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Humana Inc. (HUM)

Investor Meeting

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MANAGEMENT DISCUSSION SECTION

Unverified Participant

Ladies and gentlemen, welcome to Louisville, Kentucky, for Humana's 2025 Investor Day. Please welcome to the stage Lisa Stoner, Vice President of Investor Relations.

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

Right. Good afternoon. Welcome to Humana's 2025 Investor Conference. We really appreciate you all joining today. It is great to see so many familiar faces here in the room. And thank you to everyone that's joining us virtually. Over the next three or so hours, you will have the opportunity to hear from several members of our leadership team about the actions we are taking to deliver better health outcomes for our members and our patients, while also unlocking significant earnings power for our shareholders.

Jim will walk you through a detailed agenda in just a few minutes. For those in the room, if you could please take just a second and silence your cell phones and any other notifications that you have, we would greatly appreciate it. Also, if you want to get up and stretch your legs at any point during the presentation, we will be streaming the presentation in a conference room that's just across the lobby as you exit the doors here at the back of the auditorium, because we are not planning to take a formal break throughout the day. So please get up and come and go as you please.

Before we dive in, I do need to remind you of the cautionary statement that you see here on the screen. Certain of the matter is discussed today, are forward-looking and involve a number of risks and uncertainties. Actual results could differ materially. We encourage you to read the detailed risk factors and our SEC filings and undertake no obligation to publicly address or update any forward-looking statements in future filings or communications regarding our business or results.

Finally, please note that we will be posting the materials here today to the Investor Relations page of our website, humana.com at the conclusion of the event. I know I've received several questions about that. They're not going to be posted until the end of the event. With that, we will roll a video that's going to bring our integrated senior healthcare strategy to life before being joined on stage by Humana's President and CEO Jim Rehtin.

[Video Presentation] (00:02:25-00:05:45)

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

Good afternoon and I will start by saying thank you for being here. We obviously we had a choice between taking 15 of us to New York or about 100 of you to Louisville. We chose the latter. I think everybody can understand why. And we do appreciate it. We appreciate everybody taking the time to make the trip here. Let me start by just commenting that Karvin is a real member. He's a real patient. Pat is a real associate. This story is a real story. And when we do what we do best, when we have 65,000 associates kind of pulling in the same direction, this is what we get. And the fact that this is what we get is actually pretty important. Embedded in there is a great outcome for a consumer and a great financial outcome for the business because we help a member who is not

accessing the care that they should be able to access get that that care, receive that care. When we do that well and we're giving the preventative care that people deserve, it leads to better health outcomes. And when it leads to better health outcomes, it is lower cost. And that lower cost and those better health outcomes happen to come with more loyalty from a patient or a member and another referral to the next member of the next patient who will join Humana.

And that's the cycle we want to be building and that is what you will hear us talk about over and over and over today is how all these initiatives, all these very discrete things that we are working on right now add up to delivering that kind of outcome and how that kind of outcome delivers good economics, right? Like that really is the story of today. And in a way, it's the story of the last several years for the company and what we expect the next several years to be.

If you rewind five or seven years ago, we were largely a health insurance company. I mean, that is largely what Humana was. When you look at what we are today, even though it is not visible all the time, we are much more a health services company. CenterWell is a sizable part of what we do at this point. The insurance company itself has a much larger Medicaid presence, and the way that our Medicaid and our Medicare businesses work together is about delivering health services at the end of the day. This is really what we've become.

If you project out five years, we should become something different. We should become a consumer health care company. And again, what I want to emphasize and what hopefully comes alive today is the path to do that is not some amorphous, ambiguous thing. It is a set of very discrete known actions, activities, efforts that drive economic value and that that is what we want to pull together and get across today. There are a few things that we're hoping all of you walk out of here with today. So, first of all, we want to paint a clearer picture of the earnings power of the business. I don't think anybody here is probably surprised by that. We are at a fraction of the earnings power of the business right now. We just – we are at a fraction of the earnings power of the business. So we want to paint a clearer picture of what we think the earnings power is. We want to describe what we are doing to unlock that in as tangible way as we can. And we want to describe how by unlocking that, our customers win. Going back to being a consumer health care company, how do our customers win when we're unlocking that? Or really vice versa, how by creating wins for our customers are we actually unlocking economic value? And then we want to give you some clear ways to track that. With the uncertainty around Stars for the next year or two, which everybody is aware of, we recognize that tracking the progress can be hard or ambiguous at times. We want to try to erase as much of that ambiguity as we can, provide very clear markers to track us.

And then the last thing we're going to come back to at the end of the day is we're going to talk a little bit about why Humana matters. And what I mean by that is we're going to come back to the macro environment in which we operate and spend a little bit of time trying to highlight the role that Humana plays there because that also is part of what makes the company valuable. So we will close with that at the end of the day.

A year ago when I was heading into my first quarterly earnings call, we sent out a CEO letter. And in that letter, we outlined four economic drivers for the business. These are the four economic drivers. So, number one, clinical excellence, that is what drives medical expense ratio at the end of the day. Number two, operating leverage or operating efficiency. That is what drives admin efficiency ratio. Product and experience drives our member growth. All of those are disproportionately oriented to Medicare Advantage because that still is the brunt of the business and the economic and the earnings power of the business right now. And all of that when it's humming, generates the capital that we have to make decisions around how to allocate those decisions are focused right now on CenterWell Medicaid. They are focused on CenterWell Medicaid. We will be touching on each of these economic drivers as we go through the day. But as we do that, there's six things we want you to take away. So, number one, we want to be very clear that this business really is a senior healthcare services business. That's

about 90% of our revenue. It's the majority of our vast majority of our earnings. Senior healthcare services that's the core of what we do. And we want to get across that it is not lost on us, that the core of our business is Medicare Advantage. And when Medicare Advantage doesn't work, the rest of the business struggles. And so we need Medicare Advantage to work. So that is message number one. Message number two, we want to drive home the fact that Medicare Advantage is an attractive sector. This was conventional wisdom 2.5 years ago. I know there's been more doubt probably than there has been in 15 years around that question recently.

George is going to come up in a little bit and he's going to provide some, what I think are pretty clear data points as well as the logic for why we do believe that this is not a past tense thing. Medicare Advantage is still, it remains an attractive sector and it will for an extended period of time. The third thing that we want to drive home is that our focus is on delivering Medicare Advantage margin. Hopefully, this is not a surprise to anybody. We have been saying this for 18 months. It was true 18 months ago, it's true today. The nuance that we will talk through is that immediate is the wrong word.

Like we are focused on delivering a sustainable and stable Medicare margin. And again, that's how we have to think about this business. If we can't deliver a stable, compelling Medicare margin, it puts all kinds of pressure on the rest of the business. This has to be our focus day in and day out. The nuance – the other nuance around how we think about delivering a stable and compelling MA margin is what are we doing about that? Historically, we have put a lot of pressure on benefit structure, on product design as the thing that drives that margin. We need to be putting more emphasis on the operating drivers that enable that market. So, clinical excellence and operating leverage. Clinical excellence really has to be the North Star. That is what drives this business at the end of the day. That is going to be where we spend the greatest amount of energy and time, and we need to do that with an efficient tech enabled backend that generates operating leverage.

Again, the way that we need to think about how you generate, how you generate stable and compelling margins. It has to start with the operating levers within the business. And I'm going to peel this back a little bit for a second. So, when we talk about clinical excellence, we are talking about accurate diagnosis and follow-up care, improved clinical outcomes of which Stars is a component of that. That does generate better health and lower medical costs. That is the equation that drives clinical excellence at the end of the day.

If you think about what we have done historically, how we've thought about the strategy, the business. And you say, hey, there's four operating levers, the three that make up clinical excellence plus operating leverage. We put a lot of emphasis on Stars. A lot of emphasis on Stars. And frankly it was a smart way to approach the business. It's good for our members. It's good for the system. And it has real – it creates real economic leverage for the business.

The challenge is that if you stare back over the last 10 years, our success in Stars, 7 years leading the industry in Stars mask the fact that we had a gap to our potential in the other three areas. Each of those other three areas, we had a gap to our potential. Again, not a bad way to approach – not a bad strategy, not a bad way to approach the business, the leverage you get out of Stars, created a lot of room in the rest of the operations. But then in that room, that gap would ebb and flow. Sometimes a little larger, sometimes a little less. And when that gap is larger, it puts pressure on benefits. And we would use benefits as the mechanism to manage margin. And that put pressure on growth. And so I think if we look back over the last 10 years in aggregate, over that period of time, most of the criticism is, hey, why aren't you growing faster than the market? Well, we were wrestling with the fact that benefits had become the plug for margin. That's the last 10 years.

The second challenge with this formula or this strategy, is that it is fragile. You are overly reliant on a metric, on an area performance. And then when you miss, as we did in October, it puts a lot of pressure on the rest of the

business. Like this is the reality that we were then staring at in October of last year. The positive out of October of last year is it really gave us the license or the motivation or the kick in the butt to go stare at everything, right, to go stare at everything top to bottom and ask ourselves, what do we need to do differently. And so as we think about where we want to go with the business going forward and we think about what we have been working on over these last nine months, we're redefining that first lever to be more than Stars. Stars is certainly a core component of it. But that first lever has to be about clinical outcomes more broadly because again, the clinical outcomes are what drive lower medical cost. It's the best way to enable medical cost.

And then we need to set a different standard on clinical outcomes and that is possible. When you dig into the data and you stare at where we are operating effectively and where we could operate more effectively. And then you compare that to the industry, there is ample opportunity to set a different standard around clinical outcomes that drives medical cost. Lisa Stevens, our Chief Operating Officer for the insurance business, is going to come up and spend some time talking about clinical excellence in more depth, and she will walk you through some very discrete, real opportunities with data that drive these types of outcomes. And then even as we are setting a different standard around clinical outcomes and around lower medical cost, we need to narrow the gap in ensuring accurate diagnosis and operating leverage. And here we have been very intentional with our wording. It is not close the gap, it is not eliminate the gap. It is narrow the gap. And that is a choice. And the reason that we choose that language and we choose that path is that we want to capture the diagnoses that allow us to drive better outcomes and deliver lower medical cost. And we have opportunity to do that. When you look at how we manage our relationship with our members from one geography to another, we have geographies where we are outstanding at this. We have a very deep understanding of the clinical needs of our members, and we have other geographies where we have room to do better. And in those geographies, we have a pretty good idea of what we need to go do different – differently operationally to enable that. What we're not going to be investing dollars in is chasing diagnosis codes that don't drive the system to a better place. It's actually not good investment. The return on that does not make sense. And so we are not going to close every one – that full gap in performance versus our potential. On operating leverage, you will, by the end of the day, see a pretty sizable number around operating leverage. We have a lot of opportunity here.

Celeste is going to walk us through that towards the end of the day. But once again, while we will narrow the gap pretty tremendously, we also have opportunities to make investments in clinical outcomes and lower medical costs. And we are going to make those investments. That is what drives the business at the end of the day. And what that means is that while we will close the gap on operating leverage, we're not going to eliminate it because we are deliberately going to choose to reinvest in areas. This is where we're trying to take the business right now. This is the initiatives that you're going to see today line up with this view of the world. And if I come back, this view of the world is a world where we need to drive stable and compelling operating margin through operating levers and operating discipline.

The fourth thing that I hope everybody takes away from today is this strategy, this approach to what we're doing to unlock value. This relies on the things that we control. This theme should come out over and over and over all day long. We are not going to stand up here and say, oh, we're waiting for a better rate notice. Oh, we're waiting for a regulatory change. Oh, we're waiting for some kind of macro trend to change in medical costs. We are focused on the things that we control and we are taking – making a cautious set of assumptions around the things that are outside of our control. That is the nature of what we're trying to do. When we pull those levers the way we are capable of pulling, when we generate a stable and compelling margin. We do it by driving clinical excellence where we have moderate to high control. And what I mean by moderate to high, is we do rely on counterparties, we rely on a provider network. But that provider network, we choose who's in it.

We give them tools that they generally use when we give them to them. We align incentives with them. We have a lot of influence over what that network looks like and how it operates. We have a lot of control over how you get to better clinical outcomes and lower cost. And then obviously, we have a lot of control over our operating leverage. These are the things in our control. When we drive that type of performance, it puts us in a place where we can enable steady, profitable membership growth. So again, this is a little bit of a pivot in how we've been thinking about the business historically. Historically, we had this gap in benefits almost every year compared to the major competitors in the market measured by MACVAT value. We had a gap to our competitors in benefits. Again, sometimes larger, sometimes smaller. And that's that was the biggest challenge to growing faster than the market. And yet we grew with the market. And so you say, okay, if you have this gap in benefits, how did you grow with the market? We actually have been the industry leader in service and in distribution capability. Service, you can measure. Distribution is more of a judgment call. But I think there is solid evidence to say that we have a better distribution capability and network that has allowed us to grow with the market despite having a gap in benefits over time.

Again, not a bad strategy. Choosing to invest in service and distribution was a good way to approach the market, but it did put pressure on growth. So how are we going to approach this differently going forward? We need to narrow the gap in benefits and again, deliberate choice of words. We know what our customers most want out of their benefits. We know what the different segments of the market are and how those needs or desires change by segment. And we actually know where we need to be relative to the rest of the market, where you reach a point where the incremental dollar of investment is better spent in service than it is in benefits.

So we do need to narrow the gap. And by the way, narrowing the gap could very well mean the rest of the market comes to us. I think that is more likely than us needing to get to them over the next year or two. It is much more likely they come to where we are at. And then the incremental dollar where our consumer would rather have better service than some other benefit. That is good because that drives retention. Benefits tend to attract new members. Service tends to keep them. And better economics for this business comes from managing growth with retention first. Retaining a customer across multiple years where you can have a bigger impact on their care or you can have a better understanding of what their actual needs are, accurate diagnosis and follow up care, where you can better manage clinical outcomes and Stars performance like that is really what drives the business and what retains members is service.

Now the reality is we need to set a different standard in service as well. Historically, the industry has measured service largely around call center times and CAHPS surveys. But if you go and you sit down with members, what they say is, hey, what I really want is I want help navigating this complicated system. You know where I should be and how I should get there. You know where I can receive better care. Why don't you tell me? Like that is literally what our customers tell them if you sit in a room with them and talk to them. We have the technology and we have the data to go do that. There's no reason not to. But the industry hasn't thought about things in that way. And getting there is not some complicated, magical formula. It's taking lessons from financial services and consumer products and retail and applying them to this space. There are tools that exist. There are approaches to customer relationships that are known. And the steps to get there are pretty clear and tangible and practical.

So if I go back for a second, historically, this is how we approach the business. We're the industry leader in Stars, in service and in distribution. That allowed us to operate with a gap in these other areas. When that gap was narrow, we did really well. When that gap widens, we would struggle at times. We need to think about this formula, not radically different – differently, but a little bit differently. Clinical outcomes, not just Stars, lower medical cost and service. These three things drive a consumer healthcare company to be a consumer healthcare company. It is putting the consumer in the middle, the consumer value proposition in the middle of the decisions that we're making day in and day out. And then we need to narrow the gap in a number of other places and

operate with a discipline that doesn't say that we're going to be the very best at everything all the time. But does say we're going to hold ourselves to a very specific and high standard that allows us to not be reliant on a single metric like Stars, but have the flexibility to operate across multiple metrics, multiple operating levers. At the heart of it, that is what we're doing here.

So now let me come back to this page for a second. The last piece, the last message that we would like everybody to walk away with is, if the story of Medicare Advantage is change, things that we need to do differently. The story of CenterWell Medicaid is do more, these businesses are performing. PCO and Medicaid are in the midst of a j-curve. You can't necessarily see it every day the way that we get to see it internally. But these businesses are performing. They are performing. We need to do more of it. They are good businesses on a standalone basis. I know there's all this doubt about value-based care. Value-based care companies are still making money. They are still – the high performing ones, the strong ones, they are still doing well. And the lower performers are opportunities for us. These businesses are good standalone businesses and they create this ecosystem around senior healthcare that benefits the plan because it is driving better outcomes and it is driving lower medical cost, like that's real data, that when we have a member that is at a CenterWell clinic, they do well at CenterWell and they and they do better for the plan. So, these businesses have a good logic to them, a good synergy. We want to do more. We will allocate more capital into those spaces. That is where we want to be.

So, I know everybody just wants numbers at the end of the day. We are not giving you numbers yet. Celeste will do that a little bit later today, but let me give you a picture that suggests that there are numbers. The left hand – I think this is your left hand, the left-hand side of this, 2025, the right-hand side, 2028. Obviously, there is not a 2026 or 2027 in there. Let me just hit a few things so you understand how we're kind of coming at this today. So first of all, there are real numbers behind these bars. We will get back to this with you towards the end of the day. But in 2025. Stars is at 95% of members in four-star plans. In 2028, we are not at 95%. Because we look at it and we say from a planning standpoint, we need to assume that we are performing. We are top quartile. But we should not be managing our business in a way where we are reliant on being at 90% to 95% year in and year out. That's just not how we should manage the business. So from a planning perspective, well, we are going to do everything we can to be at 90%, 95%. And we are very confident we will be top quartile. We are being cautious in what we bake into our plan and our forecast going forward.

And so then, one, what did we assume about 2026 and 2027? I will answer that. But then two, how do you then get from this lower bar to this larger bar? On the first one, on Stars, just so you know what we are doing internally, nothing has changed on Stars in 2026 and 2027. We have no new information that changes what we have told you in the past. But we have the same philosophy. We are right now planning, doing our business planning, assuming that we do not win the litigation in 2026 because we need to plan that way. We need to plan for a worst case scenario. And we are planning in 2027 that we also have Stars challenges. Not because we know the answers, we don't know the answers, we don't know what those outcomes are, but that's how we have to plan the business, operate the business and plan.

So, how do we get to this green bar off here on the right-hand side? The two big chunks are the second and – do my math here – fifth bar, individually may most of that driven by clinical excellence, a little bit of that driven by membership growth, most of that driven by clinical excellence. And the operating leverage bar, there is a lot of opportunity in operating leverage. And I think we have some reasonable guesses about some of the questions that you're going to have around that operating leverage, given the actions that we've taken over the last couple of years. The team has actually done some good work around operating leverage over the last couple of years. The size of this bar takes nothing away from that. But we have a lot of opportunity. And we're going to try to paint that picture. Celeste is going to paint that picture a little bit later today. And then Medicaid and CenterWell will be

more prominent parts of the business by 2028. And the rest of our business lines have opportunity to grow as well, much of that opportunity being in Group MA.

So, this is the picture of the step up that we expect over the course of next couple of years. Again, given the Stars uncertainty, we want you to walk out of here with ways to be able to see and understand whether we're making progress. I'm not going to walk you through all of this right now, but I just want you to know this is coming. Celeste is going to walk you through it in more detail, specific measures that we will use to help you have some visibility into our progress, and then we come back to our messages. Again, this is what I hope everybody takes away today. We are as senior healthcare services company. That's what we are. Medicare Advantage is still an attractive sector. We are really focused on delivering a compelling and stable margin, and the way for us to do that is to put more emphasis on operating levers versus benefits. We have control over those operating levers. These are things within our purview. And when we do this, it puts us in a much better position to be able to manage stable, profitable member growth. And our focus is going to be member growth that starts by retaining the members we have. And then the capital that we generate is going to get reinvested in every accretive opportunity that we can find in CenterWell and Medicaid because those are good businesses that reinforce the Medicare Advantage core. That's what we're hoping to get across today.

In terms of an agenda, let me very quickly, and I'll make some introductions as I go through. George is going to come up, talk about the Medicare Advantage sector. I think many of you, if not, all of you know, George Renaudin, our Insurance President. Lisa Stephens is going to walk us through clinical excellence and the things that we are doing there to drive value. George is going to come back up. He is going to walk us through member growth, Medicaid and our other Insurance lines of business. We will then hand off to Dr. Sanjay Shetty, who will start by giving a quick overview of CenterWell, make sure everybody is grounded in that business. He will hand off to President of Primary Care, Renee Buckingham. She will hand it back to Dr. Sanjay Shetty, who will go through pharmacy and home. They will hand off to our Chief Financial Officer, Celeste Mellet, who will walk us through how we're driving operating leverage and then help bring all of the numbers back together.

And before I hand it off, let me just introduce the rest of the executive team. David Dintenfass; who is our President of Growth; Japan Mehta, who is our Chief Information Officer; Michelle O'Hara; who is our CHRO; Vishal Agrawal; our Chief Strategy Officer; and Joe Ventura, our Chief Legal Officer. So, this is the team.

And I am now going to hand it off to George. Thank you.

George Renaudin II

President-Insurance, Humana Inc.

All right. Thank you, Jim. Good afternoon, everyone. I'm George Renaudin, President of Insurance segment. I'm excited to share our Insurance strategy with you today that's shaped by my many years in this business. I realized as we were hitting the go button on bids this year, that I've been doing that for almost 30 years. I've been part of this Medicare business since before as Medicare Advantage back when it was Medicare Plus Choice. I've seen its birth, its cycles and many of the changes all throughout. One thing that I've seen very up close and personal is the delivery of excellent senior care provided by this program. It's clear that MA delivers exceptional value for our seniors, for our shareholders and for taxpayers alike. Our current environment presents some challenges, but those challenges, as we've seen them time and time again, also generate opportunities. We faced headwinds and we've navigated them before, and we'll do so again. But this time, as Jim was talking about, it takes somewhat of a different approach. In fact, it takes a transformed approach. And it's that transformed approach that I and Lisa and the whole Humana team are going to be discussing with you today.

So today, Lisa Stephens, our Insurance COO, will join me, but first, I'm going to discuss why Medicare Advantage remains an attractive sector and why Humana is positioned to win within it. Then Lisa is going to discuss our clinical excellence strategy and how it's going to improve our margin profile, drive financial benefits, and importantly, improve the health of our seniors. I'll then return to talk about our sustainable growth strategy that's driven by strong engagement and retention. Then I'll also talk about our other Insurance lines and how they support the entire ecosystem of Humana and driving us forward to critically deliver the objectives and goals we have for ourselves, executing these strategies, drive sustainable improvement, the quality of care and compelling stable margin, which sets the ground for sustainable growth going forward.

So, let's begin with discussing the MA sector. Despite the recent industry challenges, the underlying MA fundamentals are powerful and they drive sustainable long-term opportunity. For the next few minutes, I'll talk through the attributes underscoring our conviction that that is true, that Medicare Advantage is an attractive sector.

At the highest level, Medicare Advantage is fundamentally attractive, and it's a growing market where Humana's positioned to win. First, MA delivers superior value in demonstrably better health outcomes. Second, Medicare Advantage reduces costs for those enrolled. Third, it benefits from robust bipartisan support. Fourth, Medicare Advantage demonstrates consistent growth. And lastly, MA has an attractive long-term 3%-plus margin profile. Humana is uniquely positioned to capitalize to drive shareholder value with our scale, deep market penetration, and proven track record of both service excellence and clinical excellence.

So, let's start with that first pillar. First and foremost, MA is a great program for our seniors. And the reason for that is pretty simple, actually. It delivers high-quality care and better outcomes versus original Medicare. MA plans drive these outcomes through structured preventative care mechanisms. For example, MA demonstrates superior performance across the vast majority [ph] of these measures (00:40:56). If you just look at how Medicare Advantage does against fee-for-service across almost any one of them, there's something you'll find in common. Medicare Advantage outperforms time and time and time again. Our members are more likely to get critical screenings than the fee-for-service. I think about, for example, colorectal cancer screenings where that early detection means better outcomes. MA members also receive annual wellness event visits more frequently. This focus on proactive, coordinated, comprehensive care is a hallmark of the MA program and has been throughout its history.

Another reason that MA is a great program is it delivers for consumers via direct cost savings on out-of-pocket costs and more comprehensive benefits. MA beneficiaries simply experience substantially lower out-of-pocket costs, saves them thousands of dollars each year. These MA plan efficiencies enable funding of comprehensive benefits, those supplemental benefits not covered by original Medicare, benefits that seniors really love and enjoy, such as dental benefits, hearing benefits, vision benefits, pharmacy benefits. Many of our plans have transportation benefits, and most of them have fitness benefits. That degree of supplemental benefit, on top of the cost sharing, supports our attention and continued growth in the program.

One of the other things that I've always found interesting about this program is once a senior joins a Medicare Advantage plan, one of the things you see is they almost never go back to fee-for-service. If that's not proof positive of what MA does for consumers, I don't know what else is.

Beyond consumers, MA delivers substantial valued taxpayers by improving the efficiency of the Medicare system, and I would argue, the healthcare system overall. MA focuses on proactive, coordinated care, effectively guiding members to appropriate low acuity settings, reducing costly procedures and hospitalizations. This effectively manages the resources in the system, and that translates to significant savings across the healthcare spectrum.

MA enrollees experience significantly fewer avoidable hospitalizations and lower readmission rates versus fee-for-service. The better care continuity that it drives helps the strain that is otherwise in the healthcare system. These demonstrated efficiencies and enable reinvestment by plans back into benefits, as well as the sustainability of the Medicare program overall.

Because MA delivers the value and choice for Medicare [ph] eligible some (00:43:37) taxpayers, it has earned strong and enduring bipartisan political support. The broad-based support of MA is really based upon the growing penetration that we're seeing across the country. There are significant number of congressional districts where Medicare Advantage is the choice of greater than 60% of all of those elected officials' constituents. This penetration translates into strong bipartisan support in Washington.

The strong support for MA is also evident when you look at the widespread adoption across the states. The MA enrollment accounts for over half of all Medicare beneficiaries today in the majority of the states. When a program is this vital to the seniors enrolled in the program, in this many states and congressional districts, it ensures support for MA is a constituent priority, not just a priority of those involved. It keeps the elected officials' attention turn to what is, for their constituents, a program that is well-loved.

And this support from policymakers reflects the views of the seniors themselves. The overwhelming majority of seniors, when surveyed, say that Medicare Advantage is a consideration when they cast their vote. This deep, consistent bipartisan support contributes significantly to the long-term stability and the attractiveness of the MA program. This stability provides a fantastic foundation for the powerful growth that we've all witnessed within Medicare Advantage program.

The fourth reason for Medicare Advantage's attractiveness is its powerful, sustained growth driven by fundamental demographics. We're in the midst of a demographic shift. Over 10,000 people are turning 65 every day in this country through the rest of this decade. This segment is anticipated to grow significantly, with Medicare beneficiaries growing from 64 million today to 72 million by 2030. This expanding senior demographic is a significant natural enrollment tailwind for MA, independent of any increase in market share.

However, on top of this demographic increase, MA is also steadily capturing a larger and larger share of Medicare population. Enrollment now represents over half of all beneficiaries, with 33 million enrolled as of today. These projections show MA penetration continuing to meaningfully increase, approaching and rising above 60% by 2030. This growth is fueled by the strong support for MA that I spoke before, driven by the benefits, the value and the quality that the program delivers. The strong consumer preference, plus increasing penetration, is expected to result in Medicare Advantage growing by approximately 9 million additional lives.

As we continue to improve the health outcomes of this population, there's an additional significant margin growth opportunity as the population ages. Simply put, as we improve their health outcomes and as they continue to age, it creates a wider and wider spread that creates greater margin opportunity. Fundamentally, an expanding addressable market from demographics, amplified by the ever increasing MA penetration, is a powerful combination for this program.

The final attribute underlying MA's value prop is its attractive margin profile. Changes in the program over time have led the industry to adapt, and we're ultimately experiencing substantial growth at the same time. Throughout my history, the MA industry and Humana have navigated these shifts, turning challenges into catalysts for innovation.

Let's look at how that adaptability contributes to MA's fundamental financial performance. MA's history and value proposition drive profitable growth and a long-term 3% margin profile. The industry margin has certainly been cyclical with certain periods of pressure and certain periods of strength. Humana and the industry consistently adapt in return to profitability.

Let me provide a few examples of how the industry has adapted over the short term to these pressures throughout my history here. A great example is the Affordable Care Act. The Affordable Care Act, when it came into place, fundamentally shifted the financials for this program. The result of that is we all focused on tenets of value and quality as core things that we had to deliver on and ultimately strengthen the program.

Post the ACA, we demonstrated a successful [ph] insurer (00:48:15) recovery of margins. That rebound was driven by deliberate, proactive strategies. We adjusted benefits to the revenue realities that we are facing. With a new emphasis on quality, we put in place new quality programs, a new focus on quality that led to Humana leading the industry for seven years. We worked on stabilizing margins across and stabilizing cost trends. We increased our operating discipline. All of those were very deliberate strategies that continued to evolve as we reacted to the situation. One of the things that Jim mentioned in his commentary was how there's continual ground to be taken there as we go from our current state to our future state. More recently, the consumer – the COVID pandemic brought significant disruption to the industry and ultimately shifted utilization quite a bit, and that continues to impact some planned margins going forward. These shifts highlight the need to have agile response to strategies to successfully navigate the unexpected events, again, create that flexibility that Jim mentioned, where we have operating leverage and operating excellence to care for the different things that happen within this program that we don't control. I'm confident Humana is poised to rebound from the current pressures and capitalize on the opportunity ahead.

Despite the margins up and downs, the benefit value delivered to seniors continues to grow. This unwavering growth reflects consistent reinvestment of efficiencies into Medicare benefits. Today, even with the recent benefit resets and that we've spoken about for the past 18 months or so, the MA benefit value today is still higher than during periods of very high outsized growth. If you look at where the benefits are in the periods that we've had program pressure in the past, we are still way higher on a value that we provide to our seniors. What this chart shows is a return to equilibrium time and time and time again between margin and benefits. In summary, MA's resilience, adaptability and value positions the sector for continued attractiveness and return to its longstanding margin profile.

Now, let me share why Humana is well-positioned to lead and drive sustained success. Our strength is rooted in the powerful foundation of scale and deep strategic market presence. 20% of those enrolled in Medicare Advantage are carrying a Humana card. We're the number two plan across the country. Our enrollment CAGR for the past period has been 11%, whereas the industry has been 9%. Certainly, there have been periods where we've grown more and less, but overall, our growth has actually exceeded the industry. And our membership isn't concentrated in those areas where it matters most. We hold the number one and number two position in the majority of states. That majority of states also happens to be where the largest Medicare market presence exists. It also happens to be where 55%-plus of the – all the enrollment growth over the past few years has existed. This scale and market presence, when combined with our relentless focus on clinical excellence, allows us to capitalize on these strengths to drive stable margins, stable and sustainable growth.

To bring these strategies to life, let me bring up Lisa Stephens, our Insurance segment Chief Operating Officer.

Lisa Stephens

Chief Operating Officer-Insurance, Humana Inc.

Well, thank you, George, and good afternoon and welcome to Louisville. I'm Lisa Stephens, Insurance COO. And it is a privilege to be here today to represent the important work happening across the organization. For over 27 years at Humana, my work across various roles has been fueled by a deep passion for our members, an unwavering commitment to operational excellence, and a proven track record for delivering results that matter. As a strong operator, I understand what it takes to deliver for both our members and for you, our shareholders. Jim and George both emphasized that our consumers, our members, our patients are at the center of everything we do. Clinical excellence is about delivering on our promise to them, of better health outcomes through high quality and coordinated care. When we improve health outcomes, we inevitably lower the total cost of care, enabling us to deliver stable and compelling margin. It's a clear example of doing well by doing good.

Our clinical excellence strategy is built on three core interconnected levers. It all starts the complete understanding of our member, ensuring we've got the diagnosis right and that follow-up care happens at the right time in the right setting. Next, we focus on delivering care and experiences that improve outcomes, build trust, engagement, and close Stars gaps in care. And finally, we are implementing clinical, innovative programs that lower the total cost of care, increase accessibility, personalization and effectiveness. Underpinning this entire strategy is ensuring that we are doing the right thing for our members.

It is also enabled by five capabilities. The first one is interoperability, ensuring we've got secure, real-time access to member health information. Humana is industry-leading in this space, with over 60% of our providers connected into one of our interoperable solutions. We've got a goal of exceeding 80% over the next several years. Point-of-care alerts means that we are embedding clinical insights directly into the provider's workflow, enabling them to act in the moment. Incentives is about aligning member and provider incentives all on the same thing. Better health, member engagement is essential to this entire strategy. So, we are leveraging every single member touchpoint as an opportunity to support and motivate our members. And lastly, underpinning all of this is data and analytics to deliver smarter and faster decisions. When we do this strategy well and we are committed to doing it well, everyone wins, our members, Humana, and you, our shareholders.

So, let's get into a few examples of how we are bringing our clinical excellence life to – or clinical strategy to life. One of our core tenets of this strategy is moving upstream, focusing on proactive efforts that improve health from the outset. Preventive care, including an annual wellness visit, is critical to this success. It is the starting point to ensure we get accurate diagnosis, Stars and quality, and clinical innovation. To be clear, for us, accurate diagnosis is a clinical imperative, ensuring that we have a complete picture of our members' health to deliver care at the right time. Our goal is that many more of our members have these annual wellness visits. So, we are using a variety of methods to do this, including a new innovative partnership with CenterWell Primary Care that Renee Buckingham will discuss later. We are also embedding clinical insights directly into the provider's workflow system, leveraging interoperability and data and analytics. These visits set essential actions in motion to deliver on our clinical excellence strategy. The more complete understanding we have of our members better positions us to improve quality and Stars, which I'll discuss next.

The CMS Stars rating program evaluates MA plans annually based on quality and performance across various different measures. Thresholds are set each year based on industry-wide performance, effectively grading us on a curve. What qualified for four stars one year may not qualify for four stars next year, demanding continuous improvement and agility. Fundamentally, though, the Stars program is about improving health outcomes. Every gap we close translates into more screenings, better chronic disease management and fewer avoidable hospital admissions.

Humana, and Jim mentioned this, has had a strong seven-year industry-leading position for Stars performance. However, and as you all know, for bonus year 2026, we narrowly missed the four-star thresholds on key

contracts. That is the grey – that is the blue segments that you see on some of the bars. The grey represents the additional opportunities we are actively pursuing through our transformation efforts. Honestly, bonus year 2026 was a wake-up call for the organization. While the Stars program has always been a focus of the organization, our narrow miss highlighted the real need for change and we have been taking decisive action.

From these key learnings, we are fundamentally transforming our Stars approach, with a deep seated shift in culture, process and execution discipline. We are enabling the hearts, the minds and the hands of every associate with an understanding that their daily work directly impacts care quality. Stars is a top priority 365 days a year to contrast this last time this – at the same time this last year, Stars was not discussed at the same level of intensity it is today. We've set aggressive targets at the beginning of the year that we expect will outperform shifting industry norms. We've invested earlier in programs and initiatives, and we are rigorously monitoring our performance daily with a new sense of granularity and urgency. Jim Rehtin is in weekly Stars review for agile course correction, and we are aligning associate incentives on Stars performance. This is all part of our cultural transformation to embed quality and experience into the DNA of everything we do. For Bonus Year 2027 and Jim mentioned this we feel good about our progress. However, given the inherent uncertainties of CMS final cut points, Bonus Year 2028 will be the primary focus of today's discussion. The good news is about our transformation efforts, we are already seeing real, meaningful progress for Bonus Year 2028. We are closing high priority gaps in care at a significantly higher rate than we did last year, meaning that hundreds and thousands of our members are receiving preventive services and are better managing their chronic conditions. We are also seeing positive momentum in highly weighted measures such as medication adherence and A1C control, which I'll discuss next. These early wins while just the beginning validate that our strategies are working and give us confidence in our path back top quartile Stars performance.

Medication adherence, this is critical for individuals battling chronic conditions. It is also a triple weighted measure. We are making it easier for our members to stay on track. We are providing more consistent, convenient medication supply. We are increasing our engagement with our pharmacists and we are targeting outreach for members who need support.

For example, high-risk members who are discharged from the hospital. Our CenterWell pharmacists proactively reach out to them and they meticulously help them reconcile their medications. This is important because individuals that do not have that level of support have significantly higher readmission rates, combined, these efforts are driving meaningful progress year-over-year for this measure. Another highly weighted measure is improving A1c control for members managing diabetes. When A1c goes uncontrolled, members risk serious complications such as vision loss and kidney disease.

Our initiatives are focused on making testing more accessible, including expanded in-home testing capabilities and when a test indicates support is needed, we are proactively reaching out to these members with clinical interventions because of these efforts, again, we are making significant progress year-over-year.

Moving on to my last example, Four Stars. Proactive member engagement is critical to our success, which is why we are leveraging every single member touchpoint as an opportunity to engage with our members. This includes transforming traditional call center and activities into conversations about the member's health. So let me tell you what this looks like in practice. Mrs. Smith calls into the call center, asks about her benefit. We explain the benefits she asked about. And then we say, Mrs. Smith, we noticed that you have not had your annual wellness visit yet this year. Let me tell you how important this is to your overall health. We recognize that life gets busy and we offer to schedule that appointment while Mrs. Smith is on the phone. Through this system and our teams, we are proactively addressing over 90,000 gaps in care every single month. This is not only supporting Stars and

improving health outcomes, it is also deepening member loyalty and retention efforts that George will discuss shortly.

Now, these are just a few examples of our Stars transformation initiatives. I didn't give you an exhaustive, competitive playbook. But beyond near-term recovery, we are focused on a multi-year transformation effort designed for sustainable, top quartile Stars performance. We are intensifying our focus on three core priorities: the first, provider engagement and communication, so including evolving our provider incentives. Second, proactive member engagement. We are expanding our in-home capabilities and leveraging every single member touchpoint. And lastly, optimizing our network and plan design. For plan year 2026, All of our members will have a \$0 copayment to see their primary care physician encouraging more preventative services occurring.

Next, I want to move on to our final clinical excellence lever, innovative clinical programs. Now while we'll always need to do some downstream necessities such as prior authorization we want to be differentially focused on upstream, proactive efforts that improve members help from the outset so I will share a few examples around condition-specific programs, site of service optimization and navigating members to top tier providers. Our value based programs reflect our strategic shift to moving upstream focusing on proactive whole person care. Our ESRD, CKD value-based program is a prime example. For members battling complex conditions like advanced kidney disease, navigating care can be absolutely overwhelming. Our programs provide a dedicated team and comprehensive integrated services, helping to prevent crises through continuous monitoring, personalized care plans and addressing both clinical and social needs. This has resulted in substantial reductions in the overall benefit ratio, as well as fewer avoidable hospital admissions. We also hear from our members that they love this program. They say things like this program is helping me to live longer and have a greater quality of life.

Clinical excellence also means ensuring that our members have the right services at the right time and in the right setting. This includes navigating members to appropriate lower acuity settings for quality, convenience and affordability. Consider joint replacements. Currently, only 10% of our members have these procedures in an ambulatory surgical center, yet. For appropriate members, these facilities offer higher quality, fewer complications and overall better member experience, all at a significantly lower cost than an outpatient setting.

Guiding more patients to these lower acuity settings lowers cost and provides a better experience. To amplify our efforts, we're aligning provider incentives through bundled payments. We're evolving member benefits so that their ASC cost share is less, and we're using tailored outreach to our members so that they understand their options. Lastly, we are committed to guiding members to top tier clinicians. For example, our data and analytics show that top performing cardiologists deliver significantly better outcomes and fewer hospital avoidable admissions for members with disease such as heart failure. These are the physicians that we would trust our families with, that I trust my mother in law with. And they represent the high standard of quality we want for all of our members. Yet only 8% of our providers see these top tier providers. In fact, many of them don't even know who these providers are or the difference in outcomes they provide. We know who these top performing providers are, and that's why we are designing targeted programs like making provider quality and data more transparent and accessible through our physician finder, with a goal of connecting more members to these top performing providers so that they receive the best possible outcomes not by chance, but by design.

As I said at the beginning, clinical excellence is about doing well by doing good. By focusing on member health outcomes, we make health care more affordable. We improve member experience and we elevate our stars performance. Humana is well positioned to deliver on this commitment through disciplined execution on accurate diagnosis, Stars and clinical innovation. All of which is centered on our members and enabled by core capabilities. This clinical excellence strategy is fundamental to delivering stable and compelling margin and sustainable long-term value. We are proud of the progress that we've made to-date and the continued innovation to come. And it's

this commitment to clinical excellence that lays a strong foundation for sustainable growth which George will now discuss in more detail.

George?

George Renaudin II

President-Insurance, Humana Inc.

Okay. Thank you, Lisa. Now let me turn to our approach to driving membership growth. I'm going to provide a fairly high level picture of our growth strategy while sustainable growth is critical to our path forward, I think that we've set up today to really be about margin recovery. So I'm going to hit on growth as that's still an important factor for us and a main objective for us over the long term. But right now, the other thing is, of course, a lot of our strategy is proprietary and confidential, and we are in the middle of this bid cycle. We still have rebate reallocation that come with benefit changes that would be expected.

So many of our specific strategies that we'll talk about here, we will go into now and the sustainable growth that we are moving forward with is really driven by a foundation with superior customer satisfaction and retention. This approach builds upon our very strong foundation of satisfaction and trust. You all have seen the reports in the past. We've pointed them out that a number of independent sources have claimed Humana's top position here.

U.S. News & World Report has rated us number one MA plan for many years. The recent consumer index (sic) [Customer Experience Index] (01:11:55) survey by Forrester rated Humana as the number one consumer experience. So our growth strategy is informed by four key approaches. The first is we customize benefits for specific targeted customer segments using sophisticated modeling, such as with our Special Needs Plans. Our dual Special Needs Plans are designed and tailored specifically to the needs of that vulnerable and growing population.

Second, we designed our plans for simplicity and stability. While the industry has been facing a lot of feedback about complexity, we've gone into this bid cycle and the cycles going forward with the whole idea of bringing more stability to our benefit designs and stability of our benefit designs. What you will see when our benefits are unveiled This fall is that many of our benefits have a uniformity to them that you haven't seen in the past. Third, we focus on ensuring quality sales and onboarding processes to optimize the clarity of the choices to ensure appropriate plan, choice, and a smooth onboarding experience. What we're aiming for, frankly, is what you saw with Karvin and Pat. Where Karvin was sure in his choices, was supported by a sales agent that helped make sure that Karvin was getting the right plan design. And you saw how smooth the operation was and the smooth delivery into choosing a good PCP, such as CenterWell in that example.

Lastly, we're committed to transforming the end-to-end customer experience with building on loyalty as our main driver. We're trying to make sure that every touchpoint is one that's delivering value for our member to drive satisfaction, loyalty, retention, which ultimately drives long-term economic value. We want to make sure that however they contact us by voice, by digital, if we're reaching out to them, as Lisa discussed and a few of her examples, that in each point we're touching them, we're driving value for what they need, facing what the consumer's perspective is and what the consumer need is. The way we think of membership sometimes is like a bucket. We pour sales in the top of that bucket. And what we have to do is make sure we're minimizing the leaks out the backside of that bucket to drive sustainable growth. Those leaks are frequently tied to unsatisfactory member moments. Those experiences are moments we can improve, and we're critically focused on doing so. We've identified moments that matter within the MA business. Mapping experiences by their net impact on Net Promoter Score, by their impact on terminations and by their frequency. These moments that matter are where we're focusing, obviously we want to drive up the moments of positive satisfaction, and we want to reduce and

eliminate those of negative. Leveraging these insights is critical to our path going forward. So, let me give you just a few examples. I think there are a few up on this chart to help that show how receiving these experiences changes our consumers perspective.

First, let's talk about denial procedures due to our prior authorization process. First, I want to point out that our members health outcomes are our highest priority. We are trying to make sure that our members get the most appropriate care they can, driven by the most up to date clinical guidelines. However, we do know that the prior authorization process does create friction. It creates friction between us and our members, between us and our providers, and sometimes between our members and providers themselves.

So, we're working hard to reduce that friction. We've been removing codes that are necessary to be on the prior auth list, and we're also implementing automation and other means to try to reduce the time it takes between the request for an authorization and the receipt of the service being delivered.

An example of a positive experience are at home wellness assessment. Now, it's been talked about quite a bit that these annual wellness visits may not be a good thing. That's not true. Our annual wellness business, the at home visits are loved by our seniors. They love the convenience of them. They love the personalized attention they get to be able to talk about their intimate health conditions in the comfort of their own home. We're going to continue to provide these to assess the health of our members and proactively close gaps in care, connect members to the resources they need. Time and time again we find that it's through these assessments they're able to find out about resources they need in their community or elsewhere to help them with, for example meeting their social determinants of health. Another frequent positive experience where Humana is industry leading is through our d CenterWell Pharmacy home delivery service. Members using CenterWell Pharmacy experience stronger medication adherence. They save \$450 a year in their medical spend, and they also have a 15% higher Net Promoter Score.

By focusing our resources to increase these positive moments and reduce and eliminate negative experiences if you will plug in that leak in the bucket, we're building enduring loyalty and we're driving retention. This customer satisfaction in driving retention is a cornerstone to our MA growth strategy going forward.

Now I want to spotlight an increasingly integral growth engine within our insurance business, and that's Medicaid. I'm proud that Medicaid is increasingly integral part of the Humana Insurance portfolio. Medicaid strategically supports and supplements our MA plans, especially the duals, but it increasingly is an important standalone business on its own. I'm happy to highlight how we're positioning Medicaid to contribute to Humana's success moving forward, and we'll provide an overview of our approach.

Humana offers a unique differentiated brand in the Medicaid sector, where our vision is to be the reliable and trusted advisor for our state clients. Medicaid is strategic to Humana as it both supports Medicare and as a standalone business. States are increasingly limiting duals to places where you have a Medicaid plan. Humana is prioritizing those states, those states that have an outsized dual membership, to protect. Medicaid is also important standalone sector. Humana has now grown to, as of this recent quarter, 1.6 million members and has over \$13 billion in annual revenue but half of Humana's membership today is in states that we've been recently implementing over the last few years. We expect Medicaid's financial contributions will accelerate as many recently launched states mature. Markets financial performance will improve as we refine our operations, reduce our administrative cost and execute on trend opportunities.

The conviction we have in the financial and operational performance really is rooted in the fact that of the mature states that we have today, what we see is that we are performing at or better than the larger national Medicaid

competitors. We are also successfully scaling the standalone Medicaid business that aligns with our core capabilities. Humana has an unprecedented industry leading win rate of 90%. We have that unprecedented win rate of 90%, where we are winning or launching nine or more states just since 2023. Medicaid agencies want plans with proven experience. For states frustrated with their current incumbents, frankly, we're one of the few alternatives with significant Medicaid experience, deep market presence and advanced value-based capabilities.

This unique positioning has been critical to our unprecedented industry-leading win rate. We are confident in our continued success in Medicaid based upon deep relationship building with our state partners in delivering innovative solutions to our state clients. Our key focus for Medicaid growth has been in states critical to our dual strategy. That has been where we are. We're deliberately growing Medicaid in states with an outsized dual membership and outsized dual financial performance. We also have been prioritizing those states that are limiting their duals to those where you have to have Medicaid plan as well.

Many states do want us to integrate their Medicaid plans with our dual plans, and our strength in the dual marketplace is playing to that strength. We're protecting our dual business through Medicaid growth, and we've intentionally mattered in states where it matters most. Think of states such as Florida, Louisiana, Georgia, and Michigan. There's something all four of those states have in common. They're amongst the four of our largest dual markets. And they are all four states where we have or will be implementing Medicaid contracts. Finally, unlocking new dual markets through this Medicaid growth in markets such as Virginia and Illinois.

To illustrate Medicaid enabling that kind of growth, let's take a state like Virginia where we're launching a new Medicaid plan next month. We responded to a competitive RFP in 2023 and we were the only new Medicaid plan offered a contract. The program covers dual eligibles, and Virginia does limit dual plans to those who have Medicaid contract. The program also covers the duals, and we'll be implementing our dual contract next month the same time we start implementing the Medicaid contract. Virginia is a large market with over 200,000 total dual eligibles, and our Medicaid contract is going to unlock the potential to grow in that market.

We also use Medicaid as a standalone business. A great example that's Georgia. Georgia has not integrated the dual plans yet where that program is focused on families. But we prioritize Georgia, because that program offers strong margin potential and strong membership growth potential. Georgia announced its intent towards Humana last year. This new market will have a significant impact on our future Medicaid growth. In both Virginia and Georgia, Humana beat out national plans, national plans with much greater scale and experience. This reinforces our belief that we have the right strategy and we have indeed created unique, differentiated brand that is delivering to state clients something that they have been needing.

As these new markets mature, we expect them to become meaningfully financial contributors to our business. It's important to recognize that Medicaid provides compelling earnings possibility for us over time. By 2028, we expect \$20 billion in revenue and 96% of our states by 2030 will be through the J curve. We are delivering operational efficiencies, high quality care, leveraging our well-known best-in-class capabilities around value-based care. Our cost management programs are stacking up and we are second to none in what we're doing there. I'm proud of the unique brand that Humana Medicaid has established to support our duals and its strategic standalone business opportunities.

Now let me discuss some other valuable components of our insurance portfolio. Our supporting insurance lines Group Medicare Prescription Drug Plans, Medicare Supplement and specialty business are integral to our ability to serve seniors comprehensively. I'll start with an overview, provide a deeper look into our group Medicare Business, given some recent focus on the group MA business.

As Jim mentioned, our core business is Medicare Advantage. However, our supporting insurance lines are strategically important, supplementary to our core MA business. They drive enterprise value and contribute to stable margins going forward. Our Group Medicare business, for example, provides a source of scalable growth and density in a number of states while also delivering critical enterprise value through contributions, for example, to our Stars program. Collectively, these businesses deliver substantial financial impact, generating over \$18 billion in total revenue. I'll talk to the importance of Group MA in just a moment. So, let me move on to some other of these products now.

The PDP plans provide party coverage to over 2.4 million members, not only providing the vital prescription support for that program, but PDP also offers a opportunity to move high lifetime value MA growth through a cross-selling opportunity. It also provides significant CenterWell pharmacy volume. Our med sub plans offer important financial protections for 420,000 members and provides PDP cross-selling opportunity, as well as a path to future MA conversions as our members needs evolve.

The specialty business provides 4.7 million members with additional benefits, enhancing our value proposition and improving loyalty. While each is important, let me focus on the Group MA business for a moment. Our Group MA business is a key strategic asset to us, generating \$8.5 billion of revenue across 570,000 members. While the Group MA market is navigating a pricing reset driven by multi-year contracts that did not think about the future cost profiles as they were guaranteed pricing, we're resetting that and as we're resetting the prices and putting in place strict discipline in that pricing, we're also ensuring that those new contracts going forward have the appropriate protections that they were missing in the past.

Second, we continued to differentiate with best-in-class service, which is a key to any sort of pricing reset, as I just mentioned. If you don't keep the plan, it doesn't matter what your price is and Humana has a leading industry rate of 97% of retention of this business. Just last week we won back a large state account in Alabama that we have lost. The reason they're coming back to us is the service excellence that we provide. That strong service drives 97% retention rate. Lastly, while we're focused on maximizing value within the Group business itself, you have to also take a look at the other things that contributes to our business. It contributes stable growth, density within the membership. And because our group members tend to have a very high engagement rate and loyalty and satisfaction, it also provides critical support to our Stars program. In summary, our supporting insurance lines are strategically important and drive significant value to our members, to Humana and to our shareholders alike.

To bring it all together let me summarize the key takeaways from the Insurance segment. We've proven capabilities to deliver superior value. We're executing a multifaceted, multi-year strategy to deliver stable margins and compelling stable growth across Medicare, Medicaid, and other insurance lines. Starting with Medicare Advantage, it remains an attractive sector, and Humana is poised to be a leading plan and the leading plan in service and retention. Focusing on clinical excellence will improve our margins over time, will improve our membership growth, and through that unwavering commitment to our customer satisfaction retention, we will see Humana as a leading position within MA. Our unique Medicaid business is strategic to Humana's support for our dual eligibles and as a standalone business, and our specialty lines drive enterprise value and are complementary to our overall MA program.

On a personal note, I've led teams through the MA industry for a few decades now. Kind of hard to believe sometimes, not as much when I look in the mirror. I've seen what it takes to navigate the challenges that we're facing. But as I said, it's going to take a transformed approach to do so. But the ultimate takeaway for you our investors is this, Humana's insurance segment has a clear strategy and proven capabilities to deliver on its superior results. The team is laser focused on a disciplined execution of these strategies to continue to provide

high quality care, deliver compelling stable margins while driving sustainable growth. The whole team looks forward to the opportunity ahead of us. We know we're going to capitalize on it.

I'll now turn it over to Dr. Sanjay Shetty. But first, we also have video to show how uniting Humana and CenterWell together provides for a better member and patient experience.

[Video Presentation] (01:29:18-01:32:11)

Sanjay K. Shetty

President-CenterWell, Humana Inc.

Good afternoon. I'm Dr. Sanjay Shetty, President of CenterWell. I've served in this role for just over two years as a member – as the first CenterWell segment President and a member of the Humana management team. I'm looking forward to telling you more about CenterWell's journey and our potential. In fact, you already heard part of this story from Jim earlier today when he alluded and he talked to our transition to being a health services company.

CenterWell has been a big part of that journey and a lot has changed in a short amount of time. CenterWell's only very recently three disparate assets that have only more recently come together with a unified mission, identity and structure. I'm also really excited to tell you how we've evolved to take care of patients, just like Joanne, offering better quality and outcomes to patients all across the country every single day, while also working to lower total costs for the healthcare system.

This is what I want you to take away today. CenterWell is composed of three strong businesses that together form a leading senior focused chronic care delivery platform. Second, across all of our segments, we offer differentiated capabilities that benefit both our patients as well as our health plan partners, including Humana. Third, we will invest in continued growth, both organic and inorganic. Building upon our scalable platforms that have a proven track record of creating value through acquisition. And all of this together will position CenterWell to produce increasing earnings power over time.

Let me start by grounding you on our three high-value businesses. CenterWell Senior Primary Care is the nation's largest senior focused, value-based primary care provider. We deliver holistic healthcare for seniors. And as George mentioned, this is one of the fastest growing segments of the US population. And this is a group that needs a different kind of care. Over 95% of seniors live with at least one chronic condition, 80% live with two or more. And our platform is purpose built to bring value-based care to seniors from our convenient locations to our community rooms that foster connection through bingo and dances, through our dedicated care teams who, like Dr. Sanchez from the video, are dedicated to ensuring that they have the time to meet our patients' needs. And importantly, the pace of growth in primary care has truly been remarkable. In just the last 24 months, we have added over 80 centers and we now care for over 400,000 patients.

Our Pharmacy segment includes our traditional Home Delivery Pharmacy and our Specialty Pharmacy. And we see clearly that CenterWell pharmacies are better for our patients because of strategies that improve access and adherence to crucial medications, which are key to overall health. We are also well-positioned for future growth through supporting our industry leading mail-order rate, growing our Specialty Pharmacy and expanding external partnerships.

CenterWell Home Health is a leading home health provider with 350 branch locations across 37 states, where we provide high-quality skilled nursing and therapy services to patients in the home. This supports the shift of care away from higher cost settings and helps our patients like Joanne to achieve their goals. This is in addition to our

growing value-based solution that helps patients efficiently navigate care across post-acute settings. All of these businesses offer a compelling margin profiles, making them attractive targets for continued capital deployment to support value creation for the enterprise and for our shareholders.

At our core, CenterWell's performance depends on delivering value to our patients and our partners. This starts with our focus. Nearly all of our revenue is attributed to seniors, which allows us to tailor our approach to the unique needs of this growing segment. We're also committed to delivering on better outcomes. For example, there's a meaningful reduction in hospital visits when comparing CenterWell Primary Care to other value-based providers, an amazing reflection of how we are helping seniors manage their health. We're also proud of the fact that our patients love CenterWell. Our high-touch approach improves patient experience. This lets us develop lasting longitudinal relationships and actually improves how patients engage in their own care. And the satisfaction with CenterWell has an important secondary effect. It improves perception of the health plan. Thinking back to our first video with Karvin, the positive experience with CenterWell deepened his relationship and loyalty to all that Humana Health Plan had to offer. So, this focus on outcomes and experience not only benefits our patients, but also provides significant value to our plan partners since all of our work align so well to supporting the key initiatives that you heard earlier today.

CenterWell is also an important growth platform for the enterprise. We operate in large and growing markets with over \$1.6 trillion of market potential across our core businesses, reflecting expansive opportunity for continued growth. We also broaden our reach through our payer agnostic approach. And importantly, we have built an efficient, high quality, scalable platform with a proven track record of successful acquisitions. This allows us to pursue growth with greater assurance of achieving synergies and growth targets, while also allowing us to be opportunistic in how we pursue assets that may be distressed or have recently had a market dislocation in value. I also want to point out that we have scaled even while improving business performance, responding to external headwinds and supporting sustained innovation.

We'll now spend some time discussing each of our three businesses in more depth. I'll be back shortly to talk about Pharmacy and Home Solutions. But we'll start with a deeper dive into Primary Care. And for that, it's my pleasure to introduce the President of CenterWell Primary Care, Renee Buckingham.

Renee Jacqueline Buckingham

President - CenterWell Primary Care, Humana Inc.

Thanks, Sanjay, and good afternoon. As Sanjay mentioned, I'm Rene Buckingham, President of our Primary Care Organization. I've been with Humana for more than 26 years in a variety of leadership roles across the enterprise, including our Medicare business. For the last seven years, I've had the privilege of both building and operating the largest senior-focused, value-based primary care company in our country. Since 2018, we've been building a robust senior healthcare platform as a key strategic pillar for the enterprise. This platform uniquely positions us in the marketplace with key differentiators that support our operating model and our go-to-market strategy.

A patient centric, interdisciplinary and integrated care model that's focused on high touch, comprehensive, individualized care plans. An economic model that enables investment in primary and preventative care to prevent downstream adverse health events and stronger clinical outcomes compared to Medicare fee for service. And we do so through arrangements with Medicare Advantage plans as a payer agnostic, value-based primary care organization.

Today, I'm going to outline for you our success over the past few years, core advantages of our business and expectations on what we'll deliver in the future. Some of the themes you'll hear from me today underscore that our business is performing as we expected and we remain confident to continue our growth. Our primary focus is

helping patients like Joanne improve their health and slow their disease progression. When we achieve these health outcomes, it also benefits our health plan partners, including Humana.

Over the last several years, we've rapidly grown both our top line revenue and our patients. As you know, the v28 risk adjustment model changes have been significant to our industry. We're confident that we have adapted our care model to the dynamics created by v28. We believe that our post v28 J-curve is similar to our pre v28 J-curve. In fact, we're maturing centers along the J-curve and delivering improved margin, overcoming these industry headwinds. And finally, we're confident that our business will be a material contributor to earnings in 2028 and beyond.

Our high touch, comprehensive primary care with individualized care plans smaller and more engaged patient panels, longer, more frequent primary care visits allows for improved patient outcomes and the avoidance of long-term adverse health effects. This patient centric model is well-received by our patients, resulting in 17% more primary care visits for our patients compared to industry benchmarks. We create value for our healthcare partners by providing sustainable growth, differentiated quality, and medical cost containment in a turbulent market. Because we focus on high engagement, emphasize prevention and strong care coordination across the continuum of care, our patients have fewer emergency room visits, fewer hospitalizations and fewer re-admissions. And they have better control of their chronic conditions like diabetes and high blood pressure.

We outperform our industry peers. Our focus on the patient delivers leading patient satisfaction with Net Promoter Scores 25 to 30 points higher than the industry average. And as Lisa mentioned earlier, we're excited about the impact of our new Virtual First preventative care initiative. This focus on closing star-related gaps in care further emphasizes our commitment to high touch comprehensive care for seniors.

Our Primary Care business operates across two product lines, our center business and our independent physician association and both are supported by a single, centralized enablement platform. Within our center model, we have two categories of centers, wholly-owned and those that operate within our joint venture Within our center model. We have two categories of centers wholly-owned and those that operate within our joint venture with Welsh Carson. These centers operate identically and are distinguished only by their capital structure. These models allow us to customize our approach for expansion based on specific local market conditions and is a differentiator against pure play competitors who tend to focus on one of these products, but not both.

Our sophisticated and mature enablement platform supports both growth and scalability, creating consistent care delivery and health outcomes for our patients across our footprint and product lines, delivering leading clinical outcomes through embedded ancillary care programs and partnerships with other care continuum providers. And it supports our IPA, which is strategically important and is an asset light means for growth and continued expansion. Our business has demonstrated the ability to grow reliably, perceive market shifts and effectively adapt in the face of market turbulence.

This is evidenced by our 20% patient growth rate over the last four years, including our end-of-year expectation to be between 440,000 and 460,000 patients, which is an increase to our prior guidance. And we doubled revenue over this same timeframe. In addition, the center expansion, growth has also been aided by a healthy improvement in our same-store, wholly-owned sales performance as we've made focused investments in sales, marketing and improved payer access in these markets along with programmatic M&A.

Over the course of 2023 and 2024, we've acquired over 100 Primary Care locations that yielded approximately 60 new locations after center consolidations. Many of these opportunities came to us through distressed or closure situations like Cano in Texas and Nevada, and Walmart Health, and clinical care medical centers in Florida.

Within our wholly-owned centers, much of our focus has been driving margin expansion toward our target of \$3 million of contribution margin per center. Since 2021, we have successfully executed against our plan, increasing the number of centers meeting this target from 18 to 60, representing a growth of over 200%. Similarly, other centers operating in 2021, we have more than double the average contribution margin and are closing in on our target margin with this cohort of centers. The significant headwinds created by the phase in of the v28 risk adjustment model and the increasing secular trend pressure, drove us to fundamentally rethink our operating model and prompted us to undertake a large, transformative effort to create durable unit economics.

Our portfolio of both completed and planned initiatives together result in a similar J-curve to what we have shown you in the past with lower PMPM revenue offset by improved growth and retention, improve center productivity, lower PMPM care team costs with better claims trend from new and enhanced clinical capabilities. Our de novo cohort opened since 2019 have performed comparable to or above the J-curve benchmark meeting or exceeding our planned expectations. As I've said, we are pleased with the performance of the initial cohorts of centers. We've decided not to initiate the purchase of the first cohort at this time to take advantage of favorable terms built into our agreement. As we said in the past, we'll continue to assess the performance and the progression of these centers through the J curve and make a timing decision that maximizes enterprise return on capital.

As you've heard today, our disciplined execution and our strategic focus have enabled us to grow in line with our plan. We're confident in our ability to sustain this momentum and to continue to deliver strong results. Let me summarize for you just a few reasons why we remain confident.

Overall, we continue to be a source of top line robust growth for the enterprise, targeting an annual value-based patient growth rate in the mid-teens. There is still significant capacity for same-store growth in our footprint, especially as our brand gains equity in newer markets and competitors pull back. We anticipate continuing to add wholly-owned de novo centers in our current market footprint, albeit at a more deliberate pace. We see significant opportunity to take advantage of current market dislocation and acquire attractive small to mid-sized provider businesses. Valuations have fallen materially and there are great opportunities to buy assets at a meaningful discount to de novo replacement costs. We have a proven track record of success in programmatic M&A, underpinned by a robust and repeatable acquisition and integration process.

The power of our platform to consistently drive compelling patient health and financial outcome gives us confidence to underwrite assets in this situation and to take advantage of the current market landscape. And finally, we're expanding our presence in both existing and new markets with our IPA. It's a complementary way to extend our well-performing platform, enabling independent physician practices to focus on patient care and achieve outcomes comparable to our center business through our enablement platform and support.

Now, let me turn it back over to Sanjay who'll share more about CenterWell Home and Pharmacy.

Sanjay K. Shetty

President-CenterWell, Humana Inc.

Thanks, Renee. And thanks for sharing more about the compelling progress of the Primary Care Organization. Now, I'll take you through our other two CenterWell businesses, starting with Pharmacy. There are four key focus areas for our Pharmacy segment. Our traditional home delivery and specialty pharmacies have established strong, highly efficient capabilities with a focus on quality and service. CenterWell Pharmacy is better for our members and delivers meaningful value to the health plan.

Looking ahead, we are actively modernizing our home delivery services to support our industry leading mail order rate. And finally, we are excited about the Pharmacy segment's potential for growth, particularly through our specialty pharmacy and an expanding portfolio of third party clients. Pharmacy has two core businesses. Home Delivery Pharmacy delivers medications for chronic illnesses and dispenses over-the-counter health items serving 2.3 million patients annually. Specialty Pharmacy dispenses medications for complex illnesses while also offering clinical and manufacture services.

We have built strong capabilities in Pharmacy. They are scaled and designed around a high degree of automation that, of course, yields efficiency but also supports safety. Our Pharmacy fills prescriptions with a very high degree of accuracy, measured in defects per million, that far outpace a typical retail operation. And this strength is reflected in our industry leading mail-order rate for our Medicare Advantage members, now at approximately 30%. We have been able to maintain this position over time because of the strength of our offering. And just like Joanne, our patients value the convenience of having their medications arrive at home when and where they need it. And they also know that help is always available through our pharmacists and other team members who can help answer clinical questions or even help with access to needed medications.

We're also proud of the fact that approximately 50% of our prescriptions are filled through a digital channel, up from 21% in 2021. Our digital tools increase convenience and transparency for our patients while also reducing administrative costs. CenterWell Pharmacy is better for our members and our patients. We drive higher medication adherence for key chronic conditions that impact overall health, which is you heard about from Lisa earlier, also supports health plan performance such as in stars. This also translates to reduced overall medical costs for our members who use CenterWell Pharmacy. And that is a very important connection. By ensuring our patients have more consistent access to their chronic disease medications at a low cost, we are able to keep them out of the hospital and healthier. And these outcomes, coupled with the improved experience of using the Home Delivery Pharmacy, have a positive downstream impact on a member's perceptions of the health plan. Driving improved plan retention.

Looking forward, we are taking several steps to modernize and grow our Home Delivery Pharmacy. To be clear, while our mail-order rate is industry leading, we are not satisfied and we want to continue to support the use of our Home Delivery Pharmacy because we know that patients who use CenterWell will have better health outcomes. We are continuing to drive digital adoption, such as by enhancing our award-winning mobile app. We are also implementing new pricing strategies that will benefit our members and ensure that CenterWell Pharmacy offers the lowest out-of-pocket cost starting in 2026. We want to be sure that cost is never a factor for patients who want the convenience of medications being delivered to the home. And we are further tailoring our approach to outreach with more insights from segmentation and our advancing data assets. This allows us to personalize campaigns to align with an individual member's needs.

There are two other important growth factors for this segment. The first is in Specialty Pharmacy. Amid strong projected industry-level growth for the broader specialty sector, we are positioned as a scaled payer agnostic Specialty Pharmacy with a focus on clinical excellence and experience. Probably best shown by the fact that we have been awarded the MMIT Specialty Pharmacy Patient Choice Award in seven of the last eight years. This has given us a strong position with other stakeholders in this space. For example, just this year we have won access to 12 limited distribution drugs with an incredibly high win rate and more items in the pipeline. Further, at the same time, we have also seen a 40% increase in our services revenue.

In addition, many of you likely heard about our partnerships with Novo Nordisk and several national telehealth companies earlier this year. These have been novel partnerships with companies interested in expanding direct to consumer models for branded drugs. What is particularly exciting, though, is the growing opportunity that these

relationships represent. Our partners chose us because we are a scaled, efficient, customer-centric solution and we are willing and able to meet the needs of a rapidly evolving market. We have seen robust interest from other potential third-party clients and we are excited to continue investing in these capacities to serve more customers in the future. This will enable us to further grow access to the broader prescription drug market.

Pivoting to our Home Solutions segment. Home Solutions is designed to support patients in the home and the broader move to value-based approaches that shift care to lower cost settings. But up close, it is incredibly powerful to have a clinician in the home, someone who can see a patient and how they really live. Our team spends time to understand personal goals and the barriers to better health, just like we saw with Joanne. My own time with this team has shown how very specific targeted interventions can have an outsized impact. Things like helping a patient walk safely in the home or making sure that they really understand how to take their medications. This is an important part of the overall care continuum with much broader impacts on overall care.

In terms of key things to remember. CenterWell has achieved solid investment returns in the Home Solutions segment, even amidst industry level rate pressures. As a leading provider of home health, we have been able to leverage our scale to drive operational efficiency and foster innovation across our national footprint. In support of our transition to value, we will continue to deliver better patient outcomes and enhanced patient experience. Further, Home Solutions is highly complementary asset with substantial overlap with Humana Health Plan. And looking ahead, we plan to continue investing in this important platform.

Like you saw in primary care, our Home Solutions team recognized industry-level headwinds and is leaned into opportunities to enable our success in an evolving and compelling sector. We have used our national platform to invest in and enable operational and clinical improvement initiatives, which will lead to future reductions in our operating cost ratio. This has also allowed us to invest in innovation that supports the shift of [ph] that to (01:59:58) to value. This includes programs that support more consistency and lower cost in the design of a Home Health episode. And also allows us to keep in touch with patients even after discharge to help them avoid a return to the hospital. That pivot to value, however, requires a commitment to the role of home-based care to improve outcomes, quality, and experience. That is the potential of a mature and integrated platform and we are seeing durable results both from our Care Delivery asset as well as our post-acute navigation and management services.

In terms of outcomes, we see reductions in hospital admissions and improvements in the total cost of care. At the same time, CenterWell Home Health continues to invest in quality and experience. We far outpace the industry average and recently posted results that put us at the top of our national peer set. Beyond that, our Home Solutions segment also supports planned performance. CenterWell Home Health has significant geographic overlap with Humana membership. More than 70% of Humana Medicare Advantage members live in a CenterWell Home Health service area. And we are also evolving new models to be deployed on our Home Health chassis. This relates to the efforts that Lisa discussed earlier as we are thinking differently about the ways that home health can partner with the health plan.

Remember, once a familiar CenterWell Home Health clinician is already in the home of a Humana patient, our team can go above and beyond to address other needs things like helping our patients secure their medications, meet quality metrics, and navigate other care visits. Looking ahead, we are pursuing continued growth in this space. Organically, this includes efforts to protect and grow share, including the addition of new de novo branches to densify markets. We are also launching new ancillary outpatient services to deepen our relationship with customers and leverage our clinical capacity. And finally, we will also broaden our post-acute navigation models. Right now, we offer broad coverage of home health and durable medical equipment, and we are in the process of further expanding our skilled nursing facility navigation to more Humana Health Plan members over time. And in

terms of acquisition, skilled home health is a fragmented space where the top 10 providers represent less than 30% of total market share. This creates an opportunity to pursue strategic acquisition further building upon our proven ability to absorb new acquisitions onto our scaled national platforms.

As I near the end of my comments, I also wanted to emphasize an additional point. While we have focused on each of our care delivery organizations separately to highlight their individual strength and potential, there is an additional unlock when we consider them together as a system capable of serving our seniors like Joanne and helping them to navigate what otherwise feels so fragmented and complex. Remember, Joanne is a Humana Health Plan member who also uses CenterWell Primary Care, Home Health and Pharmacy. The fact that she has come to think of her clinicians across these multiple different areas as a single integrated care team working together to support her health is unique. In a system that can be confusing and bewildering this is rare, and this is a big opportunity for innovation. Thinking differently about care delivery, breaking down silos, and putting the patient at the center of everything that we do to create the kind of care that every senior deserves. Specifically, we are already making inroads in how we can better coordinate and manage care for our joint patients. We're also trying to understand the patient journey both inside and outside CenterWell, so that we can craft specific solutions to address pain points. And we are leveraging our advancing data capabilities across the CenterWell assets to drive more personalized insights for our patients and our clinicians.

And early example of this is our collaborative, value-based home health model for Humana patients who are shared between primary care and home health in Florida and Texas. In this model, we've improved clinical outcomes and reduced home health utilization through consistent real time collaboration between these two teams. Remember, in traditional models, communication between these two teams would be delayed, fragmented or frankly, non-existent. But at CenterWell, our approach ensures regular team meetings and on demand access to physicians to proactively managed care and respond to acute needs.

In other words, what CenterWell is doing is even more powerful when we can do it together. And this approach is already showing better outcomes in experience when using multiple CenterWell assets while also driving value to Humana. In terms of outcomes, patients have lower touch points with hospitals and better manage medical costs. And as we have said multiple times, CenterWell's strong focus on patient experience can even benefit our plan partners as plan members who use CenterWell are more likely to stay with their plan. And importantly, patients using CenterWell create 2 to 4 times greater enterprise margin potential. We plan to strategically advance CenterWell create two to four times greater enterprise margin potential. We plan to strategically advance this effort over time to deliver superior outcomes and experiences for our patients while also unlocking greater value for the enterprise and our shareholders.

I will close with the four key themes. First, CenterWell is comprised of three strong business that together from a leading senior focused chronic care delivery platform. Second, we deliver differentiated capabilities and improve patient outcomes for health plans including Humana. Third, we will continue investing in growth. Our margin profiles and the market opportunity makes CenterWell a key target for continued capital deployment. We have a strong track record of balancing rapid growth with operational execution to create a scalable platform for senior care. And finally, and as we look beyond the near term horizon, there continues to be embedded incremental earnings potential as we grow and mature. This will make CenterWell even more important over time in creating value.

So to close, I want to express my gratitude to the many teammates who work every single day to show up for our patients. Together, we are dedicated to transforming healthcare for seniors. And now I will hand it over to Celeste Mellet, our Chief Financial Officer, who will speak to our operating performance and how you can track our progress. Thank you.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

I don't like chili, actually, so. I'm Celeste Mellet. I really appreciate you guys coming here. I know it's a long way, and the flights are very inconvenient. We timed the 2:00 PM start so people from New York can fly out this morning on the 9:30. I've done it a lot so. You know, our team has done a lot of great work. And I'm here to bring it together to talk about the numbers. Unless you want to just get to the end, I can skip that and I'm going to take you through what you can expect from a 2028 perspective, but a trajectory perspective as well. And first, I'm going to start on the operating leverage we expect to create. But I first want to say that for us to be successful financially, we need to do the right thing for our members and our patients and partner with our providers while making this a great place to work. If we do this with financial discipline, our results will come.

So key messages I want you to take away regarding operating leverage. We're focused on transforming the organization. We need to change the way we operate to enable scalable growth and drive enhanced operating leverage coming into this organization with a fresh set of eyes, I see a significant opportunity to transform the way we work and embrace certain best in class corporate practices, which will allow us not only to drive better operating leverage, but better operating performance. Near-term progress will be driven mostly by tactical cost programs, but mid to long term progress will be driven by transformative opportunities.

Second, this work will reduce existing costs, offset inflation, and allow for incremental investments necessary for growth, but will not reduce expenses on an absolute basis due largely to dynamics related to the CenterWell JV – CenterWell, PCO JV cohorts as well as other investments. As a reminder, there are approximately 100 clinics and four cohorts that can be put or called in the next several years that have an expense base of over \$1 billion.

So between now and 2028, we expect to see for these four cohorts be incorporated into our financial results. Overall, when you normalize for the consolidation of the CenterWell JV cohorts, we expect to drive significant operating leverage over the next three years. Getting into more detail on our expense efforts. Our plan to drive operating leverage is multifaceted. Importantly, our plans aren't hypothetical, and we have multi-year, actionable plans on which we are executing. More specifically, we expect to grow operating expenses at less than half the rate of revenue through 2028, excluding the impact of the primary care JV cohort consolidations I mentioned.

Let me walk you through a few examples of how we'll get there. Starting with our tactical opportunities from a third party expense perspective, we are consolidating our supplier base, increasing volume discounts and improving supplier relationships. We're partnering with suppliers to leverage innovation, improve productivity and increase or improve payment terms for us, which also helps our working capital. And we're optimizing internal expense policies for things such as travel and entertainment, cell phones and other practices. And we're moving away from inconsistent policies across the enterprise and reducing the richness of others to bring us more in line with corporate best practices. From a talent management perspective, we are focused on retaining high performers with a right skills to drive value for the enterprise. There are also significant transformative opportunities that will be begin to evident in our results in 2026 and beyond, including changing and expanding our outsourcing capabilities, standardization and simplification of processes, and leveraging technology to use more automation and create efficiency.

Now let me take you deeper into the outsourcing and tech enablement efforts. As far as outsourcing we have been work move – moving work outside of the company for quite some time. However, we currently have a subscale and fragmented operating model. We believe significant value can be unlocked as we move to a scaled and simplified process for outsourcing. We are rolling our new model out in the following waves.

First, launching RFPs to drastically reduce the number of external partners, which will make our outsource operations more efficient, cohesive and effective and less expensive, like-for-like. Second, we're shifting our operational model to drive scale meaning moving more work outside of the company, though dramatically improving the underlying processes while doing so. And finally, we're simplifying our processes, partnering with our outsource vendors through technology while reducing risk and improving our member provider and patient experiences.

To take you to a level deeper on outsourcing, we expect to a current state – from a current state of multiple dozens of outsourcing partners to less than 10. A very significant change. And turning to tech enablement, I'll highlight a few key areas where we're focused over the next three years. First, we're creating an omni-channel experience. We want to be where the customers want to interact with us and whichever way they prefer. As an example, they might want to interact with us using voice or digital, or they may want to start in one and move to the other. And we want to create a seamless environment consistent with best-in-class consumer companies where they can make that pivot. Second, simplification, we will leverage technology to simplify and automate processes, reducing the time it takes to create a process while providing a better experience for members, patients, providers and associates. Finally, Agentic AI. We're creating an Agentic AI platform that allow us to move at speed and apply responsible AI to automate and personalize at scale.

We believe there's a significant opportunity to drive value through tech-enablement efforts over the next several years. A few examples where we're seeing this come to life. First, evolving prior auths. As Lisa and George have mentioned prior auths are an important tool, but we want to improve the process to make it easier for providers and members. There are several pilots underway with results expected this year but we expect to make it faster and more consistent for providers to get decisions and get initial results to the members. The initiatives include advancing interoperability, as Lisa spoke of, and as well as overall connectivity with providers, reducing decision turnaround time, and improving the time to clear care delivery. Importantly, however, a human will always ultimately make the final decision regarding care.

Another example is deploying technology in our primary care centers, such as ambient listening to assist with charting, which increases clinician productivity and is just one example of the V28 mitigation that Renee spoke of. And those were just a few of the many initiatives we have underway. All in, we expect to drive 150 to 180 basis points of operating leverage through 2028, again, when normalizing for the consolidation of those CenterWell JV cohorts, we anticipate that greater than half of this will be driven by the various tactical and transformative initiatives that I mentioned with the balance driven by revenue growth. There's significant opportunity here, and I'm excited to work with the team to execute on these initiatives, creating a more efficient organization and creating capacity for our team members to focus on more high value work that will benefit our members and patients and ultimately drive shareholder value. And now I'm going to take you through how everything the team has discussed today brings us to improve growth and profitability.

The bulk of my discussion will focus on 2028 for a number of reasons including first, by that time, we expect to see significant benefits from the transformative work that I mentioned. And second given the uncertainty surrounding 2026 and 2027 Stars, 2028 represents a first clean year. And I want you to walk away with the following messages. We expect to drive significant earnings growth by 2028, driven by things within our control. Excluding Stars, we expect to make earnings progress in 2026 and again in 2027 compared to 2025. And we will provide you with the key metrics to track our progress. And as discussed in our recent earnings calls, we're also ensuring that every dollar of the balance sheet drives value with our near-term balance sheet efficiency efforts and mid and longer term capital allocation plans focused on maximizing shareholder value over the short, medium and long term.

Before walking you through the numbers, I want to discuss a few key assumptions in our financial plan that you should keep in mind. At a high level, you should think of our estimates for those things that we cannot control, such as regulatory actions as conservative, and our assumptions around things we can control as balanced. A few assumptions I would like to highlight. First, consistent with the Stars results disclosed last year, we're assuming that approximately 25% of our members are in four-plus Star plans for 2026. For 2027, as Jim and the team have shared while we continue to feel good about the operational progress we have made, we do not know the industry cut points and so we are not assuming material improvement for planning purposes. [ph] Through (02:18:08) 2028, we assume top quartile performance.

We will continue to drive towards industry leading Stars performance but do not believe it is prudent to assume that we have over 95% of our members in four Star plans annually. Thus, the financial benefit in our 2028 – in the 2028 numbers we'll share with you is less than what is in our 2025 guidance and affects individual and group MA as well as the CenterWell PCO clinics. This will allow us to not be over indexed to any one metric to deliver consistent results. We don't have control over this or any administration's policy decisions, but we are confident in our ability to deliver better Stars results, better relative to our peers.

Second, from an individual MA perspective, we have made relatively conservative member growth assumptions compared to market growth assumptions over the covered period and intend to focus on driving growth through margin improvement [ph] or (02:19:10) plugging George's leaky bucket, and attracting profitable members at a measured pace. Our focus will be on lifetime value and profitability and not on absolute member growth.

This is the money page where, as you can see, we share values related to the levers discussed throughout the day. Starting from the left, I think the left, your left, our 2025 guidance, which, as you know, translates to approximately \$16.25 of EPS and includes over 95% of members in 4-plus Star plans. Moving to the right, the first in a very significant opportunity is our individual Medicare Advantage earnings growth at \$1 billion to \$1.4 billion, including the benefits from clinical excellence and member growth that Lisa and George discussed. This number does not reflect the benefit of operating leverage, and because of our conservative 2028 stars assumption, is net of the lower stars revenue compared to what is in our 2025 guidance.

Moving to the right again is the contribution from our growth businesses, CenterWell and Medicaid, reflecting their moves through the J-curve. This also includes the consolidation of the JV cohorts that I mentioned, which adds a marginal amount of earnings as we expect them to come on balance sheet at around breakeven. The numbers here also do not include operating leverage. Further to the right, there is significant upside in our other insurance businesses, including Group MA as we re-contract and improve the underlying performance of that business. Again, the number does not reflect the operating leverage, and because of our prudent 2028 stars assumption, is net of the reduced stars revenue there. Then there is the enterprise operating leverage opportunity I just went through in detail, which, as you could see, is expected to drive significant earnings growth over the next few years.

As Jim shared at the start of the day, the combined impact of these four factors is greater than the impact of the stars revenue headwind we have for 2028, particularly when you consider the fact that we are no longer going to manage the business assuming we were – we return to the 95-plus percent 4-star level that we have in 2025. Finally to the far right, you will see the ending 2028 earnings power that is significantly higher than where we sit today. I'll let you do the math and make your assumptions based on what we told you. But I think you'll find an outlook with significant upside grounded in things that are within our control.

As Jim touched on at the start of the presentation, we want you to be able to track our progress as we execute on our plan. We will not provide these metrics each quarter, but rather periodically on a cadence that makes the

updates meaningful. Some of these updates, like member retention improvement, we'll provide on an annual basis after the annual enrollment period, which when we believe it is most meaningful to you. Further, we continue to target a 3-plus percent individual MA margin, as we believe this is what is necessary given the risk and capital required for this business. We will provide color commentary regarding where we sit relative to this target, and four of the metrics on this page will support the improvement in this metric, including, one, clinical excellence, two, member growth, three, stars, and four, of course, operating leverage.

And let me walk you through the metrics in more detail. First, individual MA underwriting improvement. This is calculated as premiums less benefit expense and is expected to grow at a 6% to 8% CAGR between now and 2028. This change will be driven by the great work that George and Lisa called out, including clinical excellence, member retention and accurate member diagnosis. As we called out for planning, we assume a stars headwind in 2026 and 2027. So, as we provide updates, we will normalize those out for you. And 2028, again, assumes that top quartile stars results of about 15% to 20% PMPM below the revenue levels associated with the industry leading 95-plus percent stars results in 2025. As a result, the 6% to 8% will be even higher if we outperform the top quartile stars assumption for 2028.

Moving to member retention. As George shared, we are focused on improving our retention or plugging the leaky bucket. The team is executing on a strategy to improve the end-to-end customer experience, increase customer satisfaction and reduce member churn. We expect this will result in a 350 to 450 basis point improvement in retention, which will translate to a 25 to 35 basis point improvement in our individual MA margin as an embed – and is embedded in our 3-plus percent target. By reducing churn, our margins will be higher because we won't need to spend as much to maintain or grow our membership. Cost less to retain a member than attract a new member. And this will also help shore up our goal of the sustainability of our margin target.

Back to stars. As I mentioned earlier, our goal is to achieve top quartile stars results, which we define as stars revenue PMPM at 10% above the peer group median. What is really important here is that this is the same target that is in our incentive compensation plan for VPs and above or how we get paid. This is to create alignment across the organization with our shareholders. I won't go through it again here in detail. But as I said before, we continue to strive for industry leading stars performance. But we'll manage the company on a top quartile basis so we're not overly indexed to any one metrics.

In our Medicaid business, 45% of our revenue is from states in which we have been operating for less than three years, which is driving a pre-tax loss for 2025. Between now and 2028, we expect a 200 to 300 basis point improvement as newer states progress through the J-curve to maturation. As a reminder, we are operating our most mature states in line or better than industry margin benchmarks, so we know how to execute on this. This chart reflects an all-in view of Medicaid, so does include the operating leverage component I called out separately.

As previously discussed, we've also been operating at a loss in our Group MA business due to the industrywide structure of historic multi-year contracts and pricing guarantees. We expect to improve the margin through re-contracting efforts, clinical innovation and operating leverage to improve it by 500 to 700 basis points from now to 2028. Similar to Medicaid, this is an all-in view of the margin, so does include the operating leverage component. Further, you will notice the margin improvement trajectory is impacted by our assumption of stars pressure in 2026 and 2027 before reaching top quartile in 2028. Absent the stars headwind, we would expect a material improvement in Group MA in 2026.

As Sanjay and Renee discussed earlier, another critical driver for potential upside to enterprise earnings is progressing through the J-curve for our new primary care centers and continuing to expand margin in our existing

wholly owned centers. This chart shows the upside to the wholly owned centers in this business. We expect a 13 to 16% CAGR in average contribution margin for a wholly owned centers on a same store basis as we move towards our target of greater than \$3 million average contribution margin per center.

And back to the money page. You can see here that there are significant opportunity here not only to unlock earnings power, but improve our operating performance and provide a better experience for our members, patients, providers and associates. And we are focused on the things that are in our control and look forward to providing updates to you over the next few years so you could track our journey.

Turning to capital allocation in the balance sheet, having a strong balance sheet is really important to us. And as discussed on our earnings call, I just – I see opportunities to increase the efficiency and strengthen our balance sheet in the near term. This includes making working capital improvements, pursuing the sale of non-core assets, and optimizing our capital requirements. Given our multiyear plan and balance sheet efficiency efforts, we expect debt to cap to remain within rating agency thresholds, even with the expected stars headwinds in 2026 and 2027.

When thinking about the use of cash generated, we will focus on maximizing shareholder value by executing on share buybacks to offset dilution. Growing dividends in line with earnings as earnings recover and, over the longer-term, executing on accretive M&A for which we have a proven track record.

I will now spend a couple of minutes on 2026. I'm not going to give you guidance yet. It's too early. But I will walk you through the key headwinds and tailwinds that will give you a high level framework. First, we have a significant headwind, as you know, with stars. And we are not passing this transitory impact on to members. Let me be clear. We are not passing this transitory impact onto members, because it would be extremely disruptive to our membership base and offset all of our retention efforts.

Importantly, though, there are a number of actions we are taking as we move into 2026 that will serve as partial offsets to the stars headwind. First, when you normalize for stars, we expect to double our individual MA margin, driven by the levers discussed today and our pricing efforts. And this is after doubling the margin in 2025. And we expect significant Group MA improvement, also excluding stars, in 2026 through our re-contracting efforts. We also expect the Medicaid margin to improve, driven by the progression to the J-curve. And in CenterWell Primary Care, we again expect to see margin improvement as newer clinics also progress to the J-curve and we continue to – our v28 mitigation efforts.

Lastly, the operating expense work I discussed with you earlier will substantially reduce the negative operating leverage impact of stars. And while earnings may move backwards year-over-year due to the headwind, we are taking action to significantly offset those.

Finally, before turning it over to Jim, I want to speak about our earnings trajectory over the next three years because we know it's confusing with everything going on with stars. What you see on the screen here is what we would anticipate from an earnings trajectory without a stars headwind going forward. All of the great work team – the team has discussed would lead to a steady and significant earnings growth over the next three years. However, as it stands today, we do have a stars headwind in 2026, and while we continue to feel good about 2027, we believe it is prudent on our planning to assume we do not see a material financial improvement until 2028. Nothing has changed on our view of 2027 stars. My discussion is just focused on what we're using for planning purposes.

This is a critical point, plan does not rely on a stars improvement in 2026 or 2027. If we do see an improvement in 2026 or 2027, we would provide upside to our internal planning. And as I just discussed, we are anticipating that

EPS may take a step back in 2026. But even without a more positive stars outcome for 2027, there will be significant improvement in our underlying results, driven by the continued maturation of the growth and transformative efforts that I walked you through. I'm very excited to be part of this team and lead this incredible organization through a journey of significant value creation while driving better outcomes and a better health care system.

And with that, I will turn it back over to Jim.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

Closing remarks, usually pretty brief, but I'm coming back to one topic. So bear with me for a moment. And it is – I'm going to quickly recap what we've gone through today, and then I'm going to talk a little bit about that item I raised early on, which is why does Humana matter, which is a tie-back to the macro environment that we work in. We have spent a lot of time today trying to focus on the things that we have control over. That has been the orientation. You get back to the macro environment and you're back to a conversation about things you don't have complete control over, but you still need to understand and have a perspective around.

So real quick reminder on the messages. This is senior healthcare services business. That is what we are and are building. Medicare Advantage, this does remain an attractive sector and I'll hit on this again in these macroeconomic comments. So, I'll hold on that for a moment. Our focus is on delivering stable and compelling margin, and I just want to keep emphasizing this. We have – like that is where the business starts. It starts with our ability to deliver a stable and compelling margin in Medicare Advantage. And I say that mostly because I want you to be aware that we're aware of it, like that is why I keep emphasizing it. But I also want to drive home this point that the way for us to do it most effectively is to put more emphasis on the operating drivers of the business and take pressure off of the value proposition that we deliver to members. That is where the unique opportunity is. That is a different way of thinking about where we put our emphasis than where we had put it in the past.

And again, you saw the numbers. There's a lot of numbers and operating leverage over the next few years. But over the middle and long-term, the opportunity is really in that clinical excellence box, that piece of driving operating performance. And when we do that, when we drive operating performance in those areas and it takes pressure off of the value proposition for members, and when I say pressure, what I mean is we have more flexibility around how we think about that value proposition. It will put us in a position to deliver more steady and profitable membership growth. It will just put us in a much better position to deliver value to our members in a way that we retain them and attract new one, new members. But in particular, our ability to retain them. That is the shift in mindset that the team has been going through as we have stepped back and assessed, hey, where are we in light of stars last year and the pressures that the entire sector has been feeling.

And when we drive that kind of growth and we drive the type of profitability that Medicare Advantage can generate, we really feel good about what we are building in CenterWell. If you look at the underlying operating performance and where it's at relative to where we wanted it to be, in things like PCO and home and pharmacy, we like where we're at, we want to do more of that. That is good capital allocation, growing those businesses to a greater degree. And the exact same thing is true of Medicaid, the organic growth that the team has driven in Medicaid. It's hard to see all the benefit of it because of the amount of growth we have and the fact that it takes a couple of years for any new contract to get to break even. It's hard to see it right now, but those businesses are performing and we want to be doing more of that. So that's what we're trying to drive home today.

Now, let me hit this macro environment point for a second. So I get this question a lot. Hey, election coming up or change in the White House or change in CMS or change in Congress, what does it mean? And I've been pretty

consistent in my answer, which is we live in this world that is kind of the classic unstoppable force coming up against the immovable object, like that's the reality of the world we live in. And the unstoppable force is US fiscal pressures. I will not spend a lot of time elaborating on those. I think everybody in this room knows the reality of that very, very well. And you all know that healthcare is a part of that. And so these fiscal pressures do create pressure on Medicare broadly, really on healthcare, broadly on Medicare and on Medicare Advantage, to the degree that policymakers can find ways to reduce the total funding that goes into those arenas, that they would love to do that.

And the immovable object are seniors who vote. Seniors who vote, like this is the reality of it. Seniors have a voice in this country and they like Medicare Advantage. I [ph] think they're just (02:37:34) simple, real facts with data. And so as much as there is all of this pressure that comes from US fiscal pressures, you end up with the political realities of an active voting block on the other side. And so the way that this has played out – well, actually, before I go there, let me just acknowledge, this is where we live. We live right between these two forces. It is where we operate day in and day out. But if you take those two forces and you look at what has happened over the last 15 years, I'm going to go back to this slide that George referenced. You do see not just an average of 3%, but you see an environment where when the margin starts to go below that, benefits start to come down. And when benefits start to come down, the policy environment starts to react again.

So, the margins start going down, usually because something has changed in the funding environment relative to the cost of delivering healthcare, margins start to contract, then benefits start to come down. And when benefits start to come down, the policy environment relaxes a little bit again, margins begin to rebound. But when margins hit a certain point, they don't keep growing larger. The revenue starts flowing back into benefits again, like this is what has happened over and over and over again, flows back into benefits. And then over time, if the benefits get a little too out of hand, you begin to see a pullback again in the policy environment.

Now, this has been a little more dramatic, I would argue, because of COVID. If you really look at what has happened in these last few years, some of that is the cycle, but some of it is we have just had a whole bunch of unusual things because of a once in a century pandemic. And that's spread out over multiple years. But largely, this cycle has played out the way I'm describing, and the data would suggest, that the – there are two other things I would just note on top of that. In this world, the scale players, the scale players have done better than the industry average, and there is no reason to believe that that's not going to continue. That is, again, the economics of the business. The scale players do better than the average. What I would assert is that if you acknowledge this and you plan to out over multiple years, we can mute the up and down that occurs here better than we have, that by planning out multiple years, recognizing that the cycles of reality, their actions that we can take both operationally and in how we think about our value proposition for members, to better manage the movement around the average or the movement around the average for any given player like us. And that's our intent. And so, you go back a year ago in that CEO letter, one of the other things that I put a lot of emphasis on is we can do a better job in multi-year planning. This is an example of that. We can do a better job of recognizing that this is how our industry works, and I can make decisions today, anticipating what's more or less likely to happen two and three years out. And I need to build that into the way that I manage the business. And that's a lot easier if the way that you think about growth is actually oriented around retention, which again, I don't want you to think that we're saying, hey, retention with no view towards attracting new members. Of course, we want to attract new members. But the more growth that we can get out of retention, the more we can manage this fluctuation, the more that we can manage our value proposition and drive a positive cycle in clinical excellence that drives the business, right? Like that's where we're headed.

So, how do we think about all this tension we kind of live with day in and day out? First of all, it ain't going anywhere. I think we all know that. The tension is not going to go anywhere, at least not anytime soon. And as

Americans, I would argue, if we all kind of take our investor hats off and we take our executive hats off, we kind of need this program to work. Like the country actually needs this program to work, Medicare Advantage, because Medicare Advantage has more levers to help manage that tension between the unstoppable – the immovable force and the unstoppable object. Medicare Advantage has more levers to help resolve that tension. And I would argue that this is an opportunity. While it's uncomfortable at times, it's an opportunity, because really, all you're saying is we have a customer. That customer has real needs. In a space where we are going to continue to see dollars flow because they have to. And if we're thoughtful about how we choose to operate in that space, there is opportunity. And I would argue more opportunity for us because we are so focused on this space, because we have the scale that we have, because we have the expertise that we have. But the way that we're going to approach it is we are going to take actions that support building a better Medicare Advantage program. Because long-term shareholder value relies on that Medicare Advantage program working and getting stronger and better every day. And we're going to do this with a focus on what our customers need. Like we act sometimes like there's a tension between what our customers need and economic success. There's just not. Value based care is the perfect example of that. The medical groups through a value-based care that perform the best are the ones who are actively managing healthcare and taking medical costs down. We, as a planet, sometimes, we want to delegate that to medical groups. But if we're not delegating it to a medical group, there's more we can do to manage it ourselves. And that's the attitude that we have to take around clinical excellence. So, we're going to focus on creating value for. That is a consumer oriented healthcare company, and we're not going to leverage the situation for short-term value. When you leverage a situation for short-term value, you run the risk of knocking those two forces off kilter. It just don't make economic sense. That's how we think about the business. And so very practically, because these things have been in the news, how do we think about strengthening Medicare Advantage by putting seniors first, look, risk adjustment and home assessments and prior authorizations have become dirty words. And they should not be dirty words. They shouldn't be dirty words. Risk adjustment [ph] and health in-home (02:45:34) assessments, these are really valuable clinical tools. Use all the data. Our members like home assessments.

Good risk adjustment, which came when we move from Medicare Plus Choice to Medicare Advantage, was designed to eliminate the cherry picking of healthy members, and it worked. We don't do that anymore as an industry. That doesn't happen anymore. And the more that we have gotten our arms around our members' needs, the better the care has been, and we've seen cost manage better. Like these are great clinical tools and we're going to defend them all day long. And if other people want to try to turn them into dirty words, we're going to stand there and argue the other side of that. But we need to do it responsibly. We can be more accountable for follow-up care. There's just – there's no reason that we can't be more accountable for follow-up care.

And prior authorizations, the same way. These are good checks and balance. Most of my career has been on the provider side, I will tell you, even wearing a provider hat on. Prior authorizations are an important check and balance on appropriate care. And then the challenge is there's no reason our patients need to feel it or our members. Like that's just bad process and we need to make the process better. And so once again, we're going to stand there and defend these as important clinical tools all day long, and then we're going to go figure out how to make them better.

And we are uniquely positioned to be able to help drive those things. That is why Humana matters. It is this tension that exists macro economically in our ability to drive solid financial outcomes by helping to manage that tension. And if we do that, we will have a consumer healthcare company. That is where we will be. We will wake up in three, four, five years. I was going to ask, how many people have kids? How many people have kids above the age of 15? A few of you. So if you don't, you will wake up one day and you will have this 15 or 16-year old kid and you'll have this picture from three years ago and you're going to be like, what the hell happened? Because they change remarkably in like three years, remarkably. And you look back and you're like, I have no idea when

that change occurred. But they suddenly went from being a kid to being this young adult. It's like the weirdest thing.

Three years from now, we're going to look back and we're not really going to know how or when or where it happened, but we will be a consumer healthcare company because we're doing constant little changes, practical ones, like getting people to more cardiologists that are top quartile, getting people into ASCs for their surgeries instead of in hospitals. Like these are just very practical, tangible things, and we're going to wake up and on the back end of that, we're going to feel like a consumer healthcare company.

And that does mean clinical excellence and member engagement will put us in a position to deliver more stable benefits for our members and unlock value for taxpayers. And it will result in MA market penetration growing more than it already is and us growing faster than the market. And CenterWell being a material part of this business, CenterWell and primary care and home health, they can be national footprints and they can quadruple the number of members and patients that they're serving. Like those are not crazy numbers when you look out to where this business can be in five, six, seven years. Pharmacy mail order rate can be meaningfully higher than where it is today. We can be a top five MCO in Medicaid and it will reinforce our duals business, but it will also increasingly give us access to a new set of members and patients. And we can be in a position where the cash flow in this business is unlocking the opportunity to invest in other adjacencies that drive this ecosystem, because that's really what it is at the end of the day. It's an ecosystem. And that's really what we're trying to get to at the end of the day. That is what we're trying to get to. And that is this, is a consumer health care company. I would argue there really is not one of these out there right now. Not because they can't be, but because we aren't taking enough lessons from other industries and applying them here. That's really what it is.

So with that, we will go to Q&A. Give us one minute. We're going to pull some chairs up and then we'll get going.

QUESTION AND ANSWER SECTION

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

A

Thanks, guys. They're going to just reorient the stage. It'll take just a second, and then the presenters are going to come back up. As a quick reminder, the other members of the management team are here in the audience as well. A few logistics. For those in the room, Carla and Ashley, which I think most of you know, are going to be moving around the room with mics. So, just raise your hand if you have a question. Once you get the mic, if you can give us your name and your firm, it is hard to see with the light, so I can't identify everybody from up here. For those joining virtually, if you have a question, just drop it in the Q&A function on Zoom and I will be monitoring it. So, I'll let everybody get settled and then we'll go ahead with the first question. Carla is coming down to A. J. Yeah. Hey, A. J.

A. J. Rice

Analyst, UBS Securities LLC

Q

Thanks and thanks for all information. I guess just a couple of things. I know once we get you past this meeting, it'll be hard to talk about material things. And so [ph] last ask (02:51:52) us to do the math. So very quick, back of the envelope math, when you get to 2028, it looks like you're talking about something in the \$38 to \$42 range. Is that's – are we heading the wrong side of the barn there?

And then two sub-questions there. From the MA, of the Stars improvement and the impact on operation excellence, you've got 1,100 to 1,400 basis points of improvement, I think, built in there. Can you give us some flavor for how much – because in 2028, your Stars, you're assuming they'll be in the top quartile. How much is that and how much is other things?

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

So to hit on your first question, I'll let you do the math. But the reason we gave you the levers we gave you is so that there's a lot of things can happen over the next few years. And we want you to say, well, I know they said this was this and I think they're doing a little better. I think they're doing a little worse, based on our updates, we may tell you, and you can adjust as we go. Rather than just giving like a number with a lot of opacity, you understand what's in our numbers and then how we're tracking to it. So, we did our own math. It's not that difficult to come up with it.

The number that you're talking about, I think you were talking about \$1.1 billion to \$1.4 billion, not basis points, [indiscernible] (02:53:23).

A. J. Rice

Analyst, UBS Securities LLC

Q

Okay.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

Yeah.

A. J. Rice

Analyst, UBS Securities LLC

Q

Let's go back to this one.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

Yeah. It's \$1 billion to \$1.4 billion.

A. J. Rice

Analyst, UBS Securities LLC

Q

Okay, okay.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

Yeah, yeah. And that reflects, and then the impact – the net lower revenue of Stars in the top quartile. And so if you want to think about it, it's hard to do like on an absolute basis because we have some member growth in there. But to think about it on a PMPM basis and you can think about this also for group, it's about 15% to 20% lower on a PMPM basis in 2028 versus 2025. We also have an impact in PCO. It's less than \$100 million, but we're absorbing that in the plan in those numbers. Does that answer your question?

A. J. Rice

Analyst, UBS Securities LLC

Q

Yeah. When you talk about top quartile, what – where are you? What is the quartile look like in your mind?

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

Lisa, do you want to talk about the quartile?

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

Well, I think it's actually – it's the metric.

A. J. Rice

Analyst, UBS Securities LLC

Q

Yeah.

[indiscernible] (02:54:19)

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

Oh. Sorry. Yeah.

A. J. Rice

Analyst, UBS Securities LLC

Q

Yeah.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

I thought your meant whose in the quartile. Yeah, the – it's 10% above the peer group median, whoever that is at the time.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

Yeah. So, we list – it's actually in the slides. I'm not going to recall off...

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

Yeah.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

...the top of my head, but we list specifically who's in the peer group, and then it is in – the top quartile is the equivalent of being 10% better than the mean.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

Yeah.

A

A. J. Rice

Analyst, UBS Securities LLC

And they're current – those peers current Stars...

Q

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

Well, our assumption in 2028, which is lower. So...

A

A. J. Rice

Analyst, UBS Securities LLC

Okay.

Q

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

And to be clear, it's Stars revenue PMPM, so it's not just four-plus members and four-plus Stars, and the peer group is United, CVS, Elevance, Centene and Cigna or HCSC. Go ahead, Ashley, there. You can give it to Michael or – and either one, yeah.

A

Please go for it.

A

Andrew Mok

Analyst, Barclays Capital, Inc.

Hi. Andrew Mok from Barclays. You talked a lot about the Stars momentum for bonus year 2028 performance but omitted bonus year 2027 from the conversation. I think there are a couple of high-weight Star metrics whose measurement period extended into the first half of this year. So, can you comment on the progress you made on those measurements for this year? Thanks.

Q

Lisa Stephens

Chief Operating Officer-Insurance, Humana Inc.

Yeah. I would say we are confident in our metrics. They are aligning with our projections. While I – we don't know the final cut points for CMS, but we are pleased with our results.

A

Andrew Mok

Analyst, Barclays Capital, Inc.

Are you able to quantify progress made even in relation to just yourself benchmarked against yourself, even if not against peers?

Q

Lisa Stephens

Chief Operating Officer-Insurance, Humana Inc.

A

I would say benchmarked against ourself. We are doing better than we have year-over-year.

Andrew Mok

Analyst, Barclays Capital, Inc.

Q

Great. And maybe just on the offset side of things, in the past, you've called out the possibility to cross-sell the group plan inside contract H5216. Are you able to offer anything more concrete as part of the mitigation plan outside of just saying that that's a possibility? And relatedly on the group MA recontracting opportunity in 2026, what percentage of group MA members are up for renewal and what sort of margin are you pricing for on those contracts? Thanks.

Lisa Stephens

Chief Operating Officer-Insurance, Humana Inc.

A

I'll start, and then George, you can finish. For our group, for our diversification for Stars, that will be a multi-year strategy.

George Renaudin II

President-Insurance, Humana Inc.

A

Yeah. We're seeing – we are – remember, the way that the group product works is, for example, members renewing in January. We have to make a decision about what contract we're putting them on in the fall. So, we still have an opportunity to do so. But what we're seeing right now, using the Alabama example, we are selling new groups and we're selling those new groups onto a four-star contract. And so, Alabama is a great example that it's 80,000 to 100,000 members that we've sold that will be coming on. And so as you think about that renewal cycle, it's both an example of as groups come up for renewal, who we move to the four-star, as well as new groups that we're selling, we're slightly ahead of our sales goals for this year, for what we're selling for future years, and we're also seeing pretty significant renewal activity. Some of our very largest group plans have just recently said that they'll be renewing with us and not going out to recontract. And so when you combine all those things together with the fact that we have, until the fall, decide exactly which plan will move, it's hard for me to say right now what we will do. We are, though, seeing growth on the four-star plan and we'll continue to see growth there, both from current plans renewing and new plans coming in.

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

A

Okay, next. Hi.

Michael Ha

Analyst, Robert W. Baird & Co., Inc.

Q

Hi. Thank you. Michael on from Baird. So, congrats on the presentation. A lot of exciting tailwinds, including the path to, I think, the best OpEx percentage in history. But I'm curious to hear your thoughts on what are your few of the potential headwinds [oh] or in (02:58:24) factors that weigh most heavily in your minds when it comes to your 2028 targets? One specific headwind I was thinking about or contemplating, with a lot of value-based care providers facing a lot of headwinds with v28 and given your book is – has a large part that's global cap, if they were to begin sort of pulling back for [indiscernible] (02:58:44) shifting the partial or moving to [ph] non-captive (02:58:45) arrangements and that risk then flows back onto your insurance side, is that a headwind contemplated in your 2028 guidance? How should we think about it?

George Renaudin II

President-Insurance, Humana Inc.

A

I'll start and then if someone else wants to add. I mean, first of all, I think I counted two or three ifs in your question. So, it's speculation on top of speculation. And so, it's really hard to answer that. But what we see within our own book of business, of value-based providers, are they – there's a substantial number of them are high performing that are still doing well. They may not be doing quite as well as they're doing in the past, but they're still doing well. Certainly, there are others who have pressure, and we are talking with our large – the larger ones of those every single day, many of them have a lot of confidence in their ability to continue to deliver. The others also believe that they have strategies that they will be capitalizing on over the next couple years. Just as we talk about this being a reset for us and a focus on what we have to do to improve going forward in the transformed way, I can tell you, many of our value-based providers will as well.

But one of the – I'll go to one of the things Dr. Shetty said in his commentary. We do see our better value-based performers doing well, maybe not as well as they did in the past. They are also picking up some of those underperforming, as is CenterWell. Dr. Shetty and Renee both mentioned groups that recently have been acquired by CenterWell. So there's an opportunity, if you think about in those terms, for the well-performing value-based partners such as CenterWell to grow in the face of some of those headwinds for the lower performing provider groups that may not pick up the need.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

And actually if I can, I want to go back to the first half of your question, which is generally how do we think about the headwinds that are in front of us and what kind of gives us pause? So if you had asked me that question back in call it September, October of last year, my answer would have been, we do not have clarity around an operating plan. And we knew we were making some changes to the team and we didn't have clarity on who exactly the team was going to be. You fast-forward to today, we've got real plans and those plans at this point are reasonably detailed, looking out over the course of a couple of years and we have the team in their seats and we are working well together and actually enjoying working well together. And so a lot of those concerns are actually pretty limited. Again, I'm going to go back to the stuff that we have control over, I feel way, way, way better than I did nine months ago.

The stuff that I think gives all of us some degree of heartburn is just the stuff that's out of your control. And that's kind of the macroeconomic environment that we work in. And the biggest challenge with that is that while the environment in total is very likely to land in a reasonably balanced place, the details underneath that are complicated. And so you can't bake every single contingency for every single thing at a line item level into a plan. What you can do is you can step back and say, hey, I'm going to take a pretty cautious approach to my assumptions broadly about that environment, and I'm going to build contingency plans around the things that are the biggest and the most likely and the one that you're talking about. Look, we do have contingency plans. We do think about what's going on with our value based care providers for a lot of reasons, not just the immediate economic impact, but because they're important partners of ours. We need them to succeed over time.

And so that is something that we're very actively working on and building plans around it.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

We do have explicit headwinds baked into our plan on related to providers and just the challenges they're seeing in various ways.

Michael Ha

Analyst, Robert W. Baird & Co., Inc.

Thank you.

Q

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

Yes. Yeah, Ann.

A

Ann Hynes

Analyst, Mizuho Securities USA LLC

Hi. Thanks. Ann Hynes with Mizuho Securities. Since we're in a public setting, do you have any commentary on current trends, maybe reiterating 2025 guidance, just given the volatility in the market with some of your peers? And then secondly, I mean previous management team always had a long-term EPS growth target of 10% to 12%, I believe. Is that something you expect can be the case after 2028? Thanks.

Q

George Renaudin II

President-Insurance, Humana Inc.

Do you want to start on the growth [indiscernible] (03:03:46) I'll talk about trend.

A

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

Yeah. I can talk about the guidance, do you want to talk about trend then I'll talk about guidance.

A

George Renaudin II

President-Insurance, Humana Inc.

Okay. That's great. I'll start then, fine. So, a lot of what we're seeing today, honestly, we feel like we started discussing 18 months ago, we mentioned 18 months ago some higher trends that we were experiencing. We mentioned that the v28 pressure is somewhat higher for us than what was seen in the initial CMS guidance and we've seen a lot of that develop as we were expecting as we went through the rest of the year. As we began this year, we budgeted and provided guidance that anticipated those trends continuing. We talked about that a few times in various earnings calls. What we expected, for example, in inpatient, what we saw play out was that in the first quarter of 2025, we saw heightened flu season that was a direct result of a slower season picking up at the end of 2024, and we projected that and had that in our guidance.

A

And right now, what we're seeing are trends that are in line with what we anticipated, trends that are in line with what we guided to. And we feel good about where we are. We are seeing things develop the way that we projected and they're in our guidance.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

And as it relates to guidance, we said on the last earnings call, we would update on the second quarter earnings call. We feel really good about where we are. We wanted to just get through the end of the quarter and see all the data come in, but we plan to update our guidance at that point. As it relates to beyond 2028 in terms of the growth rate, we only talked to you about three years of our plans. We actually have the plan goes well beyond that. The growth, at least for a couple of years beyond 2028 is well above that 10 to 12. And then we do expect to generate through some of the things Jim talked about, double digit earnings growth beyond that.

A

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

[indiscernible] (03:05:50) Go ahead.

A

Jason Cassorla

Analyst, Guggenheim Securities LLC

Thanks. Jason Cassorla from Guggenheim. I just wanted to ask a quick follow-up on the trend argument. Can you give us a sense of what you're expecting for 2026, 2027, 2028 in terms of medical cost trend that's underpinning your expectations and how your clinical excellence and all the programs you talked about today may try to tamp that down? And then a quick follow-up. Just on the PCP side of the fence, I think you said you chose not to initiate the first cohort of the Welsh, Carson purchase. You talked about \$1 billion OpEx associated with that. Can you just give us just a little bit more detail around kind of Welsh, Carson JV, how many more centers are coming online, so on and so forth.

Q

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

So why don't I take – we have embedded in our plan continued higher trend, consistent with what we've been talking to you about over the next few years. So it is partially or is offset by the clinical excellence that we talked about. As it relates to the Welsh, Carson cohort. As Renee said, we are not calling the 2025 cohort. There are very specific structural reasons that make it advantageous financially. It's not an operational thing for us to wait – related to cost to wait and funding costs and things like that. But that would be – if we don't call it in 2025 or 2026, [indiscernible] (03:07:16) put to us in 2027. So we assume that we call the rest for now in our plan, and that's what's in the \$1 billion plus of expenses that's discussed. So we have four cohorts coming on in the planned period with the last towards the end of 2028, just given the timing of the call periods.

A

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

And to clarify on the trend, because we and I think what you're saying, there's no moderation in the trend. This year we said, mid-single digit kind of normalized trend on top of the base...

A

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

On top of the drug cost trend...

A

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

Yeah, the drug cost is higher. We said low double-digit. And so it would be that expectation that would continue, yeah.

A

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

That's right.

A

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

I think [ph] Justin's (03:07:58) got a mic and then there's several in the front, too, but yeah Yeah.

A

Q

Thanks. Just first, a quick numbers question for Celeste. You talked about Medicare Advantage margins being up 1% year-over-year.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

I did not say 1% [indiscernible] (03:08:13)

A

Q

...or doubling, I'm sorry.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

[indiscernible] (03:08:15)

A

Q

I think you've probably said 1%, give or take because of the individual margin, is that ballpark?

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

Oh, I had said that yeah. Give or take, yeah.

A

Q

Okay. So does that include does that include operating cost leverage in there or is operating cost leverage above and beyond that?

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

So in this year, we have some, it's not significant. It's in the later years that it becomes more significant.

A

Q

2026, it's not that significant, [ph] more on later (03:08:40).

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

No, no, no. So you're taking 2026...

A

Q

I'm saying for 2026.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

...around 1% or so [ph] is 2025 (03:08:47).

A

Q

Right? Then that doubles.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

Right.

A

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

Which is inclusive of operating leverage.

A

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

Yes, that's right.

A

Q

And that includes...

[indiscernible] (03:08:53)

Q

I'm sorry I stumbled through that. And then you said, Celeste, in your prepared remarks that earnings maybe down year-over-year. Does that mean that you think they could be flat? There's a potential within the plan for them to be flat?

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

At this point, we would expect them to take a step back. But it's very early in the year. And depending on how 2025 progresses and our performance, it could drive those member numbers higher, which is one of the reasons we're not giving you guidance right now depending on how the year turns out. The number could be better than what we expect today, and we have learned that over time that when you give a snapshot as of today, it's not really foundational given medical trends and everything else. So we know where we are today, but as we said, we feel good about 2025.

A

Q

Okay. And then just a quick question on bid strategy. Given the pressure your peers are seeing out there for 2026, I just wanted to understand how you thought about bids for next year. In terms of benefit reductions, it seems like it is an opportune time to maybe kick start this margin improvement with some more conservative assumptions on benefits. George, you said yourself that, when times were good, seniors saw a lot of that benefit. Right. When times are tougher now and we see trend as crazy as it is, isn't it? Doesn't it make sense to cut benefits a bit, especially if your peers are like they're going to do so?

George Renaudin II

President-Insurance, Humana Inc.

A

Yeah, [ph] Justin (03:10:27) I think that, when you think about our bid strategy, what we've done the last few years, I don't think anyone should question our desire to return better margins year-over-year and what we're doing. We were essentially the only major plan that reduced benefits in 2024. We substantially reduced benefits in 2025, and we continue to have a bid strategy in 2026 that's aimed at margin recovery and stability of our membership.

When you think about that in the context of where the industry has been for the last few years and where they are in 2025, what I would tell you is a little bit of what you heard Jim say in his commentary and Celeste as well, and that is that we already have a pretty significant gap to the competitors in a lot of our bids. We see, we believe that a lot of the industry will be coming back to where we are. We are not looking to invest and put the gas on benefits to grow. We're looking for a significant margin recovery year-over-year, excluding the Stars impact. And so we believe that we're well positioned with what we've decided in 2026, knowing where the industry is today and the gap we have to most of the interim benefits.

Q

And George, you said margin stability or I should say membership stability. Are you talking about – a lot of people, I think, read the word stability when you said it previously as benefits stability. Are you talking about benefits or are you talking about membership being kind of flat and stable?

George Renaudin II

President-Insurance, Humana Inc.

A

Both. Both. The fact that we will have stable benefits will lead to more stability in membership, which will improve our margin profile. As I said, we are not looking to put the gas on benefits and growth. If we get more membership based upon our pricing of our product this year, we feel very good that that's going to lead to incremental margin improvement.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

To be clear though, that is on average, there are some plans we are taking benefits from. There are some plans we add benefits from. We look across the market, we know where we sit in each market relative to our peers. We're not looking at a [indiscernible] (03:12:33) we look literally – in Louisiana, we look at Louisiana, we look at the [ph] MACs (03:12:40) out of Louisiana. So, we know what our competitive position is. We are aware of the concerns. We want to make sure we appropriately price the risk of the benefits that we provide. And we're very focused on that.

Erin Wilson Wright

Analyst, Morgan Stanley & Co. LLC



Sorry, you got Erin Wright, Morgan Stanley. So I want to go back to v28 and value based care and you seem to be navigating a little – sorry, I'm right here – navigating a little bit better than maybe others in the market. I guess, can you describe a little bit more kind of what you're seeing across the landscape? I mean, you talked about some of the v28 mitigation efforts, but taking a step back post v28, do you think that anything has changed in terms of how you're thinking about the strategic vision around value-based care? Like, is it only going to work in certain geographies? Is it only going to work for certain assets that can really be integrated or how are you rethinking things or not at all kind of post v28?

Renee Jacqueline Buckingham

President - CenterWell Primary Care, Humana Inc.



Yeah. We really decided to take a step back and really think about transformational change versus incremental change in order to make sure that we were building a long-term sustainable, viable primary care business. And that meant that we needed to think about operational processes, clinical improvements in driving better clinical outcome, which ultimately then results in better medical trend. And so everything that we've been doing for the last three years has been in anticipation of what we thought the short-term impact of v28 was, but really focused on the long-term sustainable impact that we could have to ensure that we had a viable business that was focused on delivering the right clinical outcomes at the right level of care for our patients.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.



Hey, Renee, you may be going where I was going to go. So v28 was a big impact. I think we've all acknowledged that. Why do you feel like we were able to respond the way we did?

Renee Jacqueline Buckingham

President - CenterWell Primary Care, Humana Inc.



Yeah. I mean, I think we have the benefit of being not only a primary care organization, but a primary care organization rooted in the fundamentals of a health plan that deeply understood the changes. And I think as a result of that, we had better analytics, we had better data, and we had a number of resources that we could tap into. And we started immediately. We didn't wait to see what would happen. And we decided we would continue to course-correct as the implementation occurred and as we gained more capability and we gained more understanding.

Sanjay K. Shetty

President - CenterWell, Humana Inc.



And if I could just add to that, I think it's really important, and Renee is going to be somewhat humble about it because they've done a lot of amazing work. So I'll brag about them for just a second. When this was announced, we really went ahead and sort of figured out what was the impact going to be. And it was a very material headwind that we knew we would not be able to overcome in the span of one year. So we set ourselves up for a three year trajectory knowing that we would be able to overcome v28 by 2026. That's what we've guided to in the past. We are still very much on that trajectory. And Renee, showing that slide, showing that the J curve hasn't shifted before and after is a reflection of that sort of fulsome approach, as she mentioned, clinical care and operational.

The other important part about what's different about PCO, Primary Care Organization, relative to maybe others that you're seeing out there, is we really have taken advantage of our scale to create a single platform across the

country. That has allowed us to standardize process. It has allowed us to roll out these initiatives at scale and also allows us sort of think ahead. As we look at sort of the next thing that's coming down the pike, we know we're going to be on the hook for one transformation, now 330 transformations across each of our clinics. I think that's something that's really set this apart to sort of enable this success.

I think we've also seen that in as an example in our pattern of acquisitions as we've added more clinics onto our platform, we don't wait. We pretty quickly pull them on to the common platform. We don't extend our [ph] transition (03:17:08) services. We don't sort of allow things to run as they always did, because we know the secret sauce is on pulling it back into our core primary care chassis and that's what we've done with the acquisitions. Why we're seeing them sort of jump right on to the J curve and kind of progress as we would expect them to. So, I think that's what's setting us up for success.

I would say big picture, we're not alone. There are others out there who are also navigating this ecosystem reasonably well, and there are peers in this industry. So, that's why I think overall we're quite bullish on the future of value-based care. I don't think this is limited to a certain geography or a certain patient type. This is just a different way of thinking about it that's required us to pivot towards really focusing on clinical excellence and operational efficiency.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

Hey, I am just going to double down on the comment that Sanjay just made there. Part of my history is working in primary care, value-based care, and working in an organization that was cobbled together through lots of acquisitions that were not integrated. And the work that I and my team at the time were doing there was trying to drive that integration. And when you get to a certain size, it gets really hard to go back and drive a consistency of operating procedures and capability. You can do it, but it's hard. The team honestly deserves a lot of credit for having tackled that very early on when the organization was a size where you could do it and then being disciplined about driving everybody that common set of operating procedures.

You are much more nimble in that situation. If another regulatory change comes, our ability to adjust to it is just better than a lot of other organizations like this that are out there. And it's a credit to the team and how they approached it from the get-go.

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

A

[indiscernible] (03:19:01) go ahead and then I'll take a question online before going to the next in the room. Yeah.

Q

Great. Could you talk a little bit about the various priorities you've got in your strategy? And so it's the growth and turnaround in your Individual MA business, Medicaid, what are you going to do with the CenterWell assets and then Group MA and other areas. Like how are you putting in place either different management processes, how are you supplementing or changing talent within the organization so that you can both be successful in some of the core areas, as well as add in all these other places you're trying to be successful? And then how dynamic is your management process at the top going to be as you react to what your level of performance is going to be there?

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

Let me start and then you guys can jump in. All right. So let me hit talent then I hit process. Those are the two things I feel like I heard in there. So on talent, we have been pretty intentional about trying to blend a lot of deep, deep expertise that exists in this organization that knows Medicare Advantage through and through with new talent that is coming, in many cases, from outside healthcare, who are bringing a different set of perspectives and applying it to this environment.

And so, everything from what David is bringing from a combination of consumer products and financial services around how you really think about consumer engagement and really driving a different way of thinking what Japan is bringing from financial services around how you think about IT, infrastructure, both managing tech debt as well as getting out in front around AI and digital innovation with the things that people like George and Lisa know. And so, I think we're actually kind of – I think we're mostly having fun because we actually are bringing different ideas and pushing on each other on whether – what's the right way to think? Should we be leaning into how we used to do it or should we be trying something new here? And it ends up being a little bit of both.

So, I actually feel really good about where that kind of team composition is at right now. And I think you should expect that over time, as other positions deeper in the organization open up, we're going to be taking that same attitude. We need to protect the best of the knowledge and expertise that we have. And we need to augment it some and that's where we're at. Do you – I'm going to hit process, but why don't you go ahead?

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

I want to talk.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

Yes. Okay. So, hey, on process. In the simplest way, the biggest changes are really in the G&A work and the clinical excellence work. A lot of those other changes are easier to implement. Like, yeah, you got to go do something different, but they're easier to implement. We actually have a program management office that for the biggest changes that are more outside of the way that we've done things in the past, they are either helping augmenting where that augmentation is necessary or they're just tracking to make sure that we are doing the things that we said we would go do, if it's simpler. And so, they're not deeply involved in everything. They're deeply involved in select things that involve the kind of greatest amount of change. But they're helping – they're putting the dashboarding in place. They are helping with the tracking. They're helping to escalate issues. So, they're helping in other areas to make sure that we're on track. And that's probably the newest thing from the management process, I would say, is kind of how we're using that program management office. Yeah.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

Yeah. So, I started in January. We're all having fun, except we had to – Jim made us do this today, right? [ph] But it is kind of fun (03:23:07). I've been really struck by – so I'm – healthcare is new to me. I come from financial services. How much transparency there is across the management team on the major opportunities and challenges that we're facing. So we spend a lot of time together on Mondays, in particular, where we have our regular [ph] way (03:23:32) huddle, but then we hear from leaders within our – the organizations about something [indiscernible] (03:23:37) risk on stars, on outsourcing, on financial results.

So, it's – as a new person, it's often very hard to understand all the good and bad, all the marketing. But it's been very, very easy to get up to speed and really understand sort of what to worry about and what to be excited about. And we also, because we spent a lot of time together, are at a point very quickly, even with Michelle, Japan and I all started within a few weeks of each other. David started last year. Like we're already challenging each other pretty directly in a very respectful way. And Jim asks to be challenged all the time, too. It's like, tell me when I'm wrong. So it creates a really good environment to question in a really respectful way. There are reasons we've – we did the way things the way we did them. We have to understand those. But like, what should we change and why? We don't need to change everything. Understand why we did it and what we're going to change.

So, it's – there – when I first saw the [ph] long waitings (03:24:41) on Monday, I was like, man, that's a lot of time. Like, it's going to be a way – it's a very, very engaging and impactful for us and as a team to actually solve problems together even though I didn't know any of these guys except for Jim before my – right even the – really, before the end...

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

[indiscernible] (03:25:00) well. Yes.

A

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

...of the process. Yeah.

A

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

And that's...

A

Sanjay K. Shetty

President-CenterWell, Humana Inc.

And one more thing, Jim, just – I think it's really important. I think the way you laid it out is perfectly logical given how we talk about it business by business by business. But I think, hopefully, you got the sense of as each of us spoke is how interrelated all of this really is and how much of what we're doing is so complementary, right? So, as we think about stars at CenterWell, we obviously want to perform – support stars performance in the PCO, but a number of the initiatives that we're doing are intended to be much broader, right? So, the Virtual First primary care model, the adding of additional home health services on to the home health chassis are all things that absolutely complement what the plan is doing. So, it may feel sort of if you go business by business, like, hey, there's so many different priorities. But the core set of tenets were those levers that Jim described and as long as we're all rowing against those specific levers, it actually works for all the businesses and I think even the operating leverage does a lot of the same thing, right?

A

So, as we're thinking about deployment of generative AI across the enterprise, we keep a lot of the actual deployments separate because I'm payer agnostic and George is provider agnostic. But there's a lot of shared capabilities where once we get good at agents, we can use agents across both. And so there is a lot of work that we're doing as a group, as a management team, to really think about, hey, I see something over there that would be really helpful over here, let's go at it together. And those common pillars that we're identifying have been really helpful, I think, to sort of help us prioritize where is the value at an enterprise level and not just buried within a particular business.

George Renaudin II

President-Insurance, Humana Inc.

A

As a long time we're here, one of the things that I can tell you what I see is that we're doing a lot. The transformation we're talking about, what you saw today is really just the tip of the iceberg of all that we have going on. There's a ton going on. In this program management office that Jim just mentioned, one of the things that I like about that is we're in Stanley Cup, [ph] well, I'm a (03:226:49) hockey Fan, not as much as a basketball fan as Jim is. And as I think about, one of the things that that office is allowing us to do is as we're all going out and executing on all the strategies and tactics this program offers helping us keep our head up and look for where the puck is going. And that's one of the things that we've been able to layer into our governance process. It is really helpful, as frankly, just a ton of things are happening across the organization.

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

A

All right. Real quick, I'm going to take a question from online. So this is Ryan Langston at TD Cowen. So, can you give a sense of the progression and cadence of the Medicare margin improvement through 2028? And how RFP wins may affect that cadence? And so, Ryan, just for reference, once that gets posted, I don't know if it's out there yet, but it will be soon guys, it's that curve that we showed is on page 109. But if you want to talk a little bit about.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

Yeah. So, absent – so – this is Medicaid?

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

A

Medicaid. Yeah.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

Medicaid, I'm sorry. So, we, given the number of states coming on, then you can – if you look at the chart, we expect to see some, but not a huge improvement, in 2026. So if you -- if you think about the chart that George showed, there's like a pretty big drag in the first year. You're hiring people, you're getting patients and everything else. So, you'd see a modest improvement in 2026 and then a much more material improvement in 2027. And then in 2028 as we progress, we get into the sort of smaller drag and then profitability and in the newer states.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

But you can – I mean, if you really want to get underneath it, you can take any given state, it is public information what the target margin for that program in that state is, you should expect that you're there by year four?

George Renaudin II

President-Insurance, Humana Inc.

A

Really, three.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

Three?

George Renaudin II

President-Insurance, Humana Inc.

We're getting there three into four. Yeah.

A

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

And years zero before you've launched is a big investment in year one continues to be an investment. You're roughly a breakeven and you're like, that's the way to think about any given program.

A

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

Great. I think Steve's got the mic here and then we'll share in the front.

A

Stephen Baxter

Analyst, Wells Fargo Securities LLC

Yeah. Hey, thank you. Steve Baxter from Wells Fargo. So, I just want to ask a clarifying question on your MA bids. Markets are going to be pretty dynamic in 2026, not clear peers to potentially be approaching things like distribution strategy differently going forward. Obviously, a lot of kind of headline things on the tape with some of your competitors. Seems like there's a lot that there would be hard to know at this stage, at least from our seats. So, maybe you could help us think -maybe understand your level of confidence that you would not see some kind of excess membership growth despite your relative attractiveness improving in 2026, what you think of maybe as a like a reasonable range of potential enrollment outcomes for next year. Thank you.

Q

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

I don't think we're ready to give a reasonable range of outcomes. So, let me just start there. I think we typically – remind me. We typically do, but it comes kind of late summer...

A

George Renaudin II

President-Insurance, Humana Inc.

[indiscernible] (03:29:55). Yeah. That's right.

A

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

...or early fall.

A

George Renaudin II

President-Insurance, Humana Inc.

Once we get the first few.

A

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

Yeah.

A

George Renaudin II

President-Insurance, Humana Inc.

Yeah.

A

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

But what I will re-emphasize, and then you guys can jump in, is the – philosophically the way that we have come at it this year is we have said margin is the priority. We want to continue to do the things to manage towards margin. We want to do that with eye towards lifetime value, so we want that balanced with strong retention and the gap that we believe over time needs to get closed relative to our competitors are narrowed, going back to being intentional about the wording narrowed. That is not going to happen in a year. That is going to happen over the course of two years or three years. And so, if you if you take those principles and you're prudent about what competitors are going to do, you shouldn't be in a position where you're going to have some kind of big bolus of excess growth. And it's hard to know exactly what everybody's going to do at the end of the day, but that really is the mindset we had. George or David, would you add anything to that?

A

George Renaudin II

President-Insurance, Humana Inc.

No, I think that's the right thing. The way that you need to approach this business that the industry hasn't always had the same point of view is the pricing of the product is really what matters. There – one of the things that we joke about amongst ourselves is there are no bad members. There's just bad pricing. And so one of the things we're making sure that we're doing going forward is we're more deeply understanding the membership, the segmentation of that membership, what appeals to the different segments, and making sure that we're pricing our product that is accommodating of the revenue that will receive for that membership and the healthcare profile of the members where we've gotten much better at figuring that out now. We also, through the work that we did last year going into this year where we shed product and pricing and across many state and plan combinations that essentially shed 560,000 members. We feel very good about where we are. We have a good foundation to go forward.

A

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

The way I think about it a little bit is you don't want to be an outlier. And we have been an outlier to the negative for the last couple of years, a big outlier. Big [indiscernible] (03:32:20) act that gap bigger in [indiscernible] (03:32:23). We will still be below, we would expect, even if our peers cut a lot. We will still be a below the average [ph] MAC (03:32:33) that in most places where you don't want to be an outlier to the negative that is affected our retention and our profitability and we are focused on fixing that along not it's stabilizing membership, not whipping our benefits around, but also focus on customer service. You don't want to be an outlier to the positive because then you do get picked off for your product. It would take a lot trust to become an outlier to the positive given our competitive position today, a huge move.

A

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

That will not happen.

A

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

Yeah, but that's affect – the reason we talked to you about retention is because we've been an outlier in the bad way. Well, when people cared about membership growth, but now we're trying to get more towards the center, but still below.

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

Okay, let's go to [indiscernible] (03:33:28) and then there's a few down here that want the mic.

A

Q

Yeah. Thanks, George, I got a question for you just around the May CMS memo on deletions of codes that they're creating a pretty tight timeline to turn this around, just how you're feeling about this. And then just as it relates to RADV, just how you feel about the overall preparedness of the organization.

George Renaudin II

President-Insurance, Humana Inc.

Yeah. So, one, obviously, there's RADV litigation going on right now, so I'm not going to talk specific at RADV. But with regard to the audits you're talking about, we have a process in place – has been in place for a very long time where we are constantly scanning for codes that need to be deleted. We submit deleted codes to CMS all the time as appropriate when we don't find that their support for it. There, the challenge is going to be there from the new audit process. The timelines we're talking about are challenging. However, it's really hard to extrapolate to what the impact that's going to be when the full methodology, exactly how they're going to try to meet those timelines, isn't all that well-known at this point. So, we continue to rely upon our processes that leverage every day looking, auditing, reviewing our codes and making sure that we feel that they're appropriate.

A

Lisa Stephens

Chief Operating Officer-Insurance, Humana Inc.

And just to add to that, George, the team is aggressively looking at our current people process and technology capabilities and figuring out ways we can meet that new aggressive approach.

A

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

Jess, go ahead.

A

Jessica E. Tassan

Analyst, Piper Sandler & Co.

Awesome. Thanks for taking the question. Jess Tassan from Piper. Appreciate all of the color today. It's been hugely helpful. Maybe can you give us a little bit of context around Humana's in-home evaluation policy perspective? How meaningful are [ph] IOGS (03:35:14) for your risk adjustment coding efforts? How would you mitigate the impact of [ph] IOGS (03:35:17) for disallowed as a source of coding? Or is the contention kind of that these diagnoses exist elsewhere in the record?

Q

George Renaudin II

President-Insurance, Humana Inc.

[indiscernible] (03:35:25), policy?

A

Lisa Stephens

Chief Operating Officer-Insurance, Humana Inc.

Do you want to...

A

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

Yeah. I can...

A

Lisa Stephens

Chief Operating Officer-Insurance, Humana Inc.

I can start.

A

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

Happy to. Yeah. Let me jump in there. So, first of all, let me start by trying to reinforce what I had mentioned earlier. I personally and we very much believe that in-home assessments are important clinical tool and they are the most important with the populations that are hardest to reach and often who've got the greatest conditions that need managed. And so, we strongly advocate that in-home assessments should continue to be a tool that we can use consistent with CMS policy today. And then we have data. Our members like it. They appreciate that outreach. So, strongly, strongly, strongly advocate for it. And if you look at how we have approached it in the past, we have approached it differentially with an attitude towards how do you tie it to clinical care? And so, we have processes to do follow up. We have a good idea when a diagnosis is identified, whether there's a history of that, and whether we can therefore comfortably rely upon that diagnosis to know that there's a need. That is simply how we've approached it historically. Does it work perfectly? No, it don't work perfectly, but it works pretty darn well. And so, from that standpoint, it is not just about diagnosis. It is about how you tied to care. And that's how we've thought about it.

A

Lisa Stephens

Chief Operating Officer-Insurance, Humana Inc.

Yeah. And just to amplify that, what I shared, understanding our members' health is absolutely critical. And you're right, we can do a better job of follow-up care. We are doing that, and so it's just an important, critical foundation.

A

George Renaudin II

President-Insurance, Humana Inc.

And with – and just to say a little bit more and connect to some of what we talked about before. We are thinking differently about it. We're thinking more aggressively about and we're thinking outside of the box. The virtual PCP model that you've heard both Lisa and Renee talk to are part of that rethinking. One of the things that they'll be able to do is ensure that the follow-up care is provided. Sometimes is a follow-up care is that someone needs a home visit from one of our home health nurses. Sometimes it's that they need a prescription filled that the virtual PCP can do, which these in-home wellness companies can't do on their own. So, we're thinking differently about it in a way to make sure that the follow-up care that's needed from these members, many of whom are very vulnerable are getting their [indiscernible] (03:38:08) assessments.

A

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

A

Okay. We're going to take two more questions. I know we've all been sitting in this room a long time. So, Lisa has got the mic and then we can grab one more.

Lisa C. Gill

Analyst, JPMorgan Securities LLC

Q

Okay, great. Lisa Gill with JPMorgan. I want to ask a Pharmacy question, multiple parts. Celeste, first, when you talked about outsourcing, when I think about the 60 million prescriptions you have, it's much smaller than a lot of the other players. Do you see an opportunity to maybe combine with someone or outsource some of the back end function? I know how important things are in the front end, but is there an opportunity there from an outsourcing perspective?

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

Celeste, can I take this?

Lisa Stephens

Chief Operating Officer-Insurance, Humana Inc.

A

Jim's got...

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

[indiscernible] (03:38:44).

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

I like this question. I want to take this because when I took this job, that was one of my leading hypotheses on things we had to do differently. I was convinced that there is no way that at our scale, having this owned internally made sense. And so, we actually – I forced the team, there a pretty painful process last autumn and they proved me wrong. The team, like our pharmacy capability, is actually outstanding. And the team has done a good job at both managing administrative costs to fill and our counterparty relationships and meaning pharmacy and pharmaceutical companies. And part of the reason, and I should let Sanjay take this, but part of the reason is because we are exclusively Medicare Advantage, we also tend to run primarily on a single formulary and it actually – it gives us a negotiating scale that is different than what the total numbers would look like. It actually makes us a pretty meaningful player in these conversations.

Sanjay K. Shetty

President-CenterWell, Humana Inc.

A

Yeah, I mean...

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

Yeah.

Sanjay K. Shetty

President-CenterWell, Humana Inc.

A

...Jim said it really well. So, I mean, I think we did go through that assessment quite recently. And I think because of the way we've unified our approach across our entire book, we get to punch above our weight, both with respect to our PBM, and recall we're a very different kind of PBM, our PBM fees are in no way tied to drug prices. We are pure Medicare play. But because of the way we've unified our book of business, we're able to really negotiate well with our other counterparties and drive the value that all ends up back to the plan and to the patient. Same is true on the Pharmacy side. If we put up our cost to fill, if we put up our margins in Specialty Pharmacy, any delta to other players is on the basis of very meaningful and just deliberate choices that we've made to not participate in certain ways in order to protect the book as a whole. And so, we feel really comfortable with where we're performing. And I think you're seeing it not just in sort of those business results, but also in how we've shown up in terms of our industry-leading mail-order rate, et cetera.

Lisa C. Gill

Analyst, JPMorgan Securities LLC

Q

And then as we think about the changes that came about for 2025 and under IRA, we've talked before about the trend, double-digit trend in Pharmacy. You maybe just talk about the progression that you've seen this year. And then, secondly, how you bid for 2026 with the uncertainty of will there be a subsidy? Will they step in at all in 2026 the way they did in 2025?

George Renaudin II

President-Insurance, Humana Inc.

A

Yeah. So, I'll start with 2025. 2025 is developing much like we expected. We knew that members would be getting through the move faster. We use that in our projections and it's playing out along the lines we said. I think as we've talked about before, we bid for a margin. But given the unknowns with the IRA, we did not put that in our guidance. Our guidance is flat. And we are seeing things progress in a fairly good fashion along the lines of what we've thought when we established our guidance. So, we feel good about that.

For 2026, again, I'm not going to talk a lot about what we did in our bid strategies, especially around Pharmacy, since it is the key to the rebate reallocations that are still yet to come. But we did continue to assume trends continue, and I don't think – we haven't talked about the demo and how we did that yet, have we?

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

A

We haven't.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

No, we can stay away from it. Yeah.

George Renaudin II

President-Insurance, Humana Inc.

A

So – yeah. Sorry, I would but [indiscernible] (03:42:10).

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

As it relates to your question about outsourcing, I think even the front end is super automated. On the back end, I think there's a much greater opportunity for automation and reducing manual processes. And some – in some

cases that will allow people to focus just on doing better things. So, for example, my team, there are – some of the new stuff we have is highly manual. Will – we have a tech solution that will solve that in the short-term and the team can focus on much better things. They're smart people focusing on pretty mundane things right now. So, that's – I think it's the really more of a tech solution there that will make things a lot more efficient. But the front end is already superbly efficient.

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

Okay. We will go to the last question I think, Dave Windley.

A

David Windley

Analyst, Jefferies LLC

David Windley at Jefferies. Multiparter here. Multiparter on clinical excellence. So, George, your comments about benefit stability for 2026 make me think that the organization is expecting to are hoping to see some decent movement on clinical excellence for next year. Am I interpreting that correctly? And I've got a couple of follow-ups.

Q

George Renaudin II

President-Insurance, Humana Inc.

Well, as far as what we're expecting to come out of clinical excellence, yeah, we – of course, we expect some significant trend vendors. We expect some better operating leverage, and that's baked into it. But when you have benefit stability and the resulting member stability, you have improved margin just from that fact. Retention leads to better margins. We have a chance for the clinical programs that we have in place to work, we have a chance to make sure that our accurate coding has come through, and we have a chance to make sure that as our members continue through the program, we do find their loyalty improves as well. So, it's a multifactorial improvement when you're able to put yourself in position for benefit stability that leads to that kind of loyalty and retention. And one of the things that is different about how we're doing things today versus in the past, and I can speak very well to that given my history here, is what Jim said about taking a multiyear view. That multiyear view is allowing us to approach things differently this year.

A

In the past, we may have reacted to the resulting stars results for 2026 differently than we did this year. It hurts less comment that we are not passing along our stars yet in 2026 to our members. What that means is we're not cutting benefits in reaction to the stars yet. That will lead to benefit stability in taking that longer-term view of a lifetime value of our members to drive long-term stability and compelling margin our business over multiple years is a is a change for us is a change for how we're thinking about things.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

I see David nodding over here.

A

George Renaudin II

President-Insurance, Humana Inc.

Did I say that...

A

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

To be that, it's a lot of money. So, said to David and George, how are we going to not pass this all onto shareholders if we're not going to take it from members, which I don't think is the right thing to do? It will totally blow up our retention strategy. It will make it worse, which, by the way, makes it harder to get your stars back because there are more complaints. So, I'm going to need you guys to buckle down and, like, focus on delivering results to the bottom line in a different way. So, it was a good – like we all understand what the strategy is. And if we're going to hold firm there, we need to be able to make sure you guys don't feel it all. And that's – we have alignment on how we're going to get there for 2026.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

Right. Yeah, I think out of everything that we are doing, this is probably the one that is hardest to best convey that is different than what we've done in the past and which is a little bit why, and I know it's not completely satisfying, but we kind of come back to principles. We are absolutely focused on margin when we think about benefits. And I just – I don't want anybody to think that we are not focused on that. And when we say stability, stability is to drive lifetime value. And stability is a broad word, it doesn't mean that it's perfectly stable benefits on every single plan. It certainly is not that, that is too broad a brush, but the direction that we are trying to head is where we are building a relationship with our members where they know what to expect from us. And that, by knowing what to expect from us, they want to stay with us. And that's not just a wish, right? That comes from primary research with members to understand what they're looking for and what drives their behavior when they switch. And so, we will not unpack a lot of the details underneath that because we actually think this will be a competitive advantage over time. But it is a different way of thinking about how you balance short term and long term in terms of both benefits structure and member relationship.

David Windley

Analyst, Jefferies LLC

Q

Okay. I've got a follow-up, if I could. Okay. So...

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

A

[indiscernible] (03:47:29).

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

I wouldn't have gone on if I did.

Lisa M. Stoner

Vice President, Investor Relations, Humana Inc.

A

One follow-up.

David Windley

Analyst, Jefferies LLC

Q

...relatedly, we heard a lot about CenterWell PCO and how it can move the needle on this topic.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

Yeah.

David Windley

Analyst, Jefferies LLC

Q

But even if you exercise on the cohort side, rough calculations, you're still at a single-digit percentage of Humana members served by the PCO.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

That is correct.

David Windley

Analyst, Jefferies LLC

Q

So, that's not going to get you home by itself. George, you talked about realigning incentives with provider network. Wondered if you could elaborate on what that means. And Renee talked about leaning into you – talked about valuations low on value-based care companies and maybe some acquisition opportunities. So, how much would you lean into acquisitions to augment the PCO? I'm done. Thanks.

[indiscernible] (03:48:18)

George Renaudin II

President-Insurance, Humana Inc.

A

Where do we want to start?

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

So, I mean, I can talk to the PCO side in terms of the acquisition opportunities and we will continue to assess as we have in the past. We've been quite successful in our ability to go after assets that are distressed or which have experienced a market dislocation, and we plan to continue to do that. Some of that will be exactly as you describe, folks that are having difficulty traversing v28 again because we have conviction that once we bring them on to the PCO platform, we're able to progress them through this margin trajectory, as we would hope.

George Renaudin II

President-Insurance, Humana Inc.

A

Pretty quickly.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

A

Yeah, pretty quickly.

Celeste Mellet Brown

Chief Financial Officer, Humana Inc.

A

But to be clear, we are focused on maintaining a strong balance sheet and our ratings. So, we will do that at a measured pace until we see a recovery in our earnings. It's very important to us to maintain the strong balance sheet.

George Renaudin II

President-Insurance, Humana Inc.

A

But when you think about the Integrated Health strategy, one of the things that is so great about how we've been working together and leveraging fundamental capabilities underneath. The capabilities that Lisa spoke about, for example, with interoperability, and all those things that we're doing is one of the other ways that we're thinking about CenterWell and the Integrated Health strategy is beyond just what percent of our members are paneled to the PCO, because that's a very limiting way of looking at what we do. We don't see it that way. It's also how many of our members are utilizing CenterWell Pharmacy. It's how many of our members are utilizing the home health where we see much better outcomes.

As you saw in the presentation from Dr. Shetty, 70% of our members reside in the space with there's a home health overlap. We have the somewhat pharmacies available to all of our members. Only 30% are [indiscernible] (03:49:54) of it. And as you saw in Jim's presentation, we're going to get better there. But the additional thing beyond just being paneled to the PCO is new ways of thinking about how we can do things differently with them. And the virtual PCP is a way of talking about that. They're picking up members that we don't have paneled or retained others, and they may not stay with the PCO, but the PCO is able to bring its foundational capabilities and support to helping those members do better.

With regard to what we're doing concerning incenting providers, one of the things that we had pulled back from in some of the past years when we were looking to save some dollars and it was probably a little bit shortsighted, not taking this long-term multiyear view is that, for example, we had pulled back incentive programs on a number of providers in the past. We're going back with much smarter, much better, capable data analytic-driven incentive programs across a broad swath of our providers again, where they didn't have those programs in place for the past year or two. And so, we see that already causing greater engagement from those providers, better uptake with us moving forward.

So we're moving those things forward and we're also looking at leveraging our capabilities a lot more with specialists and with [ph] IDMs (03:51:14) as well. And so, we're taking a view that every single interaction, the whole healthcare ecosystem needs to move forward in a value-based way that improves the quality of care.

Lisa Stephens

Chief Operating Officer-Insurance, Humana Inc.

A

And our clinical strategy is focused on all of our members, not just those members in value-based care arrangements.

James A. Rehtin

President, Chief Executive Officer & Director, Humana Inc.

So, I'm going to wrap this up. Let me just say real quick, if you go back in time to October 2023, which is when I formally accepted the opportunity to join Humana, it has been a much different ride than I thought it was going to be. It has been a much different ride. It has actually been a lot of fun. And I know that there are days and weeks and there's stuff in the news where you look at it, you're like, oh, wow, this is a totally different business than we thought it was back in October of 2023. It's actually not, right? Like, fundamentally, this business is the business I thought I was stepping into. It's pretty darn cool. It does good work, and it can generate really good returns over a period of time doing what I think everybody is excited about doing, which is delivering better healthcare to a whole bunch of seniors who deserve it. It is super fun from that standpoint, and the team coming together over the last six months has been it's like any team coming together. You go through your storming forming [indiscernible]

(03:52:49) whatever it is. But it's been fun. It's been a lot of back and forth. And that's what I keep coming back to because it's the word that is most relevant to the last six months.

And so, with that, I just want to say thank you to all of you. I also want to say there's a lot of other team members who made today happen who are not up here on stage or sitting here in the audience. And so, thank you to all of them. Our communications team and our investor relations team and our media and AV team, like, they all deserve the real credit for making all of this happen. And so, I just want to say thank you to them. And then I'm going to say, on your way out, we have boxing gloves. There are three reasons. This group's got some fight in it. This is the city of Muhammad Ali, so it's a little bit of a tribute. And I consider this the Rocky Balboa strategy. The champ gets hit the face. He goes back to his roots in Philadelphia. He sets his bar a little higher and he asks himself, what does he have to do differently to win in the new environment that he was boxing in? And that's what we're trying to do. So, enjoy the your gloves on the way out. And we do have the cocktail to serve.

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