

news release



Humana’s Partners in Primary Care and Welsh, Carson, Anderson & Stowe Form Joint Venture to Expand the Nation’s System of Value-Based Primary Care Centers Focused on Serving Medicare Patients

—WCAS and Humana Commit Approximately \$600 Million to the New Joint Venture—

NEW YORK, NY and LOUISVILLE, KY (February 3, 2020) – Humana Inc.’s (NYSE: HUM) Partners in Primary Care and Welsh, Carson, Anderson & Stowe (WCAS) have entered into an innovative joint venture that will expand access to value-based primary care for Medicare patients. The joint venture will develop and operate senior-focused, payor-agnostic, primary care centers, which will be managed by Humana’s wholly-owned, primary care subsidiary, Partners in Primary Care, and operated under the Partners in Primary Care brand.

WCAS, a leading private equity firm specializing in healthcare and technology, together with Humana, is making an initial commitment of approximately \$600 million to the joint venture. WCAS will have majority ownership in the new company; Humana will own a small minority stake.

Humana is committed to a strategy of improving the health of seniors through a value-based health ecosystem that brings simplicity and connectivity to the healthcare experience. Humana will continue to pursue that strategy through both a network of market-leading partners and its proprietary primary care businesses. The new joint venture is expected to more than double Partners in Primary Care’s footprint of senior-focused primary care centers over the next three years. Partners in Primary Care currently operates 47 care centers located throughout Kansas, Missouri, North Carolina, South Carolina, Texas, and Florida. This joint venture will further allow Partners in Primary Care to scale its core operations to facilitate the continued expansion of its care model.

“There is a significant unmet need for value-based, senior-focused primary care in the U.S.” said David Caluori, General Partner of WCAS. “WCAS has a 40-year history of successfully building world-class healthcare companies. This transaction represents another example of how WCAS creatively partners within the healthcare ecosystem to enhance access to innovative healthcare services to improve patient care. Through this new joint venture, Partners in Primary Care is now well resourced to accelerate the deployment of its proven care model in areas across the country that need it most. We are thrilled to be able to partner with Humana and Partners in Primary Care to expand access to quality care to the millions of seniors living in underserved areas throughout the nation.”

“Partners in Primary Care is well positioned to meet the health needs of the growing senior population with our integrated primary care platform. Our integrated, whole-person, value-based care model comprehensively and proactively addresses chronic conditions, wellness and social determinants of health. We bring a differentiated offering and experience to seniors, often in areas where access to primary care is limited,” said Renee’ Buckingham, Segment President, Humana’s Care Delivery Organization. “We are excited to accelerate our growth through our partnership with WCAS. Together, we will be able to make this model available to more seniors and in more communities.”

Partners in Primary Care will receive a management fee, including performance-based incentives, for the management of all joint venture centers. In addition, the agreement includes a series of put and call options through which Partners in Primary Care may acquire WCAS’s interest in the joint venture, and through which WCAS may require Partners in Primary Care to purchase its interest in the joint venture, in stages over the next 5-10 years.

For clarification, Humana’s wholly owned Conviva operations, which operates 104 payor-agnostic senior-focused primary care centers located primarily in south Florida and Texas, is not party to this agreement.

The transaction is expected to have an immaterial impact to Humana’s earnings in 2020.

About Welsh, Carson, Anderson & Stowe

WCAS is a leading U.S. private equity firm focused on two target industries: healthcare and technology. Since its founding in 1979, the firm's strategy has been to partner with outstanding management teams and build value for its investors through a combination of operational improvements, growth initiatives and strategic acquisitions. WCAS has deep experience in acquiring founder-led businesses and corporate carve-outs. The Firm has raised and managed funds totaling over \$27 billion of committed capital. For more information, please visit www.wcas.com.

About Partners in Primary Care

Partners in Primary Care (Partners) is a primary care medical group practice operating centers in Kansas, Missouri, North Carolina, South Carolina, and Texas under the Partners in Primary Care brand, as well as centers in Florida operated under the Family Physicians Group brand. Partners has a strong emphasis on senior-focused primary care to members of Medicare Advantage health plans. Partners is committed to providing personalized, high-quality primary care combined with an excellent patient experience. Partners has experience in both the treatment and management of most chronic and acute-care conditions. The practices also provide health education and value-added, well-being services at their centers and around their neighborhoods to help both patients and community members improve their health. The management services organization for Partners is a wholly owned subsidiary of Humana Inc. (NYSE: HUM). For more information visit www.PartnersInPrimaryCare.com.

About Humana

Humana Inc. (NYSE: HUM) is committed to helping our millions of medical and specialty members achieve their best health. Our successful history in care delivery and health plan administration is helping us create a new kind of integrated care with the power to improve health and well-being and lower costs. Our efforts are leading to a better quality of life for people with Medicare, families, individuals, military service personnel, and communities at large.

To accomplish that, we support physicians and other health care professionals as they work to deliver the right care in the right place for their patients, our members. Our range of clinical capabilities, resources and tools – such as in-home care, behavioral health, pharmacy services, data analytics and wellness solutions – combine to produce a simplified experience that makes health care easier to navigate and more effective.

More information regarding Humana is available to investors via the Investor Relations page of the company's website at humana.com, including copies of:

- Annual reports to stockholders
- Securities and Exchange Commission filings
- Most recent investor conference presentations
- Quarterly earnings news releases and conference calls
- Calendar of events
- Corporate Governance information

FOR MORE INFORMATION CONTACT:

WCAS

Greg Lau
General Partner
(212) 893-9586
glau@wcas.com

Jon Rather
General Partner
(212) 893-9570
jrather@wcas.com

Humana

Amy Smith
Humana Investor Relations
(502) 580-2811
Amysmith@humana.com

Mark Mathis
Humana Corporate Communications
(312) 441-5010
Mmathis@humana.com

Humana Cautionary Statement

This news release includes forward-looking statements regarding Humana within the meaning of the Private Securities Litigation Reform Act of 1995. When used in investor presentations, press releases, Securities and Exchange Commission (SEC) filings, and in oral statements made by or with the approval of one of Humana's executive officers, the words or phrases like "expects," "believes," "anticipates," "intends," "likely will result," "estimates," "projects" or variations of such words and similar expressions are intended to identify such forward-looking statements.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, and assumptions, including, among other things, information set forth in the "Risk Factors" section of the company's SEC filings, a summary of which includes but is not limited to the following:

- If Humana does not design and price its products properly and competitively, if the premiums Humana receives are insufficient to cover the cost of healthcare services delivered to its members, if the company is unable to implement clinical initiatives to provide a better healthcare experience for its members, lower costs and appropriately document the risk profile of its members, or if its estimates of benefits expense are inadequate, Humana's profitability could be materially adversely affected. Humana estimates the costs of its benefit expense payments, and designs and prices its products accordingly, using actuarial methods and assumptions based upon, among other relevant factors, claim payment patterns, medical cost inflation, and historical developments such as claim inventory levels and claim receipt patterns. The company continually reviews estimates of future payments relating to benefit expenses for services incurred in the current and prior periods and makes necessary adjustments to its reserves, including premium deficiency reserves, where appropriate. These estimates, however, involve extensive judgment, and have considerable inherent variability because they are extremely sensitive to changes in claim payment patterns and medical cost trends, so any reserves the company may establish, including premium deficiency reserves, may be insufficient.
- If Humana fails to effectively implement its operational and strategic initiatives, particularly its Medicare initiatives and state-based contract strategy, the company's business may be materially adversely affected, which is of particular importance given the concentration of the company's revenues in these products. In addition, there can be no assurances that the company will be successful in maintaining or improving its Star ratings in future years.
- If Humana fails to properly maintain the integrity of its data, to strategically implement new information systems, to protect Humana's proprietary rights to its systems, or to defend against cyber-security attacks or prevent other privacy or data security incidents that result in security breaches that disrupt our operations or in the unintended dissemination of sensitive personal information or proprietary or confidential information, the company's business may be materially adversely affected.
- Humana is involved in various legal actions, or disputes that could lead to legal actions (such as, among other things, provider contract disputes and qui tam litigation brought by individuals on behalf of the government), governmental and internal investigations, and routine internal review of business processes any of which, if resolved unfavorably to the company, could result in substantial monetary damages or changes in its business practices. Increased litigation and negative publicity could also increase the company's cost of doing business.
- As a government contractor, Humana is exposed to risks that may materially adversely affect its business or its willingness or ability to participate in government healthcare programs including, among other things, loss of material government contracts, governmental audits and investigations, potential inadequacy of government determined payment rates, potential restrictions on profitability, including by comparison of profitability of the company's Medicare Advantage business to non-Medicare Advantage business, or other changes in the governmental programs in which Humana participates.

Changes to the risk-adjustment model utilized by CMS to adjust premiums paid to Medicare Advantage, or MA, plans according to the health status of covered members, including proposed changes to the methodology used by CMS for risk adjustment data validation audits that fail to address adequately the statutory requirement of actuarial equivalence, if implemented, could have a material adverse effect on our operating results, financial position and cash flows.

- The Healthcare Reform Law, including The Patient Protection and Affordable Care Act and The Healthcare and Education Reconciliation Act of 2010, could have a material adverse effect on Humana's results of operations, including restricting revenue, enrollment and premium growth in certain products and market segments, restricting the company's ability to expand into new markets, increasing the company's medical and operating costs by, among other things, requiring a minimum benefit ratio on insured products, lowering the company's Medicare payment rates and increasing the company's expenses associated with a non-deductible health insurance industry fee and other assessments; the company's financial position, including the company's ability to maintain the value of its goodwill; and the company's cash flows. Additionally, potential legislative or judicial changes, including activities to invalidate, repeal or replace, in whole or in part, the Health Care Reform Law, creates uncertainty for Humana's business, and when, or in what form, such legislative or judicial changes may occur cannot be predicted with certainty.
- Humana's business activities are subject to substantial government regulation. New laws or regulations, or changes in existing laws or regulations or their manner of application could increase the company's cost of doing business and may adversely affect the company's business, profitability and cash flows.
- Humana's failure to manage acquisitions, divestitures and other significant transactions successfully may have a material adverse effect on the company's results of operations, financial position, and cash flows.
- If Humana fails to develop and maintain satisfactory relationships with the providers of care to its members, the company's business may be adversely affected.
- Humana's pharmacy business is highly competitive and subjects it to regulations in addition to those the company faces with its core health benefits businesses.
- Changes in the prescription drug industry pricing benchmarks may adversely affect Humana's financial performance.
- If Humana does not continue to earn and retain purchase discounts and volume rebates from pharmaceutical manufacturers at current levels, Humana's gross margins may decline.
- Humana's ability to obtain funds from certain of its licensed subsidiaries is restricted by state insurance regulations.
- Downgrades in Humana's debt ratings, should they occur, may adversely affect its business, results of operations, and financial condition.
- The securities and credit markets may experience volatility and disruption, which may adversely affect Humana's business.

In making forward-looking statements, Humana is not undertaking to address or update them in future filings or communications regarding its business or results. In light of these risks, uncertainties, and assumptions, the forward-looking events discussed herein may or may not occur. There also may be other risks that the company is unable to predict at this time. Any of these risks and uncertainties may cause actual results to differ materially from the results discussed in the forward-looking statements.

Humana advises investors to read the following documents as filed by the company with the SEC for further discussion both of the risks it faces and its historical performance:

- Form 10-K for the year ended December 31, 2018;
- Form 10-Q for the quarter ended March 31, 2019; June 30, 2019; September 20, 2019 and
- Form 8-Ks filed during 2019 and 2020