Hello, this is Lisa Stoner, vice president of investor relations. I am joined today by Jim Rechtin, Humana's president and chief executive officer. Before Jim begins his remarks, I need to advise listeners of our cautionary statement. Certain of the matters discussed in this commentary are forward looking and involve a number of risks and uncertainties. Actual results could differ materially.

Investors are advised to read the detailed risk factors discussed in our latest form 10-K and our other filings with the Securities and Exchange Commission, as they relate to forward looking statements, along with other risks discussed in our SEC filings. We undertake no obligation to publicly address or update any forward looking statements in future filings or communications regarding our business or results.

Today's 8-K are historical financial news releases, and our filings with the SEC are also available on our Investor Relations site. With that, I'll turn it over to Jim.

Thanks, Lisa, and thanks to everybody for joining us today. We prerecorded this ad hoc commentary so that we could respond quickly once Stars results were released publicly. We, of course, did not know in advance when that would occur.

We will not be taking Q&A today because we are in our quiet period ahead of our third quarter earnings call on November 5th. While we don't expect to provide this type of commentary on an annual basis, we felt it was important to address both our Stars results and the broader questions that have been raised regarding our market position as we approach the annual election period.

Let me start by emphasizing that our outlook on the business has not changed. Our Stars performance and outlook for AEP are all within our planning scenarios and consistent with what we communicated at our Investor Day in June. I'm going to say one more time, our outlook has not changed. The headlines are as follows.

First, our 2026 Star's results, which I will refer to as Bonus year ‘27 or BY27, are consistent with our baseline planning scenario. We're not satisfied with those results, to be very clear. However, they are in line with expectations.

Second, we are making strong progress towards top quartile 2027 Stars results, which I will refer to as Bonus year ‘28 or BY28.

Third, we believe that our stable MA benefit strategy for 2026 positions us well in several ways.

- It improves our retention of existing members.
- It enables improved CAHPS scores and lower complaints to Medicare or (CTMs), both of which help Stars and it accelerates our channel and distribution strategy.

Fourth, we expect to see a tailwind in ‘26 and ‘27 from our contract diversification strategy. This tailwind was contemplated in our outlook shared at Investor Day.

Now, let me spend a few minutes providing some color in support of those headlines.

I will start with BY27 Stars results. Based on our current contract mix, and I emphasize current because our contract mix will change, we have achieved the following results:

- 20% of members will be on four Star or above plans in BY27. This is down from 25% in BY26.
- However, we saw improvement in four and a half Star plans. 14% of our members will be in a four and a half Star plan in BY27, this is up from 3% in BY26,
- All in our average Star rating in BY27, based on current contract mix, is 3.61 in line with our average Star rating in BY26.
- The net financial impact is roughly in line with our baseline planning scenario and earnings path that we presented at our Investor Day in June.

I must say again that we are certainly not satisfied with these results. However, we are not surprised by them. I want to remind you that we had a relatively short period of time to address performance gaps after we learned of BY26 thresholds in September of 2024. We took a number of tactical steps to improve performance in the fourth quarter of 2024, and indeed, we saw improved performance.

Those improvements, however, were insufficient to overcome the change in industry thresholds and drive improvement in our overall BY27 Star ratings. However, they have provided a strong footing in BY28. So let me turn to BY28 Stars performance, where we continue to see strong progress. I believe the critical question today really is this one can we have confidence in BY28?

Let me walk through a few quick facts that give us confidence that we are on the right path. The BY27 results mask the underlying operating progress that was made. I'm going to try to demonstrate our progress by focusing on two areas, the glycemic status assessment for diabetes patients, or GSD metric, for contract 5216 and our overall TTY foreign language performance.

I will start with the GSD metric. Recall for BY27, calendar year 2024 was the measurement period for HEDIS metrics. So we had a short window of time to drive improvement after September of 2024. While time was limited, we were able to drive improvement in the final months of 2024 such that we narrowly missed four Stars on GSD, which is a three weighted measure.

We missed four Stars by quite literally a few hundred gaps on a base of several hundred thousand. I'll say that again. We missed four Stars by a few hundred gaps on a base of several hundred thousand. Prior to our four month sprint, we were approximately 100,000 gaps from the four Star goal, and we closed all but a few hundred, a de minimis number of total GSD gaps closed for BY27.

For BY28, we have built upon this progress, deploying a number of scalable solutions to serve our most unengaged members, most prominently through our various CenterWell businesses. These efforts have driven encouraging results year to date, with a very significant improvement in gaps closed year over year.

Now, let me touch on the TTY foreign language metric, because this metric was measured in the second quarter of '25, we have more time to prepare. We went deep. We built an iron clad process, and the result was a single failed call across our entire book. And that means five Star performance across all but a few small contracts.

This is what we do when we are focused and have time to execute. For BY28, we are focused and we have had time to execute. And the results show we have closed nearly a half a million more gaps year to date than we had at this point last year. We continue to see a double digit percentage year over year lift each week. Improvements made to our refill reminder program have generated 580,000 more refills year over year, positively impacting Stars medication adherence measures. This includes innovative solutions in partnership with value-based care providers, resulting in a 5% increase in member engagement.

These two examples for BY27 are representative examples, not isolated events. We had a number of metrics that showed material improvement in BY27 due to our year end sprints, but narrowly missed the threshold. In BY28, we have made significant gains beyond our final BY27 performance. These results represent the company's unwavering prioritization of Stars, and have been supported by new Stars leadership and numerous external hires that have complemented the existing team, and that is a team that led Humana to industry leading Stars results for six consecutive years.

All in, after incorporating the final BY27 thresholds into our forecasting process, we continue to be confident that we are on the right track to return to top quartile Stars results in BY28.

With that, let me explain why we feel confident about our stable benefits strategy as we enter the annual election period, which begins on October 15th.

I will start by acknowledging that we do believe we are positioned to return to membership growth in 2026. I recognize that there are concerns about outsized growth in the investor community. And so let me explain why we feel good about our position going into AEP.

First, we expect improved retention to be a significant driver of net membership growth in 2026, driven by our stable benefits strategy and changes to our customer service approach. Improved member retention is unquestionably desirable growth.

Second, we believe new sales will be accretive on average. We explained our reasoning on the second quarter earnings call, and that reasoning still holds. We corrected our unprofitable products last year. Greater than 90% of our products are profitable in 2025. The members that were impacted by our plan exits for 2025, and that we retained in a new product, are performing as we expected. As a result, we would have been pleased to recapture more of the members impacted by our plan exits. In the vast majority of geographies where competitors are doing planned exits for ‘26, our analysis indicates a competitive competitor plan remains the richest in the market. We have anticipated the potential impact of competitors disengaging with the members that are impacted by their planned exits, and we have taken steps to mitigate against this risk.

The headline is that we are not concerned about adverse selection.

We have analyzed adverse selection and member profitability carefully and repeatedly. And based on everything we know today, we feel good about our pricing. However, we are cognizant of our operational capacity to absorb new members. The operational capacity constraints are not associated with net growth. The constraints are associated with gross new sales which leads to my third point about AEP.

We have taken several actions to ensure that gross new sales do not outpace our operational capacity to absorb them.

- First, we have elected to turn off new sales commissions on approximately one third of our product. In part, this was informed by our contract diversification strategy, which I will return to in a moment. And in part as we want to keep new sales at a level we can operationally absorb, we also want these members in our best products.
- Second, we have trimmed lower performing distribution partners from our network. We have suspended our relationship with a large tele-broker. The third party sales partner with the highest complaints to Medicare and least engaged members. And we have also termed or suspended more than 2,000 agents from our distribution network

with high complaints to Medicare. In the event that these changes do not have the intended effect on gross new sales, we have additional actions we can take to slow growth. We do not anticipate needing to exercise those levers, but having them as an option gives us greater confidence in the actions that we have taken to date.

Our final point on AEP is that all of this should be a tailwind to BY28 Stars. We have not yet made any assumptions about improved CAHPS or CTMs in our BY28 Stars forecast, yet we believe we should see a tailwind in both areas, driven by stable benefits and by the trimming of our distribution network.

Finally, let me speak to our contract diversification strategy for a moment.

We will not be actively selling new business on most plans on our highly concentrated 5216 contract that currently has three and a half Stars. Instead, we expect the bulk of our new sales will be on contracts with 4 to 4 and a half Stars. Thus, with typical mortality and voluntary terminations, we expect a meaningfully greater number of members in four and four and a half Star contracts than the current projections that are based on our historical contract mix.

These actions were reflected in the earnings path for 2026 and 2027 that we laid out for you in June. The magnitude of the financial impact will be determined by the size of membership growth.

So to quickly recap, first BY27 Stars results are consistent with our June Investor Day commentary. Second, the outlook for BY28 Stars continues to trend in the right direction, and we remain confident in a return to top quartile results. Third, we feel good about our positioning going into AEP. Our stable benefit strategy for 2026 should improve member retention and positively impact Stars, and it has accelerated our channel and distribution strategy. And fourth, we expect ‘26 and ‘27 to benefit from our contract diversification strategy.

The changes that we are making are good for our members and patients. They are good for Humana and by extension, they are good for investors.

I want to thank you for your interest in Humana, and we look forward to speaking with you on our third quarter earnings call on November 5th.