accept such other employment, you agree to provide Humana with at least 30 days prior written notice, which notice shall set forth the date of such change in status, and effective on such date, your status will change to the VSP Role through the Separation Date (a "Voluntary VSP Status Change"). Notwithstanding the change of such status prior to December 31, 2023, you shall still be entitled to all compensation, equity and benefits described in this Agreement as if your status was in the Interim Role through December 31, 2023, and you will be treated as continuing in the VSP Role through the Separation Date, which shall remain February 28, 2024. Notwithstanding the foregoing, in the event of a Voluntary VSP Status Change, you will not be eligible for the Company's 401(k) Plan and Retirement Equalization Plan matching contributions while serving in the VSP Role.

2. *Compensation*.

(a) Subject to your compliance with Section B (3) of this Agreement, your current base salary of $665,000 will continue in the Interim Role and will be paid bi-weekly through December 31, 2023 while in the Interim Role. You acknowledge and agree that you will not be eligible for future salary increases while you are in the Interim Role.

(b) Effective January 1, 2024, you will receive an hourly rate of $319.71 for work performed in the VSP Role, which will be paid bi-weekly. You acknowledge and agree that you will not be eligible for future salary increases or to participate in the Annual Incentive Plan (the "**AIP**") for the year 2024.

(c) In the event incentive compensation for the years 2022 or 2023 is paid pursuant to the terms and provisions of the AIP, you will be entitled to receive an incentive compensation payment (without proration) for such years, as applicable. For your Individual Multiplier portion of AIP, Humana will pay you 100% of the total AIP award calculation. Any incentive compensation payable to you will be paid at the same time as such amounts are paid to other participants in the AIP whether or not you are then employed by Humana in any capacity or you are in the VSP Role.

(d) During 2023 you shall also be entitled to the Company's 401K Plan and Retirement Equalization Plan matching contributions as if you were Segment President – Retail for the entire year, whether or not you are then employed by Humana in any capacity or you are in the VSP Role. Notwithstanding the foregoing, in the event of a Voluntary VSP Status Change, you will not be eligible for the Company's 401K Plan and Retirement Equalization Plan matching contributions while serving in the VSP Role.

3. *Severance Benefits*: Upon the Separation Date you will be eligible to receive benefits under Humana's Executive Severance Policy, subject to your complying with the terms and conditions of this Agreement and the Executive Severance Policy, as modified by the terms set forth herein.

4. *Equity*: You agree and acknowledge that you are not eligible for future equity grants under the 2011 Humana Inc. Stock Incentive Plan, the Amended and Restated Humana Inc. Stock Incentive Plan, or any successor plan, while serving in either the Interim or VSP Role. Any Restricted Stock Units, Performance Stock Units and/or Stock Options outstanding as of the Transition Date will (a) continue to vest while you are providing services in your Interim and VSP Roles under the terms of the governing Restricted Stock Unit, Performance Stock Unit and/or Stock Option Agreements (the "**Stock Agreements**") between you and Humana, (b) with respect to the Restricted Stock Units and Stock Options, continue to vest for twelve months following the Separation Date on the same terms as if you had continued to provide services to Humana through the first anniversary of the Separation Date, and (c) with respect to the Performance Stock Units, will vest pro rata based upon the number of completed months of service in your Interim and VSP Roles, in accordance with the terms of the Stock Plan. Exhibit A hereto sets forth the Stock Options, Restricted Stock Units and Performance Stock Units that were granted to you and are outstanding as of the date hereof, the date which all such equity vests, the dates such equity becomes exercisable or, in the case of Restricted Stock Units and Performance Stock Units, is delivered to you, and in the case of Options, the last date on which such Options may be exercised.

5. *Benefits*: You may continue to participate, to the extent you may be eligible, in the "employee benefit plans" (as defined in Section 3(3) of the Employee

Retirement Income Security Act of 1974, as amended) maintained from time to time by Humana for employees of Humana and its subsidiaries. Your rights to Continued Health Benefit Coverage shall be in accordance with Section 3.1(iii) of the Executive Severance Policy other than the last sentence thereof. For the avoidance of doubt, such health benefit coverage shall continue until the end of the Severance Period without regard to your position in Humana, including but not limited to in your VSP Role, and whether or not you are employed by Humana, unless you have obtained health benefit coverage from a new employer that is generally comparable to the health benefit coverage provided by Humana. You will be required to pay your portion of premiums or related payments as designated in such employee benefit plans and/or as designated by Humana directly to Humana. You shall be required to comply with the conditions attendant to coverage by such plans and shall comply with and be entitled to benefits only in accordance with the terms and conditions of such plans as they may be amended from time to time. Nothing herein contained shall be construed as requiring Humana to establish or continue any particular employee benefit plan in discharge of its obligations under this Agreement. At Humana's sole discretion, Humana may replace such employee benefit plans with employee benefit plans similar to Humana's affiliates. Your active coverage or participation in such employee benefits plans shall end on the Separation Date, unless otherwise provided by the terms of such plan, by the Executive Severance Policy or by law. Thereafter, you will have COBRA continuation rights for dental or medical coverage.

You will be eligible for the same physical and charitable giving match benefits as an Executive Officer of Humana until the Transition Date ("**Executive Benefits**"). Thereafter, you will no longer be eligible for Executive Benefits. In addition, and consistent with the terms of Humana' Executive Severance Policy, you will be eligible for same financial planning benefits and outplacement benefits as other executive officers through the first anniversary of the Separation Date. Any deferred compensation benefits that become payable to you upon the Separation Date will be paid in accordance to the terms of the applicable plan. Humana shall continue its matching contribution to the Retirement Equalization Plan for your benefit, unless you are in your VSP Role as a result of a Voluntary VSP Status Change.

B. MISCELLANEOUS

6. *Cessation of Status as an Officer*: Effective on the Transition Date, you will no longer be an officer or director of Humana Inc., and of any subsidiaries and other affiliates of Humana Inc. of which you are an officer or director. Accordingly, you will not hold yourself out as being an officer or director, or as having any authority to bind, Humana Inc. or any such subsidiary or affiliate. You agree to execute any documents necessary to reflect the change in status.

7. *Non-Compete Agreement and Agreement Not to Solicit*: You understand and agree that, subject to the agreed upon amendments to the Restricted Period (as set forth on Exhibit B hereto), (i) the provisions of any Stock Agreement entered into by you and Humana Inc. entitled "Agreement Not to Solicit" and "Agreement Not to Compete" and (ii) the provisions of Exhibit A to Humana's Executive Severance Policy, in each case, remain in full force and effect and those obligations will continue during the applicable periods set forth on Exhibit B hereto. You understand and agree that any violation of the provisions of (x) the Stock Agreements entitled "Agreement Not to Solicit," and "Agreement Not to Compete" or (y) Exhibit A to Humana's Executive Severance Policy, will in each case result in irreparable injury to Humana, that the remedy at law for any violation or threatened violation of such provision(s) are inadequate and in the event of any such breach or threatened breach, Humana, in addition

to any other remedies or damages available to it at law or in equity, shall be entitled to temporary injunctive relief before trial as a matter of course, and to permanent injunctive relief without the necessity of proving actual damages;

8. *Confidential Information and Trade Secrets*: You recognize that your position with the Company has required considerable responsibility and trust, and, in reliance on your loyalty, the Company has entrusted you 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 your possession (unless such information was used in connection with formulating the Company’s business plans, obtained by you from the Company or was obtained by you in the course of your 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, you 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 yours in violation of this Section B(3). Upon termination of employment, you will surrender to the Company all memoranda, notes, records, plans, manuals or other documents pertaining to the Company’s business or your employment (including all copies thereof). You 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 you, shall be the sole and exclusive property of the Company, and you hereby assign to the Company all of your right, title and interest in and to any and all of such information and materials. The Company will not, and will cause the Chief Executive Officer and the other officers and directors of Humana not to, disparage you or your performance, or otherwise take any action which could reasonably be expected to adversely affect your personal or professional reputation. You will not disparage the Company or any of its executive officers, directors, agents or employees, or otherwise take any action which could reasonably be expected to adversely affect the personal or professional reputation of the Company or any of its directors, officers, agents or employees. Further, and consistent with the foregoing, as of the Transition Date, including for the duration of the Severance Period (as defined in the Humana Inc. Executive Severance Policy), you will not hold yourself out as a source or an expert with respect to the Company’s financial performance or financial or strategic prospects and you will not comment on the same, unless any such comment shall be approved in advance in writing by the Chief Executive Officer of Humana. Nothing in this Agreement, however, shall prevent you from responding accurately to any question, inquiry or request for information when required by legal or administrative process.

9. *Entire Agreement*: This Agreement, the Executive Severance Policy (as modified herein), the Retirement Equalization Plan and the Stock Agreements reflect the entire understanding between Humana and you with respect to compensation and benefits available during your service in the Interim Role and VSP Role, and no statements, promises or inducements, whether written or oral, made by either party that are not

contained in this Agreement, the Executive Severance Policy (as modified herein), the Retirement Equalization Plan or the Stock Agreements shall be valid or binding upon the parties to this Agreement.

10. *Severability*: In the event any portion of this Agreement is held to be unenforceable, the remainder of this Agreement shall remain in full force and effect and shall be enforced in harmony with the purpose of the Agreement.

11. *Code Section 409A*: It is intended that this Agreement will comply with, or be exempt from, Section 409A of the Internal Revenue Code of 1986, as amended (the "**Section 409A**") and the interpretive guidance thereunder, including, without limitation, the exemptions for short-term deferrals, separation pay arrangements, reimbursements, and inkind distributions, and this Agreement shall be administered, interpreted and construed in a manner that does not result in the imposition of additional taxes, penalties or interest under Section 409A. Humana agrees to negotiate in good faith with you to make amendments to the Agreement, as both parties mutually agree are necessary or desirable to avoid the imposition of taxes, penalties or interest under Section 409A. If an amount to be paid under this Agreement is payable in two or more installments, each installment shall be treated as a separate payment for purposes of Section 409A. For purposes of this Agreement, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to the requirements of Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A, and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment," or like terms shall mean a "separation from service" within the meaning of Section 409A. Neither Humana nor you will have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A.

C. ACKNOWLEDGMENTS: You and Humana hereby acknowledge and agree:

12. that you were provided a sufficient period to review and consider this Agreement and are advised to contact an attorney,

13. that you understand each of the terms of this Agreement and the effect of executing this Agreement by your signature; and

14. that you are executing this Agreement as your own free act and deed, without any coercion or duress, and that you agree to each of the terms and provisions of this Agreement.

[*REMAINDER OF PAGE INTENTIONALLY LEFT BLANK*]

IN WITNESS WHEREOF, as their free and voluntary act, the parties have executed this Agreement as of the date indicated.

HUMANA

By: /s/ Bruce D. Broussard
Name: Bruce D. Broussard
Title: President & Chief Executive Officer
Date: July 25, 2022

By: /s/ T. Alan Wheatley
Name: T. Alan Wheatley
Date: July 25, 2022

[*SIGNATURE PAGE – TAW TRANSITION AND SEPARATION AGREEMENT]*

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 June 30, 2022;

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:	July 27, 2022
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 June 30, 2022;

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:	July 27, 2022
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 June 30, 2022 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 his 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

July 27, 2022

/s/ Susan M. Diamond

Susan M. Diamond
Principal Financial Officer

July 27, 2022

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.