UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from __________ to __________

Commission file number 1-5975

HUMANA INC.

(Exact name of registrant as specified in its charter)

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

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

(502) 580-1000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

Class of Common Stock	Outstanding at September 30, 2024
$0.16 2/3 par value	120,411,343 shares

Humana Inc.
FORM 10-Q
SEPTEMBER 30, 2024

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Humana Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2024	December 31, 2023
	(in millions, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,116	$ 4,694
Investment securities	19,033	16,626
Receivables, net of allowances of $93 in 2024 and $88 in 2023	2,144	2,035
Other current assets	6,633	6,631
Total current assets	32,926	29,986
Property and equipment, net	2,693	3,030
Long-term investment securities	400	382
Equity method investments	729	740
Goodwill	9,590	9,550
Other long-term assets	3,669	3,377
Total assets	$ 50,007	$ 47,065
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Benefits payable	$ 11,125	$ 10,241
Trade accounts payable and accrued expenses	5,915	6,569
Book overdraft	356	353
Unearned revenues	195	266
Short-term debt	1,136	1,443
Total current liabilities	18,727	18,872
Long-term debt	11,886	10,213
Other long-term liabilities	1,770	1,662
Total liabilities	32,383	30,747
Commitments and Contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, $1 par; 10,000,000 shares authorized; none issued	—	—
Common stock, $0.16 2/3 par; 300,000,000 shares authorized; 198,718,810 shares issued at September 30, 2024 and 198,690,082 shares issued at December 31, 2023	33	33
Capital in excess of par value	3,471	3,346
Retained earnings	29,118	27,540
Accumulated other comprehensive loss	(653)	(999)
Treasury stock, at cost, 78,307,467 shares at September 30, 2024 and 76,465,862 shares at December 31, 2023	(14,404)	(13,658)
Total stockholders' equity	17,565	16,262
Noncontrolling interests	59	56
Total equity	17,624	16,318
Total liabilities and equity	$ 50,007	$ 47,065

See accompanying notes to condensed consolidated financial statements.

Humana Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in millions, except per share results)			
Revenues:				
Premiums	$ 27,951	$ 25,099	$ 84,354	$ 76,144
Services	1,103	1,016	3,265	2,993
Investment income	343	308	929	775
Total revenues	29,397	26,423	88,548	79,912
Operating expenses:				
Benefits	25,120	21,745	75,283	65,612
Operating costs	3,339	3,271	9,529	9,361
Depreciation and amortization	210	201	631	578
Total operating expenses	28,669	25,217	85,443	75,551
Income from operations	728	1,206	3,105	4,361
Interest expense	169	114	496	347
Other (income) expense, net	(92)	(6)	26	40
Income before income taxes and equity in net losses	651	1,098	2,583	3,974
Provision for income taxes	155	256	629	911
Equity in net losses	(16)	(12)	(57)	(39)
Net income	$ 480	$ 830	$ 1,897	$ 3,024
Net loss attributable to noncontrolling interests	—	2	3	6
Net income attributable to Humana	$ 480	$ 832	$ 1,900	$ 3,030
Basic earnings per common share	$ 3.99	$ 6.74	$ 15.76	$ 24.37
Diluted earnings per common share	$ 3.98	$ 6.71	$ 15.72	$ 24.26

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in millions)			
Net income attributable to Humana	$ 480	$ 832	$ 1,900	$ 3,030
Other comprehensive income (loss):				
Change in gross unrealized investment (losses) gains	619	(365)	458	(314)
Effect of income taxes	(142)	85	(104)	73
Total change in unrealized investment (losses) gains, net of tax	477	(280)	354	(241)
Reclassification adjustment for net realized losses (gains)	(10)	3	(10)	56
Effect of income taxes	2	—	2	(14)
Total reclassification adjustment, net of tax	(8)	3	(8)	42
Other comprehensive (loss) income, net of tax	469	(277)	346	(199)
Comprehensive income attributable to Humana	$ 949	$ 555	$ 2,246	$ 2,831

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock		Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Issued Shares	Amount							
	(dollars in millions, share amounts in thousands)								
Three months ended September 30, 2024									
Balances, June 30, 2024	198,719	$ 33	$ 3,420	$ 28,745	$ (1,122)	$ (14,405)	$ 16,671	$ 57	$ 16,728
Net income				480			480	—	480
Distribution from noncontrolling interest holders, net								2	2
Other comprehensive income					469		469		469
Common stock repurchases			—			(1)	(1)		(1)
Dividends and dividend equivalents			—	(107)			(107)		(107)
Stock-based compensation			53				53		53
Restricted stock unit vesting	—	—	(2)			2	—		—
Balances, September 30, 2024	198,719	$ 33	$ 3,471	$ 29,118	$ (653)	$ (14,404)	$ 17,565	$ 59	$ 17,624
Three months ended September 30, 2023									
Balances, June 30, 2023	198,690	$ 33	$ 3,313	$ 27,468	$ (1,226)	$ (12,754)	$ 16,834	$ 57	$ 16,891
Net income				832			832	(2)	830
Other comprehensive loss					(277)		(277)		(277)
Common stock repurchases			—			(383)	(383)		(383)
Dividends and dividend equivalents			—	(109)			(109)		(109)
Stock-based compensation			53				53		53
Restricted stock unit vesting	—	—	(3)			3	—		—
Stock option exercises	—	—	(1)			—	(1)		(1)
Balances, September 30, 2023	198,690	$ 33	$ 3,362	$ 28,191	$ (1,503)	$ (13,134)	$ 16,949	$ 55	$ 17,004

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock								
	Issued Shares	Amount	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	(dollars in millions, share amounts in thousands)								
Nine months ended September 30, 2024									
Balances, December 31, 2023	198,690	$ 33	$ 3,346	$ 27,540	$ (999)	$ (13,658)	$ 16,262	$ 56	$ 16,318
Net income				1,900			1,900	(3)	1,897
Distribution from noncontrolling interest holders, net							—	6	6
Other comprehensive income					346		346		346
Common stock repurchases			—			(774)	(774)		(774)
Dividends and dividend equivalents			—	(322)			(322)		(322)
Stock-based compensation			153				153		153
Restricted stock unit vesting	29	—	(28)			28	—		—
Stock option exercises	—	—	—			—	—		—
Balances, September 30, 2024	198,719	$ 33	$ 3,471	$ 29,118	$ (653)	$ (14,404)	$ 17,565	$ 59	$ 17,624
Nine months ended September 30, 2023									
Balances, December 31, 2022	198,667	$ 33	$ 3,246	$ 25,492	$ (1,304)	$ (12,156)	$ 15,311	$ 59	$ 15,370
Net income				3,030			3,030	(6)	3,024
Distribution from noncontrolling interest holders, net							—	7	7
Acquisition							—	(5)	(5)
Other comprehensive loss					(199)		(199)		(199)
Common stock repurchases			—			(1,011)	(1,011)		(1,011)
Dividends and dividend equivalents			—	(331)			(331)		(331)
Stock-based compensation			142				142		142
Restricted stock unit vesting	23	—	(30)			30	—		—
Stock option exercises	—	—	4			3	7		7
Balances, September 30, 2023	198,690	$ 33	$ 3,362	$ 28,191	$ (1,503)	$ (13,134)	$ 16,949	$ 55	$ 17,004

See accompanying notes to condensed consolidated financial statements.

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

	For the nine months ended September 30, 2024	2023
	(in millions)	
Cash flows from operating activities		
Net income	$ 1,897	$ 3,024
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss on investment securities, net	(10)	49
Equity in net losses	57	39
Stock-based compensation	153	142
Depreciation	682	628
Amortization	46	51
Impairment of property and equipment	129	31
Changes in operating assets and liabilities, net of effect of businesses acquired and disposed:		
Receivables	(109)	(126)
Other assets	258	(935)
Benefits payable	884	870
Other liabilities	(498)	39
Unearned revenues	(71)	7,250
Other	76	53
Net cash provided by operating activities	3,494	11,115
Cash flows from investing activities		
Acquisitions, net of cash and cash equivalents acquired	(37)	(223)
Purchases of property and equipment, net	(421)	(721)
Purchases of investment securities	(6,403)	(3,366)
Proceeds from maturities of investment securities	2,214	885
Proceeds from sales of investment securities	1,758	815
Net cash used in investing activities	(2,889)	(2,610)
Cash flows from financing activities		
(Payments) receipts from contract deposits, net	(638)	2,481
Proceeds from issuance of senior notes, net	2,232	1,215
Repayments of senior notes	(48)	(1,719)
(Repayments) issuance of commercial paper, net	(895)	1,618
Repayment of term loan	—	(500)
Debt issue costs	(7)	(4)
Change in book overdraft	3	(52)
Common stock repurchases	(768)	(1,002)
Dividends paid	(323)	(320)
Other	261	(135)
Net cash (used in) provided by financing activities	(183)	1,582
Increase in cash and cash equivalents	422	10,087
Cash and cash equivalents at beginning of period	4,694	5,061
Cash and cash equivalents at end of period	$ 5,116	$ 15,148

See accompanying notes to condensed consolidated financial statements.

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

	For the nine months ended September 30,	
	2024	2023
	(in millions)	
Supplemental cash flow disclosures:		
Interest payments	$ 416	$ 317
Income tax payments, net	$ 570	$ 957
Details of businesses acquired in purchase transactions:		
Fair value of assets acquired, net of cash and cash equivalents acquired	$ 49	$ 454
Less: Fair value of liabilities assumed	(12)	(236)
Less: Noncontrolling interests acquired	—	5
Cash paid for acquired businesses, net of cash and cash equivalents acquired	$ 37	$ 223

See accompanying notes to condensed consolidated financial statements.

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

1. BASIS OF PRESENTATION AND SIGNIFICANT EVENTS

The accompanying unaudited condensed consolidated financial statements are presented in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America, or GAAP, or those normally made in an Annual Report on Form 10-K. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. For further information, the reader of this Form 10-Q should refer to our Form 10-K for the year ended December 31, 2023, that was filed with the Securities and Exchange Commission, or the SEC, on February 15, 2024. We refer to this Form 10-K as the “2023 Form 10-K” in this document. References throughout this document to “we,” “us,” “our,” “Company,” and “Humana” mean Humana Inc. and its subsidiaries.

The preparation of our condensed consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. The areas involving the most significant use of estimates are the estimation of benefits payable, the impact of risk adjustment provisions related to our Medicare contracts, the valuation and related impairment recognition of investment securities, and the valuation and related impairment recognition of long-lived assets, including goodwill and indefinite-lived intangible assets. These estimates are based on knowledge of current events and anticipated future events, and accordingly, actual results may ultimately differ materially from those estimates. For additional information regarding accounting policies considered in preparing our consolidated financial statements, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

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

Employer Group Commercial Medical Products Business Exit

In February 2023, we announced our planned exit from the Employer Group Commercial Medical Products business, which includes all fully insured, self-funded and Federal Employee Health Benefit medical plans, as well as associated wellness and rewards programs. No other Humana health plan offerings are materially affected. Following a strategic review, we determined the Employer Group Commercial Medical Products business was no longer positioned to sustainably meet the needs of commercial members over the long term or support our long-term strategic plans. We anticipate the exit of this line of business to be finalized in the first half of 2025.

Value Creation Initiatives

Beginning in 2022, in order to create capacity to fund growth and investment in our Medicare Advantage business and further expansion of our healthcare services capabilities, we committed to drive additional value for the enterprise through cost saving, productivity initiatives, and value acceleration from previous investments. As a result of these initiatives, we recorded charges, primarily in asset impairments, of $55 million and $151 million for the three and nine months ended September 30, 2024, respectively, and $52 million for the three and nine months ended September 30, 2023 within operating costs in the condensed consolidated statements of income. These charges were recorded at the corporate level and not allocated to the segments. We expect to incur additional charges through the end of 2024.

Revenue Recognition

Our revenues include premiums and services revenue. Services revenue includes administrative service fees that are recorded based upon established per member per month rates and the number of members for the month and are recognized as services are provided for the month. Additionally, services revenue includes net patient services revenue that are recorded based upon established billing rates, less allowances for contractual adjustments, and are recognized as services are provided. For additional information regarding our revenues, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K. For additional information regarding disaggregation of revenue by segment and type, refer to Note 14 to the unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, "Financial Statements" of this Form 10-Q.

At September 30, 2024, accounts receivable related to services were $428 million. For the three and nine months ended September 30, 2024, we had no material bad-debt expense and there were no material contract assets, contract liabilities or deferred contract costs recorded on the condensed consolidated balance sheet at September 30, 2024.

For the three and nine months ended September 30, 2024, services revenue recognized from performance obligations related to prior periods, such as due to changes in transaction price, was not material. Further, services revenue expected to be recognized in any future year related to remaining performance obligations was not material.

Investment Securities

We participate in a securities lending program to optimize investment income. We loan certain investment securities for short periods of time in exchange for collateral initially equal to at least 102% of the fair value of the investment securities on loan. The fair value of the loaned investment securities is monitored on a daily basis, with additional collateral obtained or refunded as the fair value of the loaned investment securities fluctuates. The collateral, which may be in the form of cash or U.S. Government securities, is deposited by the borrower with an independent lending agent. Any cash collateral, which is reinvested by the lending agent primarily in short-term, highly liquid investments, is recorded as a securities lending collateral asset within other current assets on our consolidated balance sheet at September 30, 2024. We record a corresponding liability to reflect our obligation to return the collateral within trade accounts payable and accrued expenses on our consolidated balance sheet at September 30, 2024. Collateral received in the form of securities is not recorded in our consolidated balance sheets because, absent default by the borrower, we do not have the right to sell, pledge or otherwise reinvest securities collateral. Loaned securities continue to be carried as investment securities on the consolidated balance sheet at September 30, 2024. Earnings on the invested cash collateral, net of expense, associated with the securities lending payable are recorded as investment income.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Effective in Future Periods

In December 2023, the FASB issued Accounting Standards Update No. 2023-07, Segment Reporting — Improvements to Reportable Segment Disclosures. The new guidance requires incremental disclosures related to a public entity’s reportable segments but does not change the definition of a segment, the method for determining segments, or the criteria for aggregating operating segments into reportable segments. The new guidance requires a public entity to disclose its significant segment expense categories and amounts for each reportable segment. The new guidance will be effective for us beginning with our annual 2024 year-end financial statements. We do not believe the adoption of ASU 2023-07 will have a material impact on our consolidated financial statements or disclosures.

In December 2023, the FASB issued Accounting Standards Update No. 2023-09 — Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The new guidance requires significant additional disclosures about income taxes, primarily focused on the disclosure of income taxes paid and the rate reconciliation table. The new guidance requires prospective application (with retrospective application permitted). The new guidance will be effective for us beginning with our annual 2025 year-end financial statements, with early adoption permitted. We are currently evaluating the impact on our income tax footnote disclosures.

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

3. ACQUISITIONS

During 2024 and 2023, respectively, we acquired various health and wellness related businesses which, individually or in the aggregate, have not had a material impact on our results of operations, financial condition, or cash flows. The results of operations and financial condition of these businesses acquired in 2024 and 2023, respectively, have been included in our condensed consolidated statements of income and condensed consolidated balance sheets from the respective acquisition dates. Acquisition-related costs recognized in 2024 and 2023, were not material to our results of operations. For asset acquisitions, the goodwill acquired is partially amortizable as deductible expenses for tax purposes. The pro forma financial information assuming the acquisitions had occurred as of the beginning of the calendar year prior to the year of acquisition, as well as the revenues and earnings generated during the quarter of acquisition, were not material for disclosure purposes.

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

4. INVESTMENT SECURITIES

Investment securities classified as current and long-term were as follows at September 30, 2024 and December 31, 2023, respectively:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in millions)		
September 30, 2024				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	$ 3,203	$ 13	$ (33)	$ 3,183
Mortgage-backed securities	4,501	33	(351)	4,183
Tax-exempt municipal securities	602	—	(18)	584
Mortgage-backed securities:				
Residential	555	1	(54)	502
Commercial	1,292	2	(78)	1,216
Asset-backed securities	1,533	11	(20)	1,524
Corporate debt securities	8,593	92	(444)	8,241
Total debt securities	$ 20,279	$ 152	$ (998)	$ 19,433
December 31, 2023				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	$ 2,717	$ 1	$ (51)	$ 2,667
Mortgage-backed securities	3,946	1	(425)	3,522
Tax-exempt municipal securities	879	1	(22)	858
Mortgage-backed securities:				
Residential	465	1	(66)	400
Commercial	1,471	—	(126)	1,345
Asset-backed securities	1,813	2	(44)	1,771
Corporate debt securities	7,011	28	(594)	6,445
Total debt securities	$ 18,302	$ 34	$ (1,328)	$ 17,008

We own certain corporate debt securities of Gentiva Hospice. The book value and fair value are $381 million and $396 million, respectively, at September 30, 2024. The book value and fair value were $379 million and $398 million, respectively, at December 31, 2023.

We participate in a securities lending program where we loan certain investment securities for short periods of time in exchange for collateral, consisting of cash or U.S. Government securities, initially equal to at least 102% of the fair value of the investment securities on loan. Collateral with a fair value of $361 million was held at September 30, 2024. At September 30, 2024, collateral from lending our investment securities has been reinvested in short-term, highly liquid assets. In addition, we participated in non-cash securities lending with a fair value of $148 million at September 30, 2024.

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

Gross unrealized losses and fair values aggregated by investment category and length of time of individual debt securities that have been in a continuous unrealized loss position for which no allowances for credit loss has been recorded were as follows at September 30, 2024 and December 31, 2023, respectively:

	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in millions)					
September 30, 2024						
U.S. Treasury and other U.S. government corporations and agencies:						
U.S. Treasury and agency obligations	$ 551	$ (2)	$ 518	$ (31)	$ 1,069	$ (33)
Mortgage-backed securities	330	(2)	2,378	(349)	2,708	(351)
Tax-exempt municipal securities	77	—	417	(18)	494	(18)
Mortgage-backed securities:						
Residential	57	(2)	361	(52)	418	(54)
Commercial	26	(1)	1,124	(77)	1,150	(78)
Asset-backed securities	218	(1)	571	(19)	789	(20)
Corporate debt securities	290	(1)	4,466	(443)	4,756	(444)
Total debt securities	$ 1,549	$ (9)	$ 9,835	$ (989)	$ 11,384	$ (998)
December 31, 2023						
U.S. Treasury and other U.S. government corporations and agencies:						
U.S. Treasury and agency obligations	$ 1,899	$ (12)	$ 431	$ (39)	$ 2,330	$ (51)
Mortgage-backed securities	958	(12)	2,269	(413)	3,227	(425)
Tax-exempt municipal securities	160	(1)	523	(21)	683	(22)
Mortgage-backed securities:						
Residential	—	—	373	(66)	373	(66)
Commercial	18	—	1,303	(126)	1,321	(126)
Asset-backed securities	120	(1)	1,364	(43)	1,484	(44)
Corporate debt securities	466	(2)	4,783	(592)	5,249	(594)
Total debt securities	$ 3,621	$ (28)	$ 11,046	$ (1,300)	$ 14,667	$ (1,328)

Approximately 97% of our debt securities were investment-grade quality, with a weighted average credit rating of AA- by Standard & Poor's Rating Service, or S&P, at September 30, 2024. Our remaining debt securities below investment-grade were primarily rated B+, the higher end of the below investment-grade rating scale. Tax-exempt municipal securities were diversified among general obligation bonds of states and local municipalities in the United States as well as special revenue bonds issued by municipalities to finance specific public works projects such as utilities, water and sewer, transportation, or education. Our general obligation bonds are diversified across the United States with no individual state exceeding approximately 1% of our total debt securities. Our investment policy limits investments in a single issuer and requires diversification among various asset types.

Our unrealized losses from all debt securities were generated from approximately 1,300 positions out of a total of approximately 2,290 positions at September 30, 2024. All issuers of debt securities we own that were trading at an unrealized loss at September 30, 2024 remain current on all contractual payments. After taking into account these and other factors previously described, we believe these unrealized losses primarily were caused by an increase in market interest rates in the current markets since the time these debt securities were purchased. At September 30, 2024, we did not intend to sell any debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not likely that we will be required to sell these debt securities before recovery of their amortized cost basis. Additionally, we did not record any material credit allowances for debt securities that were in an unrealized loss position for the three and nine months ended September 30, 2024 or 2023.

The detail of gains (losses) related to investment securities and included within investment income was as follows for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in millions)		(in millions)	
Gross gains on investment securities	$ 14	$ —	$ 16	$ 15
Gross losses on investment securities	(4)	(4)	(6)	(65)
Gross gains on equity securities	—	—	—	1
Gross losses on equity securities	—	—	—	—
Net recognized gains (losses) on investment securities	$ 10	$ (4)	$ 10	$ (49)

The gains and losses related to equity securities for the three and nine months ended September 30, 2024 and 2023 was as follows:

	Three months ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in millions)		(in millions)	
Net gains recognized on equity securities during the period	$ —	$ —	$ —	$ 1
Less: Net gains recognized on equity securities sold during the period	—	—	—	—
Unrealized gains (losses) recognized on equity securities still held at the end of the period	$ —	$ —	$ —	$ 1

The contractual maturities of debt securities available for sale at September 30, 2024, regardless of their balance sheet classification, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(in millions)	
Due within one year	$ 1,082	$ 1,079
Due after one year through five years	5,669	5,584
Due after five years through ten years	4,407	4,261
Due after ten years	1,240	1,084
Mortgage and asset-backed securities	7,881	7,425
Total debt securities	$ 20,279	$ 19,433

For additional information regarding our investment securities, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

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5. FAIR VALUE

Financial Assets

The following table summarizes our fair value measurements at September 30, 2024 and December 31, 2023, respectively, for financial assets measured at fair value on a recurring basis:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	(in millions)			
September 30, 2024				
Cash equivalents	$ 4,941	$ 4,941	$ —	$ —
Debt securities:				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	3,183	—	3,183	—
Mortgage-backed securities	4,183	—	4,183	—
Tax-exempt municipal securities	584	—	584	—
Mortgage-backed securities:				
Residential	502	—	500	2
Commercial	1,216	—	1,216	—
Asset-backed securities	1,524	—	1,479	45
Corporate debt securities	8,241	—	7,997	244
Total debt securities	19,433	—	19,142	291
Securities lending invested collateral	361	361	—	—
Total invested assets	$ 24,735	$ 5,302	$ 19,142	$ 291
December 31, 2023				
Cash equivalents	$ 4,582	$ 4,582	$ —	$ —
Debt securities:				
U.S. Treasury and other U.S. government corporations and agencies:				
U.S. Treasury and agency obligations	2,667	—	2,667	—
Mortgage-backed securities	3,522	—	3,522	—
Tax-exempt municipal securities	858	—	858	—
Mortgage-backed securities:				
Residential	400	—	396	4
Commercial	1,345	—	1,345	—
Asset-backed securities	1,771	—	1,733	38
Corporate debt securities	6,445	—	6,269	176
Total debt securities	$ 17,008	$ —	$ 16,790	$ 218

Our Level 3 assets had a fair value of $291 million, or 1.2% of total invested assets, and $218 million, or 1.0% or total invested assets, at September 30, 2024 and December 31, 2023, respectively. During the nine months ended

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September 30, 2024 and 2023, the changes in the fair value of the assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	Private Placements	
	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
	(in millions)	
Beginning balance at January 1	$ 218	$ 101
Total gains or losses:		
Realized in earnings	—	—
Unrealized in other comprehensive income	6	(1)
Purchases	72	13
Maturities	—	(4)
Sales	—	—
Settlements	(5)	—
Transfer out	—	(4)
Balance at September 30	$ 291	$ 105

Interest Rate Swaps

We have entered into interest-rate swap agreements with major financial institutions to convert our interest-rate exposure on some of our senior notes payable from fixed rates to variable rates, based on Secured Overnight Financing Rate (SOFR), to align interest costs more closely with floating interest rates received on our cash equivalents and investment securities. These swap agreements were qualified and designated as a fair value hedge. Our interest rate swaps are recognized in other assets or other liabilities, as appropriate, in our condensed consolidated balance sheets at fair value as of the reporting date. Our interest rate swaps are highly effective at reflecting the fair value of our hedged fixed rate senior notes payable. We utilize market-based financing rates, forward yield curves and discount rates in determining fair value of these swaps at each reporting date, a Level 2 measure within the fair value hierarchy. The cumulative, aggregate adjustment to the carrying value of the senior notes was approximately $117 million at September 30, 2024. The swap asset, included within other long-term assets on our condensed consolidated balance sheet was approximately $117 million at September 30, 2024. The swap asset, included within other long-term assets on our condensed consolidated balance sheets, was approximately $68 million at December 31, 2023. We include the gain or loss on the swap agreements in interest expense on our condensed consolidated income statement, the same line item as the offsetting loss or gain on the related senior notes. The gain or loss due to hedge ineffectiveness was not material for the three and nine months ended September 30, 2024 and 2023. The following table summarizes the notional amounts at September 30, 2024 and December 31, 2023, respectively, for our senior notes under the swap agreements:

	September 30, 2024	December 31, 2023
	(in millions)	
$750 million, 5.875% due March 1, 2033	$ 650	$ 650
$850 million, 5.950% due March 15, 2034	800	400
$500 million, 3.950% due August 15, 2049	450	450
$750 million, 5.500% due March 15, 2053	700	300
$400 million, 4.625% due December 1, 2042	400	—
$750 million, 4.950% due October 1, 2044	400	—
$1,000 million, 5.750% due April 15, 2054	400	—

Financial Liabilities

Our debt is recorded at carrying value in our condensed consolidated balance sheets. The carrying value of our senior notes debt outstanding, net of unamortized debt issuance costs, was $13.0 billion at September 30, 2024 and $10.8 billion at December 31, 2023. The fair value of our senior notes debt was $12.9 billion at September 30, 2024 and $10.6 billion at December 31, 2023. The fair value of our senior notes debt is determined based on Level 2 inputs, including quoted market prices for the same or similar debt, or if no quoted market prices are available, on the current prices estimated to be available to us for debt with similar terms and remaining maturities. Carrying value approximates fair value for our commercial paper borrowings. We had no outstanding commercial paper borrowings at September 30, 2024. The commercial paper borrowings were $0.9 billion at December 31, 2023.

Put and Call Options Measured at Fair Value

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

The put and call options fair values associated with our Primary Care Organization strategic partnership with Welsh, Carson, Anderson & Stowe, or WCAS, which are exercisable at a fixed revenue exit multiple and provide a minimum return on WCAS' investment if exercised, are measured at fair value each reporting period using a Monte Carlo simulation. The put and call options fair values, derived from the Monte Carlo simulation, were $742 million and $24 million, respectively, at September 30, 2024. The put and call options fair values, derived from the Monte Carlo simulation, were $595 million and $18 million, respectively, at December 31, 2023. The put liability and call asset are included within other long-term liabilities and other long-term assets, respectively, within our condensed consolidated balance sheets.

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

	September 30, 2024	December 31, 2023
Annualized volatility	16.5% - 18.3%	16.1% - 17.8%
Credit spread	0.8% - 1.4%	0.9% - 1.1%
Revenue exit multiple	1.5x - 2.5x	1.5x - 2.5x
Weighted average cost of capital	11.0% - 14.0%	11.0% - 12.5%
Long term growth rate	3.0 %	3.0 %

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

Other Assets and Liabilities Measured at Fair Value

Certain assets and liabilities are measured at fair value on a non-recurring basis subject to fair value adjustment only in certain circumstances. As disclosed in Note 3, we acquired various health and wellness related businesses during 2024 and 2023. The net assets acquired and resulting goodwill and other intangible assets were recorded at fair value primarily using Level 3 inputs. The net tangible assets including receivables and accrued liabilities were recorded at their carrying value which approximated their fair value due to their short term nature. The fair value of goodwill and other intangible assets were internally estimated based primarily on the income approach. The income approach estimates fair value based on the present value of cash flow that the assets could be expected to generate in the future. We developed internal estimates for expected cash flows in the present value calculation using inputs and significant assumptions that include historical revenues and earnings, revenue growth rates, the amount and timing of future cash flows, discount rates, contributory asset charges and future tax rates, among others. The excess purchase price over the fair value of assets and liabilities acquired is recorded as goodwill.

Other than the assets and liabilities acquired during 2024 and 2023, there were no other material assets or liabilities measured at fair value on a recurring or nonrecurring basis during 2024 and 2023.

For additional information regarding our fair value measurements, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

6. MEDICARE PART D

We cover prescription drug benefits in accordance with Medicare Part D under multiple contracts with the Centers for Medicare and Medicaid Services, or CMS. The accompanying condensed consolidated balance sheets include the following amounts associated with Medicare Part D at September 30, 2024 and December 31, 2023. CMS subsidies/discounts in the table below include the reinsurance and low-income cost subsidies funded by CMS for which we assume no risk as well as brand name prescription drug discounts for Part D plan participants in the coverage gap funded by CMS and pharmaceutical manufacturers. For additional information regarding our prescription drug benefits coverage in accordance with Medicare Part D, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

	September 30, 2024		December 31, 2023	
	Risk Corridor Settlement	CMS Subsidies/ Discounts	Risk Corridor Settlement	CMS Subsidies/ Discounts
	(in millions)			
Other current assets	$ 107	$ 846	$ 224	$ 514
Trade accounts payable and accrued expenses	(114)	(1,594)	(232)	(1,825)
Net current liability	(7)	(748)	(8)	(1,311)
Other long-term assets	298	—	17	—
Other long-term liabilities	(62)	—	(77)	—
Net long-term asset (liability)	236	—	(60)	—
Total net asset (liability)	$ 229	$ (748)	$ (68)	$ (1,311)

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for our reportable segments for the nine months ended September 30, 2024 were as follows:

	Insurance	CenterWell	Total
	(in millions)		
Balance at January 1, 2024	$ 2,663	$ 6,887	$ 9,550
Acquisitions	—	40	40
Balance at September 30, 2024	$ 2,663	$ 6,927	$ 9,590

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The following table presents details of our other intangible assets included in other long-term assets in the accompanying condensed consolidated balance sheets at September 30, 2024 and December 31, 2023:

		September 30, 2024			December 31, 2023		
	Weighted Average Life	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
				($ in millions)			
Other intangible assets:							
Certificates of need	Indefinite	$ 1,092	$ —	$ 1,092	$ 1,092	$ —	$ 1,092
Medicare licenses	Indefinite	288	—	288	288	—	288
Customer contracts/ relationships	9.4 years	956	749	207	956	718	238
Trade names and technology	6.7 years	139	116	23	139	109	30
Provider contracts	11.9 years	67	63	4	67	62	5
Noncompetes and other	8.4 years	85	49	36	84	44	40
Total other intangible assets	9.2 years	$ 2,627	$ 977	$ 1,650	$ 2,626	$ 933	$ 1,693

For the three months ended September 30, 2024 and 2023, amortization expense for other intangible assets was approximately $15 million and $17 million, respectively. For the nine months ended September 30, 2024 and 2023, amortization expense for other intangible assets was approximately $46 million and $51 million, respectively. The following table presents our estimate of amortization expense remaining for 2024 and each of the next five succeeding years at September 30, 2024:

	(in millions)
For the years ending December 31,	
2024	$ 15
2025	58
2026	43
2027	33
2028	29
2029	27

For additional information regarding our goodwill and intangible assets, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

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8. BENEFITS PAYABLE

On a consolidated basis, which represents our Insurance segment net of eliminations, activity in benefits payable was as follows for the nine months ended September 30, 2024 and 2023:

	For the nine months ended September 30,	
	2024	2023
	(in millions)	
Balances, beginning of period	$ 10,241	$ 9,264
Acquisitions	—	62
Incurred related to:		
Current year	75,976	66,370
Prior years	(693)	(758)
Total incurred	75,283	65,612
Paid related to:		
Current year	(65,282)	(56,700)
Prior years	(9,117)	(8,042)
Total paid	(74,399)	(64,742)
Balances, end of period	$ 11,125	$ 10,196

The total estimate of benefits payable for claims incurred but not reported, or IBNR, is included within the net incurred claims amounts. At September 30, 2024, benefits payable included IBNR of approximately $7.2 billion, primarily associated with claims incurred in 2024.

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

Our reserving practice is to consistently recognize the actuarial best estimate of our ultimate liability for claims. Actuarial standards require the use of assumptions based on moderately adverse experience, which generally results in favorable reserve development, or reserves that are considered redundant. For additional information regarding our benefits payable and benefits expense recognition, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

9. EARNINGS PER COMMON SHARE COMPUTATION

Detail supporting the computation of basic and diluted earnings per common share was as follows for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(dollars in millions, except per common share results; number of shares in thousands)			
Net income available for common stockholders	$ 480	$ 832	$ 1,900	$ 3,030
Weighted average outstanding shares of common stock used to compute basic earnings per common share	120,405	123,426	120,609	124,335
Dilutive effect of:				
Employee stock options	3	26	4	31
Restricted stock	356	531	286	519
Shares used to compute diluted earnings per common share	120,764	123,983	120,899	124,885
Basic earnings per common share	$ 3.99	$ 6.74	$ 15.76	$ 24.37
Diluted earnings per common share	$ 3.98	$ 6.71	$ 15.72	$ 24.26
Number of antidilutive stock options and restricted stock excluded from computation	361	137	759	251

For additional information regarding earnings per common share, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

10. STOCKHOLDERS' EQUITY

Dividends

The following table provides details of dividend payments, excluding dividend equivalent rights for unvested stock awards, during 2024 under our Board approved quarterly cash dividend policy:

Record Date	Payment Date	Amount per Share	Total Amount
			(in millions)
2024 payments			
12/29/2023	1/26/2024	$ 0.8850	$ 108
3/29/2024	4/26/2024	$ 0.8850	$ 107
6/28/2024	7/26/2024	$ 0.8850	$ 107
9/30/2024	10/25/2024	$ 0.8850	$ 107

In October 2024, the Board declared a cash dividend of $0.885 per share payable on January 31, 2025 to stockholders of record as of the close of business on December 31, 2024. Declaration and payment of future quarterly dividends are at the discretion of our Board and may be adjusted as business needs or market conditions change.

Stock Repurchases

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

Effective February 16, 2024, the Board of Directors replaced the February 2023 repurchase authorization (of which approximately $824 million remained unused) with a new share repurchase authorization for repurchases of up to $3 billion of our common shares exclusive of shares repurchased in connection with employee stock plans, expiring as of February 15, 2027, which we refer to as the 2024 repurchase authorization. During the nine months ended September 30, 2024, we repurchased 1.9 million shares in open market transactions for $750 million at an average price of $384.65 under the February 2023 and 2024 share repurchase authorizations. During the nine months ended September 30, 2023, we repurchased 2.0 million shares in open market transactions for $980 million at an average price of $478.20 under the February 2023 share repurchase authorization.

Our remaining repurchase authorization was $2.93 billion as of October 29, 2024.

In connection with employee stock plans, we acquired 0.05 million common shares for $18 million and 0.06 million common shares for $31 million during the nine months ended September 30, 2024 and 2023, respectively.

For additional information regarding our stockholders' equity, refer to Note 16 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

11. INCOME TAXES

The effective income tax rate was 24.4% and 24.9% for the three and nine months ended September 30, 2024, respectively, and 23.5% and 23.1% for the three and nine months ended September 30, 2023, respectively. The year-over-year increase in the effective income tax rate is primarily due to a change in the mix of current year earnings between our Insurance segment and our CenterWell health services segment, as our CenterWell health services segment is subject to a higher effective tax rate than our Insurance segment. In addition, the prior year income tax rate was favorably impacted by the recognition of a non-taxable gain.

For additional information regarding income taxes, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

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12. DEBT

The carrying value of debt outstanding, net of unamortized debt issuance costs, was as follows at September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
	(in millions)	
Short-term debt:		
Commercial paper	$ —	$ 871
Senior notes:		
$600 million, 3.850% due October 1, 2024	559	572
$600 million, 4.500% due April 1, 2025	577	—
Total senior notes	1,136	572
Total short-term debt	$ 1,136	$ 1,443
Long-term debt:		
Senior notes:		
$600 million, 4.500% due April 1, 2025	$ —	$ 598
$500 million, 5.700% due March 13, 2026	499	498
$750 million, 1.350% due February 3, 2027	689	688
$600 million, 3.950% due March 15, 2027	537	537
$500 million, 5.750% due March 1, 2028	489	495
$500 million, 5.750% due December 1, 2028	495	495
$750 million, 3.700% due March 23, 2029	585	590
$500 million, 3.125% due August 15, 2029	433	433
$500 million, 4.875% due April 1, 2030	496	496
$1,250 million, 5.375% due April 15, 2031	1,239	—
$750 million, 2.150% due February 3, 2032	744	743
$750 million, 5.875% due March 1, 2033	762	750
$850 million, 5.950% due March 15, 2034	853	840
$250 million, 8.150% due June 15, 2038	260	261
$400 million, 4.625% due December 1, 2042	390	396
$750 million, 4.950% due October 1, 2044	738	740
$400 million, 4.800% due March 15, 2047	396	396
$500 million, 3.950% due August 15, 2049	534	529
$750 million, 5.500% due March 15, 2053	745	728
$1,000 million, 5.750% due April 15, 2054	1,002	—
Total senior notes	11,886	10,213
Total long-term debt	$ 11,886	$ 10,213

Senior Notes

In March 2024, we issued $1.3 billion of 5.375% unsecured senior notes due April 15, 2031 and $1.0 billion of 5.750% unsecured senior notes due April 15, 2054. Our net proceeds, reduced for the underwriters' discounts and commissions paid, were $2.2 billion. We used the net proceeds for general corporate purposes, which include the repayment of existing indebtedness, including borrowings under our commercial paper program.

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We have entered into interest-rate swap agreements with major financial institutions to convert our interest-rate exposure on some of our senior notes payable from fixed rates to variable rates, based on Secured Overnight Financing Rate (SOFR), to align interest costs more closely with floating interest rates received on our cash equivalents and investment securities, as further described in Note 5. As a result, the carrying value of these senior notes has been adjusted to reflect changes in value caused by an increase or decrease in interest rates. The cumulative, aggregate decrease to the carrying value of the senior notes was approximately $117 million at September 30, 2024.

For additional information regarding our Senior Notes, refer to Note 13 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

Revolving Credit Agreements

In June 2023, we entered into an amended and restated 5-year, $2.5 billion unsecured revolving credit agreement (replacing the 5-year, $2.5 billion unsecured revolving credit agreement entered in June 2021). In May 2024, we entered into an amendment to increase commitments $0.142 billion resulting in a $2.642 billion borrowing capacity.

In May 2024, we entered into a 364-day $2.1 billion unsecured revolving credit agreement (replacing the 364-day $1.5 billion unsecured revolving credit agreement entered in June 2023, which expired in accordance with its terms).

Under the credit agreements, at our option, we can borrow on either a competitive advance basis or a revolving credit basis. The revolving credit portion bears interest at Term SOFR or the base rate plus a spread. The competitive advance portion of any borrowings will bear interest at market rates prevailing at the time of borrowing on either a fixed rate or a floating rate based Term SOFR, at our option.

The SOFR spread, currently 114.0 basis points under the 5-year revolving credit agreement and 116.0 basis points under the 364-day revolving credit agreement, varies depending on our credit ratings ranging from 92.0 to 130.0 basis points under the 5-year revolving credit agreement and from 94.0 to 135.0 basis points under the 364-day revolving credit agreement. We also pay an annual facility fee regardless of utilization. This facility fee, currently 11.0 basis points, under the 5-year revolving credit agreement and 9.0 basis points under the 364-day revolving agreement, varies depending on our credit ratings ranging from 8.0 to 20.0 basis points under the 5-year revolving credit agreement and from 6.0 to 15.0 basis points under the 364-day revolving credit agreement.

Our credit agreements contain customary restrictive covenants and a financial covenant regarding maximum debt to capitalization of 60%, as well as customary events of default. We are in compliance with this financial covenant, with actual debt to capitalization of 42.3% as measured in accordance with the revolving credit agreements as of September 30, 2024.

At September 30, 2024, we had no borrowings and approximately $18 million of letters of credit outstanding under the revolving credit agreements. Accordingly, as of September 30, 2024, we had $2.624 billion of remaining borrowing capacity under the 5-year revolving credit agreement and $2.1 billion of remaining borrowing capacity under the 364-day revolving credit agreement (which excludes the uncommitted $750 million of incremental loan facilities), none of which would be restricted by our financial covenant compliance requirement.

For additional information regarding our Revolving Credit Agreements, refer to Note 13 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

Commercial Paper

Under our commercial paper program, we may issue short-term, unsecured commercial paper notes privately placed on a discount basis through certain broker dealers at any time. Amounts available under the program may be borrowed, repaid and re-borrowed from time to time. The net proceeds of issuances have been and are expected to be used for general corporate purposes. The maximum principal amount outstanding at any one time during the nine months ended September 30, 2024 was $2.7 billion, with no outstanding amount at September 30, 2024 compared to $0.9 billion outstanding at December 31, 2023.

For additional information regarding our Commercial Paper refer to Note 13 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

Other Short-term Borrowings

We are a member, through one subsidiary, of the Federal Home Loan Bank of Cincinnati, or FHLB. As a member we have the ability to obtain short-term cash advances, subject to certain minimum collateral requirements. At September 30, 2024 we had no outstanding short-term FHLB borrowings.

13. COMMITMENTS, GUARANTEES AND CONTINGENCIES

Government Contracts

Our Medicare products, which accounted for approximately 85% of our total premiums and services revenue for the nine months ended September 30, 2024, primarily consisted of products covered under the Medicare Advantage and Medicare Part D Prescription Drug Plan contracts with the federal government. These contracts are renewed generally for a calendar year term unless CMS notifies us of its decision not to renew by May 1 of the calendar year in which the contract would end, or we notify CMS of our decision not to renew by the first Monday in June of the calendar year in which the contract would end. All material contracts between Humana and CMS relating to our Medicare products have been renewed for 2024, and all of our product offerings filed with CMS for 2024 have been approved.

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

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

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

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

We believe that the Final RADV Rule fails to address adequately the statutory requirement of actuarial equivalence and violates the Administrative Procedure Act (“APA”). CMS failed to meet its legal obligations in the federal rulemaking process to give a reasoned justification for the rule or provide a meaningful opportunity for public comment. They also chose to apply the rule retroactively rather than prospectively, as required by law. Humana’s actuarially certified bids through PY 2023 preserved Humana’s position that CMS should apply an FFS Adjuster in any RADV audit that CMS intends to extrapolate. We expect CMS to apply the Final RADV Rule, including the first application of extrapolated audit results to determine audit settlements without a FFS Adjuster, to CMS and HHS-OIG RADV audits conducted for PY 2018 and subsequent years. The Final RADV Rule, including the lack of a FFS Adjuster, and any related regulatory, industry or company reactions, could have a material adverse effect on our results of operations, financial position, or cash flows.

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

On September 1, 2023, Humana Inc. and Humana Benefit Plan of Texas, Inc. filed suit against the United States Department of Health and Human Services, and Xavier Becerra in his official capacity as Secretary, in the United States District Court, Northern District of Texas, Fort Worth Division seeking a determination that the Final RADV Rule violates the APA and should be set aside. We remain committed to working alongside CMS to promote the integrity of the MA program as well as affordability and cost certainty for our members. It is critical that MA plans are paid accurately and that payment model principles, including the application of a FFS Adjuster, are in accordance with the requirements of the Social Security Act, which, if not implemented correctly could have a material adverse effect on our results of operations, financial position, or cash flows.

Our state-based Medicaid business, which accounted for approximately 8% of our total premiums and services revenue for the nine months ended September 30, 2024 primarily consisted of serving members enrolled in Medicaid, and in certain circumstances members who qualify for both Medicaid and Medicare, under contracts with various states.

At September 30, 2024, our Military services business, which accounted for approximately 1% of our total premiums and services revenue for the nine months ended September 30, 2024, primarily consisted of the TRICARE T2017 East Region contract. The T2017 East Region contract comprises 32 states and approximately 6 million TRICARE beneficiaries, under which delivery of health care services commenced on January 1, 2018. The T2017 East Region contract, which was originally set to expire on December 31, 2022, was subsequently extended by the U.S. Department of Defense, or DoD, and is currently scheduled to expire on December 31, 2024, unless further extended.

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

In December 2022, we were awarded the next generation of TRICARE Managed Care Support Contracts, or T-5, for the updated TRICARE East Region by the Defense Health Agency of the DoD.The T-5 East Region contract comprises 24 states, and Washington D.C., and covers approximately 4.6 million beneficiaries. The transition period for the T-5 contract began in January 2024 and will overlap the final year of the T2017 contract. The length of the contract is one transition year followed by eight annual option periods, which, if all options are exercised, would result in a total contract length of nine years.

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

Legal Proceedings and Certain Regulatory Matters

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

As previously disclosed, on January 19, 2016, an individual filed a qui tam suit captioned *United States of America ex rel. Steven Scott v. Humana Inc* in United States District Court, Western District of Kentucky, Louisville division. The complaint alleged certain civil violations by us in connection with the actuarial equivalence of the plan benefits under Humana's Basic PDP plan, a prescription drug plan offered by us under Medicare Part D. The action sought damages and penalties on behalf of the United States under the False Claims Act. The court ordered the qui tam action unsealed on September 13, 2017, so that the relator could proceed, following notice from the U.S. Government that it was not intervening. During 2023, we accrued certain anticipated expenses in connection with this matter. On August 15, 2024, Humana settled the claims in this suit, and paid the United States $90 million.

On September 1, 2023, Humana Inc. and Humana Benefit Plan of Texas, Inc. filed suit against the United States Department of Health and Human Services, and Xavier Becerra in his official capacity as Secretary, in the United States District Court, Northern District of Texas, Fort Worth Division seeking a determination that the Final RADV Rule violates the APA and should be set aside. There is no assurance that we will prevail in the lawsuit. See "Government Contracts" in this footnote to the unaudited Consolidated Financial Statements of this Form 10-Q for additional information regarding this matter.

In June 2024, a putative stockholder class action was filed against Humana Inc. and certain of our current and former executive officers under the federal securities laws in the United States District Court for the District of Delaware. The case, now captioned *In re Humana Stockholders Litigation.*, alleges that between July 2022 and January 2024, Humana made false or misleading statements in its periodic SEC filings and statements to the financial markets about our financial performance and the medical costs in our Medicare Advantage business. In July 2024 and October 2024, parallel stockholder derivative action captioned *Silva v. Broussard and Spikes v. Broussard,* respectively, were filed in the United States District Court for the Western District of Kentucky alleging that the same claimed acts and omissions underlying the federal securities law case also constitute a breach of fiduciary duty by certain of our current and former directors and executive officers. We will vigorously defend against the allegations in all cases.

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

On October 18, 2024, Humana Inc., along with co-plaintiff Americans for Beneficiary Choice, filed suit against the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services, Xavier Becerra in his official capacity as Secretary, and Chiquita Brooks-LaSure, in her official capacity as Administrator, in the United States District Court, Northern District of Texas, Fort Worth Division, seeking a determination that they violated the Administrative Procedure Act in administering the Medicare Advantage and Part D Star Ratings program. We seek to set aside and vacate Humana's 2025 Star Ratings and remand the matter to CMS for recalculation and to declare that CMS's policy refusing to disclose all relevant data and information is arbitrary, capricious, and unlawful. There is no assurance that we will prevail in the lawsuit. For additional information on this matter, refer to Part II, Item 1A, "Risk Factors" of this Form 10-Q.

Other Lawsuits and Regulatory Matters

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

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

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

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

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

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

14. SEGMENT INFORMATION

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

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

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

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

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

We present our condensed consolidated results of operations from the perspective of the health plans. As a result, the cost of providing benefits to our members, whether provided via a third party provider or internally through a stand-alone subsidiary, is classified as benefits expense and excludes the portion of the cost for which the health plans do not bear responsibility, including member co-share amounts and government subsidies of $5.6 billion and $5.7 billion for the three months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024 and 2023, these amounts were $14.1 billion and $14.7 billion respectively. In addition, depreciation and amortization expense associated with certain businesses delivering benefits to our members, primarily associated with our primary care and pharmacy operations, are included with benefits expense. The amount of this expense was $32 million and $35 million for the three months ended September 30, 2024 and 2023, respectively, and $96 million and $102 million for the nine months ended September 30, 2024 and 2023, respectively.

Other than those described previously, the accounting policies of each segment are the same. For additional information regarding our accounting policies refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K. Transactions between reportable segments primarily consist of sales of products and services rendered by our CenterWell segment, primarily pharmacy, primary care, and home solutions, to our Insurance segment customers. Intersegment sales and expenses are recorded primarily at fair value and eliminated in consolidation. Members served by our segments often use the same provider networks, enabling us in some instances to obtain more favorable contract terms with providers. Our segments also share indirect costs and assets. As a result, the profitability of each segment is interdependent. We allocate most operating expenses to our segments. Assets and certain corporate income and expenses are not allocated to the segments, including the portion of investment income not supporting segment operations, interest expense on corporate debt, and certain other corporate expenses. These items are managed at a corporate level. These corporate amounts are reported separately from our reportable segments and are included with intersegment eliminations in the tables presenting segment results below.

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

Our segment results were as follows for the three and nine months ended September 30, 2024 and 2023:

Three months ended September 30, 2024	Insurance	CenterWell	Eliminations/ Corporate	Consolidated
		(in millions)		
External revenues				
Premiums:				
Individual Medicare Advantage	$ 21,856	$ —	$ —	$ 21,856
Group Medicare Advantage	1,913	—	—	1,913
Medicare stand-alone PDP	721	—	—	721
Total Medicare	24,490	—	—	24,490
Commercial fully-insured	85	—	—	85
Specialty benefits	238	—	—	238
Medicare Supplement	217	—	—	217
State-based contracts and other	2,921	—	—	2,921
Total premiums	27,951	—	—	27,951
Services revenue:				
Home solutions	—	326	—	326
Primary care	—	319	—	319
Pharmacy solutions	—	232	—	232
Commercial ASO	12	—	—	12
Military services and other	214	—	—	214
Total services revenue	226	877	—	1,103
Total external revenues	28,177	877	—	29,054
Intersegment revenues				
Services	1	1,463	(1,464)	—
Products	—	2,701	(2,701)	—
Total intersegment revenues	1	4,164	(4,165)	—
Investment income	192	—	151	343
Total revenues	28,370	5,041	(4,014)	29,397
Operating expenses:				
Benefits	25,319	—	(199)	25,120
Operating costs	2,595	4,602	(3,858)	3,339
Depreciation and amortization	182	57	(29)	210
Total operating expenses	28,096	4,659	(4,086)	28,669
Income from operations	274	382	72	728
Interest expense	—	2	167	169
Other income, net	—	—	(92)	(92)
Income (loss) before income taxes and equity in net earnings	274	380	(3)	651
Equity in net losses	(1)	(15)	—	(16)
Segment earnings (loss)	$ 273	$ 365	$ (3)	$ 635
Net loss attributable to noncontrolling interests	—	—	—	—
Segment earnings (loss) attributable to Humana	$ 273	$ 365	$ (3)	$ 635

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

Three months ended September 30, 2023	Insurance	CenterWell	Eliminations/ Corporate	Consolidated
		(in millions)		
External revenues				
Premiums:				
Individual Medicare Advantage	$ 19,637	$ —	$ —	$ 19,637
Group Medicare Advantage	1,695	—	—	1,695
Medicare stand-alone PDP	493	—	—	493
Total Medicare	21,825	—	—	21,825
Commercial fully-insured	842	—	—	842
Specialty benefits	252	—	—	252
Medicare Supplement	185	—	—	185
State-based contracts and other	1,995	—	—	1,995
Total premiums	25,099	—	—	25,099
Services revenue:				
Home solutions	—	342	—	342
Primary care	—	214	—	214
Pharmacy solutions	—	203	—	203
Commercial ASO	55	—	—	55
Military services and other	202	—	—	202
Total services revenue	257	759	—	1,016
Total external revenues	25,356	759	—	26,115
Intersegment revenues				
Services	1	1,307	(1,308)	—
Products	—	2,594	(2,594)	—
Total intersegment revenues	1	3,901	(3,902)	—
Investment income	154	—	154	308
Total revenues	25,511	4,660	(3,748)	26,423
Operating expenses:				
Benefits	21,976	—	(231)	21,745
Operating costs	2,634	4,207	(3,570)	3,271
Depreciation and amortization	179	53	(31)	201
Total operating expenses	24,789	4,260	(3,832)	25,217
Income from operations	722	400	84	1,206
Interest expense	—	1	113	114
Other income, net	—	—	(6)	(6)
Income (loss) before income taxes and equity in net earnings	722	399	(23)	1,098
Equity in net losses	—	(12)	—	(12)
Segment earnings (loss)	$ 722	$ 387	$ (23)	$ 1,086
Net loss (income) attributable to noncontrolling interests	3	(1)	—	2
Segment earnings (loss) attributable to Humana	$ 725	$ 386	$ (23)	$ 1,088

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

	Insurance	CenterWell	Eliminations/ Corporate	Consolidated
Nine months ended September 30, 2024		(in millions)		
External revenues				
Premiums:				
Individual Medicare Advantage	$ 66,519	$ —	$ —	$ 66,519
Group Medicare Advantage	5,840	—	—	5,840
Medicare stand-alone PDP	2,409	—	—	2,409
Total Medicare	74,768	—	—	74,768
Commercial fully-insured	493	—	—	493
Specialty benefits	717	—	—	717
Medicare Supplement	620	—	—	620
State-based contracts and other	7,756	—	—	7,756
Total premiums	84,354	—	—	84,354
Services revenue:				
Home solutions	—	996	—	996
Primary care	—	882	—	882
Pharmacy solutions	—	672	—	672
Commercial ASO	44	—	—	44
Military services and other	671	—	—	671
Total services revenue	715	2,550	—	3,265
Total external revenues	85,069	2,550	—	87,619
Intersegment revenues				
Services	3	4,293	(4,296)	—
Products	—	7,963	(7,963)	—
Total intersegment revenues	3	12,256	(12,259)	—
Investment income	522	—	407	929
Total revenues	85,594	14,806	(11,852)	88,548
Operating expenses:				
Benefits	75,752	—	(469)	75,283
Operating costs	7,354	13,638	(11,463)	9,529
Depreciation and amortization	553	166	(88)	631
Total operating expenses	83,659	13,804	(12,020)	85,443
Income from operations	1,935	1,002	168	3,105
Interest expense	—	4	492	496
Other expense, net	—	—	26	26
Income (loss) before income taxes and equity in net losses	1,935	998	(350)	2,583
Equity in net losses	(2)	(55)	—	(57)
Segment earnings (loss)	$ 1,933	$ 943	$ (350)	$ 2,526
Net loss attributable to noncontrolling interests	3	—	—	3
Segment earnings (loss) attributable to Humana	$ 1,936	$ 943	$ (350)	$ 2,529

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

	Insurance	CenterWell	Eliminations/ Corporate	Consolidated
Nine Months Ended September 30, 2023		(in millions)		
External Revenues				
Premiums:				
Individual Medicare Advantage	$ 59,195	$ —	$ —	$ 59,195
Group Medicare Advantage	5,192	—	—	5,192
Medicare stand-alone PDP	1,677	—	—	1,677
Total Medicare	66,064	—	—	66,064
Commercial fully-insured	2,810	—	—	2,810
Specialty benefits	758	—	—	758
Medicare Supplement	546	—	—	546
State-based contracts and other	5,966	—	—	5,966
Total premiums	76,144	—	—	76,144
Services revenue:				
Home solutions	—	997	—	997
Primary care	—	605	—	605
Pharmacy solutions	—	661	—	661
Commercial ASO	190	—	—	190
Military services and other	540	—	—	540
Total services revenue	730	2,263	—	2,993
Total external revenues	76,874	2,263	—	79,137
Intersegment revenues				
Services	30	3,584	(3,614)	—
Products	—	7,848	(7,848)	—
Total intersegment revenues	30	11,432	(11,462)	—
Investment income	385	—	390	775
Total revenues	77,289	13,695	(11,072)	79,912
Operating expenses:				
Benefits	66,096	—	(484)	65,612
Operating costs	7,597	12,526	(10,762)	9,361
Depreciation and amortization	516	152	(90)	578
Total operating expenses	74,209	12,678	(11,336)	75,551
Income from operations	3,080	1,017	264	4,361
Interest expense	—	2	345	347
Other expense, net	—	—	40	40
Income (loss) before income taxes and equity in net losses	3,080	1,015	(121)	3,974
Equity in net losses	(2)	(37)	—	(39)
Segment earnings (loss)	$ 3,078	$ 978	$ (121)	$ 3,935
Net loss (income) attributable to noncontrolling interests	7	(1)	—	6
Segment earnings (loss) attributable to Humana	$ 3,085	$ 977	$ (121)	$ 3,941

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

The condensed consolidated financial statements of Humana Inc. in this document present the Company's financial position, results of operations and cash flows, and should be read in conjunction with the following discussion and analysis. References to "we," "us," "our," "Company," and "Humana" mean Humana Inc. and its subsidiaries. This discussion includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in filings with the Securities and Exchange Commission, or SEC, in our press releases, investor presentations, and in oral statements made by or with the approval of one of our executive officers, the words or phrases like "believes," "expects," "anticipates," "intends," "likely will result," "estimates," "projects" or variations of such words and similar expressions are intended to identify such forward–looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, including, among other things, information set forth in Item 1A. – Risk Factors in our 2023 Form 10-K, as modified by any changes to those risk factors included in this document and in other reports we filed subsequent to February 15, 2024, in each case incorporated by reference herein. In making these statements, we are not undertaking to address or update such forward-looking statements in future filings or communications regarding our business or results. In light of these risks, uncertainties and assumptions, the forward–looking events discussed in this document might not occur. There may also be other risks that we are unable to predict at this time. Any of these risks and uncertainties may cause actual results to differ materially from the results discussed in the forward-looking statements.

Executive Overview

General

Humana Inc., headquartered in Louisville, Kentucky, is committed to putting health first – for our teammates, our customers, and our company. Through our Humana insurance services, and our CenterWell health care services, we make it easier for the millions of people we serve to achieve their best health – delivering the care and service they need, when they need it. These efforts are leading to a better quality of life for people with Medicare, Medicaid, families, individuals, military service personnel, and communities at large.

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

Employer Group Commercial Medical Products Business Exit

In February 2023, we announced our planned exit from the Employer Group Commercial Medical Products business, which includes all fully insured, self-funded and Federal Employee Health Benefit medical plans, as well as associated wellness and rewards programs. No other Humana health plan offerings are materially affected. Following a strategic review, we determined the Employer Group Commercial Medical Products business was no longer positioned to sustainably meet the needs of commercial members over the long term or support our long-term strategic plans. We anticipate the exit of this line of business to be finalized in the first half of 2025.

Value Creation Initiatives

Beginning in 2022, in order to create capacity to fund growth and investment in our Medicare Advantage business and further expansion of our healthcare services capabilities, we committed to drive additional value for the enterprise through cost saving, productivity initiatives, and value acceleration from previous investments. As a result of these initiatives, we recorded charges, primarily in asset impairments, of $55 million and $151 million for the three and nine months ended September 30, 2024, respectively, and $52 million for the three and nine months ended September 30, 2023 within operating costs in the condensed consolidated statements of income. These charges were recorded at the corporate level and not allocated to the segments. We expect to incur additional charges through the end of 2024.

Business Segments

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

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

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

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

Seasonality

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

The Insurance segment also experiences seasonality in the commercial fully-insured product offering. The effect on the Insurance segment benefit ratio is opposite of the Medicare stand-alone PDP impact, with the benefit ratio increasing as fully-insured members progress through their annual deductible and maximum out-of-pocket expenses. The Employer Group Commercial Fully-Insured business increased the Insurance segment benefit ratio by 10 basis points and increased the Insurance segment benefit ratio by 20 basis points for the three months ended September 30, 2024 and 2023, respectively. The Employer Group Commercial Fully-Insured business did not impact the Insurance segment benefit ratio for the nine months ended September 30, 2024 and 2023.

The Insurance segment also experiences seasonality in the operating cost ratio as a result of costs incurred in the second half of the year associated with the Medicare marketing season. The Insurance segment may experience adverse impacts in the operating cost ratio as a result of our Employer Group Commercial Medical Products exit. The Employer Group Commercial Fully-Insured business increased the Insurance segment operating cost ratio by 10 basis points for the three months ended September 30, 2024 and increased the Insurance segment operating cost ratio by 40 basis points for the three months ended September 30, 2023. The Employer Group Commercial Fully-Insured business did not impact the Insurance segment operating cost ratio for the nine months ended September 30, 2024 and increased the Insurance segment operating cost ratio by 40 basis points for the nine months ended September 30, 2023.

2024 Highlights

- Our strategy offers our members affordable health care combined with a positive consumer experience in growing markets. At the core of this strategy is our integrated care delivery model, which unites quality care, high member engagement, and sophisticated data analytics. Our approach to primary, physician-directed care for our members aims to provide quality care that is consistent, integrated, cost-effective, and member-focused, provided by both employed physicians and physicians with network contract arrangements. The model is designed to improve health outcomes and affordability for individuals and for the health system as a whole, while offering our members a simple, seamless healthcare experience. We believe this strategy is positioning us for long-term growth in both membership and earnings. We offer providers a continuum of opportunities to increase the integration of care and offer assistance to providers in transitioning from a fee-for-service to a value-based arrangement. These include performance bonuses, shared savings and shared risk relationships. At September 30, 2024, approximately 3,984,900 members, or 70%, of our individual Medicare Advantage members were in value-based relationships under our integrated care delivery model, as compared to 3,727,500 members, or 69%, at September 30, 2023.

- Net income attributable to Humana was $0.5 billion, or $3.98 per diluted common share, and $0.8 billion, or $6.71 per diluted common share, for the three months ended September 30, 2024 and 2023, respectively. Net income attributable to Humana was $1.9 billion, or $15.72 per diluted common share, and $3.0 billion, or $24.26 per diluted common share, for the nine months ended September 30, 2024, and 2023, respectively. These comparisons were significantly impacted by put/call valuation adjustments associated with non-consolidating minority interest investments, charges associated with value creation initiatives, transaction and integration costs and an accrual related to certain anticipated litigation expenses. The impact of these adjustments to our consolidated income before income taxes and equity in net earnings and diluted earnings per common share was as follows for the 2024 and 2023 quarter and period:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
	(in millions)			
Consolidated income before income taxes and equity in net earnings:				
Put/call valuation adjustments associated with our non consolidating minority interest investments	$ (59)	$ 35	$ 141	$ 141
Transaction and integration costs	—	—	—	(47)
Value creation initiatives	55	52	151	52
Accrual related to certain anticipated litigation expenses	—	15	—	105
Total	$ (4)	$ 102	$ 292	$ 251

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Diluted earnings per common share:				
Put/call valuation adjustments associated with our non consolidating minority interest investments	$ (0.49)	$ 0.28	$ 1.17	$ 1.13
Transaction and integration costs	—	—	—	(0.38)
Value creation initiatives	0.45	0.42	1.25	0.42
Accrual related to certain anticipated litigation expenses	—	0.12	—	0.84
Net tax impact of transactions	0.01	(0.18)	(0.56)	(0.57)
Total	$ (0.03)	$ 0.64	$ 1.86	$ 1.44

Regulatory Environment

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

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

In March 2024, the United States Securities and Exchange Commission issued its final regulation on climate-related disclosures. The regulation requires certain disclosures in registration statements and annual reports, including financial impact and climate-related impact metrics. On April 4, 2024, the SEC exercised its discretion to stay the Final Rules pending the completion of judicial review. The new regulation is effective for us beginning with the annual report for the year ended December 31, 2025. We are evaluating the final rule and its impact on our disclosures.

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

Comparison of Results of Operations for 2024 and 2023

The following discussion primarily deals with our results of operations for the three months ended September 30, 2024, or the 2024 quarter, the three months ended September 30, 2023, or the 2023 quarter, the nine months ended September 30, 2024, or the 2024 period, and the nine months ended September 30, 2023, or the 2023 period.

	Three months ended September 30,		Nine months ended September 30,		Change: Three months ended September 30, 2024 vs 2023		Change: Nine months ended September 30, 2024 vs 2023	
	2024	2023	2024	2023	$	%	$	%
	($ in millions, except per common share results)							
Revenues:								
Insurance premiums	$ 27,951	$ 25,099	$ 84,354	$ 76,144	$ 2,852	11.4 %	$ 8,210	10.8 %
Services:								
Insurance	226	257	715	730	(31)	(12.1)%	(15)	(2.1)%
CenterWell	877	759	2,550	2,263	118	15.5 %	287	12.7 %
Total services revenue	1,103	1,016	3,265	2,993	87	8.6 %	272	9.1 %
Investment income	343	308	929	775	35	11.4 %	154	19.9 %
Total revenues	29,397	26,423	88,548	79,912	2,974	11.3 %	8,636	10.8 %
Operating expenses:								
Benefits	25,120	21,745	75,283	65,612	3,375	15.5 %	9,671	14.7 %
Operating costs	3,339	3,271	9,529	9,361	68	2.1 %	168	1.8 %
Depreciation and amortization	210	201	631	578	9	4.5 %	53	9.2 %
Total operating expenses	28,669	25,217	85,443	75,551	3,452	13.7 %	9,892	13.1 %
Income from operations	728	1,206	3,105	4,361	(478)	(39.6)%	(1,256)	(28.8)%
Interest expense	169	114	496	347	55	48.2 %	149	42.9 %
Other (income) expense, net	(92)	(6)	26	40	86	1,433.3 %	(14)	(35.0)%
Income before income taxes and equity in net earnings	651	1,098	2,583	3,974	(447)	(40.7)%	(1,391)	(35.0)%
Provision for income taxes	155	256	629	911	(101)	(39.5)%	(282)	(31.0)%
Equity in net losses	(16)	(12)	(57)	(39)	4	33.3 %	18	46.2 %
Net income	$ 480	$ 830	$ 1,897	$ 3,024	$ (350)	(42.2)%	$ (1,127)	(37.3)%
Diluted earnings per common share	$ 3.98	$ 6.71	$ 15.72	$ 24.26	$ (2.73)	(40.7)%	$ (8.54)	(35.2)%
Benefit ratio (a)	89.9 %	86.6 %	89.2 %	86.2 %		3.3 %		3.0 %
Operating cost ratio (b)	11.5 %	12.5 %	10.9 %	11.8 %		(1.0)%		(0.9)%
Effective tax rate	24.4 %	23.5 %	24.9 %	23.1 %		0.9 %		1.8 %

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

Premiums Revenue

Consolidated premiums revenue increased $2.9 billion, or 11.4%, from $25.1 billion in the 2023 quarter to $28.0 billion in the 2024 quarter and increased $8.2 billion, or 10.8%, from $76.1 billion in the 2023 period to $84.4

billion in the 2024 period primarily due to higher per member Medicare premiums as well as Medicare Advantage and state-based contracts membership growth. These factors were partially offset by the continued decline in our group commercial medical and stand-alone PDP membership.

Services Revenue

Consolidated services revenue increased $87 million, or 8.6%, from $1.0 billion in the 2023 quarter to $1.1 billion in the 2024 quarter and increased $272 million, or 9.1%, from $3.0 billion in the 2023 period to $3.3 billion in the 2024 period primarily due to higher revenues associated with growth in the primary care business, partially offset by the impact of the v28 risk model revision.

Investment Income

Investment income increased $35 million, or 11.4%, from $308 million in the 2023 quarter to $343 million in the 2024 quarter and increased $154 million, or 19.9%, from $775 million in the 2023 period to $929 million in the 2024 period primarily due to increase in interest income on our debt securities.

Benefit Expense

Consolidated benefits expense increased $3.4 billion, or 15.5%, from $21.7 billion in the 2023 quarter to $25.1 billion in the 2024 quarter and increased $9.7 billion, or 14.7%, from $65.6 billion in the 2023 period to $75.3 billion in the 2024 period. The consolidated benefit ratio increased 330 basis points from 86.6% for the 2023 quarter to 89.9% for the 2024 quarter and increased 300 basis points from 86.2% for the 2023 period to 89.2% for the 2024 period primarily due to the continued impact of elevated Medicare Advantage and state-based contracts medical cost trends in the 2024 quarter and period. The elevated medical cost trend was partially offset by the impact of the pricing and benefit design of our 2024 Medicare Advantage products, which included a reduction in member benefits in response to the net impact of the 2024 final rate notice and the initial emergence of increased medical cost trends in 2023. Further, the year-over-year comparisons continue to reflect a shift in line of business mix, with growth in Medicare Advantage and state-based contracts and other membership, which can carry a higher benefit ratio.

Consolidated benefits expense included $24 million of favorable prior-period medical claims reserve development in the 2024 quarter and $4 million of favorable prior-period medical claims development in the 2023 quarter. Consolidated benefits expense included $693 million of favorable prior-period medical claims reserve development in the 2024 period and $758 million of favorable prior-period medical claims reserve development in the 2023 period. Prior-period medical claims reserve development decreased the consolidated benefit ratio by approximately 10 basis points in the 2024 quarter and did not impact the consolidated benefit ratio in the 2023 quarter. Prior-period medical claims reserve development decreased the consolidated benefit ratio by approximately 80 basis points in the 2024 period and decreased the consolidated benefit ratio by approximately 100 basis points in the 2023 period.

Operating Costs

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

Consolidated operating costs increased $68 million, or 2.1%, from $3.3 billion in the 2023 quarter to $3.3 billion in the 2024 quarter and increased $168 million, or 1.8%, from $9.4 billion in the 2023 period to $9.5 billion in the 2024 period. The consolidated operating cost ratio decreased 100 basis points from 12.5% for the 2023 quarter to 11.5% for the 2024 quarter and decreased 90 basis points from 11.8% for the 2023 period to 10.9% for the 2024 period primarily due to scale efficiencies associated with growth in our Medicare Advantage membership, administrative cost efficiencies resulting from our value creation initiatives, lower impact of commission expense for brokers in 2024 compared to 2023 as a result of significant individual Medicare Advantage membership growth in 2023, and the impact of the accrued charge related to certain anticipated litigation expenses included in the 2023 quarter and period results. These factors were partially offset by the impact from charges related to value creation initiatives in the 2024 quarter and period.

Depreciation and Amortization

Depreciation and amortization increased $9 million, or 4.5%, from $201 million in the 2023 quarter to $210 million in the 2024 quarter and increased $53 million, or 9.2%, from $578 million in the 2023 period to $631 million in the 2024 period primarily due to capital expenditures.

Interest Expense

Interest expense increased $55 million, or 48.2%, from $114 million in the 2023 quarter to $169 million in the 2024 quarter and increased $149 million, or 42.9%, from $347 million in the 2023 period to $496 million in the 2024 period primarily due to increase in interest rates and higher average debt balances.

Income Taxes

The effective income tax rate was 24.4% and 23.5% for the three months ended September 30, 2024, and 2023, respectively, and 24.9% and 23.1% for the nine months ended September 30, 2024 and 2023, respectively. The year-over-year increase in the effective income tax rate is primarily due to a change in the mix of current year earnings between our Insurance segment and our CenterWell health services segment, as our CenterWell health services segment is subject to a higher effective tax rate than our Insurance segment. In addition, the prior year income tax rate was favorably impacted by the recognition of a non-taxable gain.

Insurance Segment

	September 30, 2024	September 30, 2023	Change Members	Change %
Membership:				
Individual Medicare Advantage	5,659,200	5,374,400	284,800	5.3 %
Group Medicare Advantage	546,700	510,300	36,400	7.1 %
Medicare stand-alone PDP	2,315,700	2,885,800	(570,100)	(19.8)%
Total Medicare	8,521,600	8,770,500	(248,900)	(2.8)%
Medicare Supplement	357,300	299,400	57,900	19.3 %
Commercial fully-insured	25,900	409,300	(383,400)	(93.7)%
State-based contracts and other	1,446,100	1,264,600	181,500	14.4 %
Military services	5,984,800	5,935,400	49,400	0.8 %
Commercial ASO	22,400	284,300	(261,900)	(92.1)%
Total Medical Membership	16,358,100	16,963,500	(605,400)	(3.6)%
Total Specialty Membership (a)	4,566,800	4,964,300	(397,500)	(8.0)%

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

	Three months ended September 30,		Nine months ended September 30,		Change: Three months ended September 30, 2024 vs 2023		Change: Nine months ended September 30, 2024 vs 2023	
	2024	2023	2024	2023	$	%	$	%
	($ in millions)							
Premiums and Services Revenue:								
Premiums:								
Individual Medicare Advantage	$ 21,856	$ 19,637	$ 66,519	$ 59,195	$ 2,219	11.3 %	$ 7,324	12.4 %
Group Medicare Advantage	1,913	1,695	5,840	5,192	218	12.9 %	648	12.5 %
Medicare stand-alone PDP	721	493	2,409	1,677	228	46.2 %	732	43.6 %
Total Medicare	24,490	21,825	74,768	66,064	2,665	12.2 %	8,704	13.2 %
Commercial fully-insured	85	842	493	2,810	(757)	(89.9)%	(2,317)	(82.5)%
Specialty benefits	238	252	717	758	(14)	(5.6)%	(41)	(5.4)%
Medicare Supplement	217	185	620	546	32	17.3 %	74	13.6 %
State-based contracts and other	2,921	1,995	7,756	5,966	926	46.4 %	1,790	30.0 %
Total premiums revenue	27,951	25,099	84,354	76,144	2,852	11.4 %	8,210	10.8 %
Commercial ASO	12	55	44	190	(43)	(78.2)%	(146)	(76.8)%
Military services and other	214	202	671	540	12	5.9 %	131	24.3 %
Services revenue	226	257	715	730	(31)	(12.1)%	(15)	(2.1)%
Total premiums and services revenue	$ 28,177	$ 25,356	$ 85,069	$ 76,874	$ 2,821	11.1 %	$ 8,195	10.7 %
Income from operations	$ 274	$ 722	$ 1,935	$ 3,080	$ (448)	(62.0)%	$ (1,145)	(37.2)%
Benefit ratio	90.6 %	87.6 %	89.8 %	86.8 %		3.0 %		3.0 %
Operating cost ratio	9.2 %	10.4 %	8.6 %	9.9 %		(1.2)%		(1.3)%

Income from operations

Insurance segment income from operations decreased $0.4 billion, or 62.0%, from $0.7 billion in the 2023 quarter to $0.3 billion in the 2024 quarter and decreased $1.1 billion, or 37.2%, from $3.1 billion in the 2023 period to $1.9 billion in the 2024 period primarily due to the same factors impacting the segment's higher benefit ratio partially offset by the lower operating cost ratio as more fully described below.

Enrollment

Individual Medicare Advantage membership increased 284,800 members, or 5.3%, from September 30, 2023 to September 30, 2024 primarily due to membership additions associated with the previous Annual Election Period, or AEP. Individual Medicare Advantage membership includes 939,600 D-SNP members as of September 30, 2024, a net increase of 71,600 D-SNP members, or 8.2%, from 868,000 D-SNP members as of September 30, 2023.

Group Medicare Advantage membership increased 36,400 members, or 7.1%, from September 30, 2023 to September 30, 2024 primarily due to growth in small and medium group accounts.

Medicare stand-alone PDP membership decreased 570,100 members, or 19.8%, from September 30, 2023 to September 30, 2024 primarily due to continued intensified competition for Medicare stand-alone PDP offerings.

State-based contracts and other membership increased 181,500 members, or 14.4%, from September 30, 2023 to September 30, 2024 primarily reflecting the impact of membership additions associated with the implementation of new contracts partially offset with membership loss as a result of the public health of emergency unwind.

Commercial fully-insured medical membership decreased 383,400 members, or 93.7%, from September 30, 2023 to September 30, 2024 and commercial ASO medical membership decreased 261,900 members, or 92.1%, from September 30, 2023 to September 30, 2024. These decreases reflect our planned exit of the Employer Group Commercial Medical Products business, which includes all fully insured, self-funded and Federal Employee Health Benefit medical plans, as well as associated wellness and rewards programs. We anticipate the exit of this line of business to be finalized in the first half of 2025.

Specialty membership decreased 397,500 members, or 8.0%, from September 30, 2023 to September 30, 2024 primarily due to non-renewal of dental and vision plans as a result of exit from the Employer Group Commercial Medical Products business partially offset by growth in dental and vision plans as a result of Medicare Advantage enrollment.

Premiums Revenue

Insurance segment premiums revenue increased $2.9 billion, or 11.4%, from $25.1 billion in the 2023 quarter to $28.0 billion in the 2024 quarter and increased $8.2 billion, or 10.8%, from $76.1 billion in the 2023 period to $84.4 billion in the 2024 period primarily due to higher per member Medicare premiums as well as Medicare Advantage and state-based contracts membership growth. These factors were partially offset by the continued decline in our group commercial medical and stand-alone PDP membership.

Services Revenue

Insurance segment services revenue decreased $31 million, or 12.1%, from $257 million in the 2023 quarter to $226 million in the 2024 quarter and decreased $15 million, or 2.1%, from $730 million in the 2023 period to $715 million in the 2024 period.

Benefits Expense

The Insurance segment benefit ratio increased 300 basis points from 87.6% for the 2023 quarter to 90.6% for the 2024 quarter and increased 300 basis points from 86.8% for the 2023 period to 89.8% for the 2024 period primarily due to the continued impact of elevated Medicare Advantage and state-based contracts medical cost trends in the 2024 quarter and period. The elevated medical cost trend was partially offset by the impact of the pricing and benefit design of our 2024 Medicare Advantage products, which included a reduction in member benefits in response to the net impact of the 2024 final rate notice and the initial emergence of increased medical cost trends in 2023. Further, the year-over-year comparisons continue to reflect a shift in line of business mix, with growth in Medicare Advantage and state-based contracts and other membership, which can carry a higher benefit ratio.

Operating Costs

The Insurance segment operating cost ratio decreased 120 basis points from 10.4% for the 2023 quarter to 9.2% for the 2024 quarter and decreased 130 basis points from 9.9% for the 2023 period to 8.6% for the 2024 period primarily due to scale efficiencies associated with growth in our individual Medicare Advantage membership, administrative cost efficiencies resulting from our value creation initiatives, lower impact of commission expense for brokers in 2024 compared to 2023 as a result of significant individual Medicare Advantage membership growth in 2023, and the impact of the accrued charge related to certain anticipated litigation expenses included in the 2023 quarter and period results.

CenterWell Segment

	Three months ended September 30,		Nine months ended September 30,		Change			
					Three months ended September 30, 2024 vs 2023		Nine months ended September 30, 2024 vs 2023	
	2024	2023	2024	2023	$	%	$	%
	($ in millions)							
Revenues:								
Services:								
Home solutions	$ 326	$ 342	$ 996	$ 997	$ (16)	(4.7)%	$ (1)	(0.1)%
Pharmacy solutions	232	203	672	661	29	14.3 %	11	1.7 %
Primary care	319	214	882	605	105	49.1 %	277	45.8 %
Total services revenue	877	759	2,550	2,263	118	15.5 %	287	12.7 %
Intersegment revenues:								
Home solutions	525	453	1,509	1,088	72	15.9 %	421	38.7 %
Pharmacy solutions	2,701	2,594	7,963	7,848	107	4.1 %	115	1.5 %
Primary care	938	854	2,784	2,496	84	9.8 %	288	11.5 %
Total intersegment revenues	4,164	3,901	12,256	11,432	263	6.7 %	824	7.2 %
Total services and intersegment revenues	$ 5,041	$ 4,660	$14,806	$13,695	$ 381	8.2 %	$ 1,111	8.1 %
Income from operations	$ 382	$ 400	$ 1,002	$ 1,017	$ (18)	(4.5)%	$ (15)	(1.5)%
Operating cost ratio	91.3 %	90.3 %	92.1 %	91.5 %		1.0 %		0.6 %

Income from operations

CenterWell income from operations decreased $18 million, or 4.5%, from $400 million in the 2023 quarter to $382 million in the 2024 quarter and decreased $0.02 billion, or 1.5%, from $1.02 billion in the 2023 period to $1.00 billion in the 2024 period primarily due to the same factors impacting the segment's operating cost ratio as more fully described below.

Services Revenue

CenterWell services revenue increased $118 million, or 15.5%, from $759 million in the 2023 quarter to $877 million in the 2024 quarter and increased $0.3 billion, or 12.7%, from $2.3 billion in the 2023 period to $2.6 billion in the 2024 period primarily due to higher revenues associated with growth in the primary care business, partially offset by the impact of the v28 risk model revision.

Intersegment Revenue

CenterWell intersegment revenues increased $0.3 billion, or 6.7%, from $3.9 billion in the 2023 quarter to $4.2 billion in the 2024 quarter and increased $0.8 billion, or 7.2%, from $11.4 billion in the 2023 period to $12.3 billion in the 2024 period primarily due to greater intersegment revenues associated with the home solutions business in the 2024 quarter and period as compared to the 2023 quarter and period as a result of the expansion of the value-based home care model, higher revenues associated with growth in the primary care business, partially offset by the impact of the v28 risk model revision, as well as an increase in pharmacy solutions revenues resulting from growth in the specialty pharmacy business, driven by increased penetration of Humana health plan members and payor agnostic consumers.

Operating Costs

The CenterWell segment operating cost ratio increased 100 basis points from 90.3% for the 2023 quarter to 91.3% for the 2024 quarter and increased 60 basis points from 91.5% for the 2023 period to 92.1% for the 2024 period primarily due to the unfavorable impact of the v28 risk model revision to the primary care business partially offset by administrative cost efficiencies resulting from our value creation initiatives and positive prior-period medical claims reserve development within the Primary Care Organization.

Liquidity

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

For additional information regarding our liquidity risk, refer to Part I, Item 1A, "Risk Factors" in our 2023 Form 10-K and Part II, Item 1A, "Risk Factors" of this Form 10-Q.

Cash and cash equivalents increased to approximately $5.1 billion at September 30, 2024 from $4.7 billion at December 31, 2023. The change in cash and cash equivalents for the nine months ended September 30, 2024 and 2023 is summarized as follows:

	Nine Months Ended	
	2024	2023
	(in millions)	
Net cash provided by operating activities	$ 3,494	$ 11,115
Net cash used in investing activities	(2,889)	(2,610)
Net cash provided by financing activities	(183)	1,582
Increase in cash and cash equivalents	$ 422	$ 10,087

Cash Flow from Operating Activities

Cash flows provided by operations of $3.5 billion in the 2024 period decreased $7.6 billion from cash flows provided by operations of $11.1 billion in the 2023 period. Our operating cash flows for the 2023 period were significantly impacted by the early receipt of the Medicare premium remittance of $7.1 billion in September 2023 because the payment date for October 2023 fell on a weekend. Generally, when the first day of a month falls on a weekend or holiday, with the exception of January 1 (New Year's Day), we receive this payment at the end of the previous month. This also resulted in an increase to unearned revenues in our condensed consolidated balance sheet at September 30, 2023. The 2024 period does not include an early receipt of the Medicare premium remittance. Our operating cash flows for the 2024 period also reflect lower earnings compared to the 2023 period, partially offset by the favorable impact of working capital items in the 2024 period.

The most significant drivers of changes in our working capital are typically the timing of payments of benefits expense and receipts for premiums. Benefits expense includes claim payments, capitation payments, pharmacy costs net of rebates, allocations of certain centralized expenses and various other costs incurred to provide health insurance coverage to members, as well as estimates of future payments to hospitals and others for medical care and other supplemental benefits provided on or prior to the balance sheet date. For additional information regarding our benefits payable and benefits expense recognition, refer to Note 2 to the audited Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2023 Form 10-K.

The detail of total net receivables at September 30, 2024 and December 31, 2023 and reconciliation to cash flow for the nine months ended September 30, 2024 and 2023 was as follows:

	September 30, 2024	December 31, 2023	2024 Period Change	2023 Period Change
		(in millions)		
Medicare	$ 1,289	$ 1,426	$ (137)	$ 33
Commercial and other	753	549	204	96
Military services	195	148	47	24
Allowances	(93)	(88)	(5)	(3)
Total net receivables	$ 2,144	$ 2,035	$ 109	$ 150
Reconciliation to cash flow statement:				
Receivables acquired			—	(24)
Change in receivables per cash flow statement			$ 109	$ 126

The changes in Medicare receivables for both the 2024 period and the 2023 period reflect individual Medicare Advantage membership growth and the typical pattern caused by the timing of accruals and related collections associated with the CMS risk-adjustment model. Significant collections occur with the mid-year and final settlements with CMS in the second and third quarter.

Cash Flow from Investing Activities

During the 2024 period and 2023 period, we acquired various businesses for approximately $37 million and $223 million, net of cash and cash equivalents received, respectively.

Our ongoing capital expenditures primarily relate to our information technology initiatives, support of services in our primary care operations including medical and administrative facility improvements necessary for activities such as the provision of care to members, claims processing, billing and collections, wellness solutions, care coordination, regulatory compliance and customer service. Total net capital expenditures, excluding acquisitions, were $421 million in the 2024 period and $721 million in the 2023 period.

Net purchases of investment securities were $2.4 billion and $1.7 billion in the 2024 period and 2023 period, respectively.

Cash Flow from Financing Activities

Claim payments were higher than receipts from CMS associated with Medicare Part D claim subsidies for which we do not assume risk by $0.6 billion in the 2024 period and receipts from CMS associated with Medicare Part D claim subsidies for which we do not assume risk were higher than claim payments by $2.5 billion in the 2023 period.

Under our administrative services only TRICARE contracts, health care costs payments for which we do not assume risk exceeded reimbursements from the federal government by $75 million and $28 million in the 2024 and 2023 periods, respectively.

In March 2024, we issued $1.25 billion of 5.375% unsecured senior notes due April 15, 2031 and $1.00 billion of 5.750% unsecured senior notes due April 15, 2054. Our net proceeds, reduced for the underwriters' discounts and commissions paid, were $2.23 billion. We used the net proceeds for general corporate purposes, which include the repayment of existing indebtedness, including borrowings under our commercial paper program.

In August 2023, we entered into a Rule 10b5-1 Repurchase Plan to repurchase a portion of our $750 million aggregate principal amount of 1.350% senior notes maturing in February 2027, our $600 million aggregate principal amount of 3.950% senior notes maturing in March 2027, our $750 million aggregate principal amount of 3.700% senior notes maturing in March 2029, and our $500 million aggregate principal amount of 3.125% senior notes maturing in August 2029 during the period beginning on August 7, 2023 and ending on November 15, 2023. For the nine months ended September 30, 2023, we repurchased $213 million principal amount of these senior notes for approximately $196 million cash.

In March 2023, we entered into a Rule 10b5-1 Repurchase Plan to repurchase a portion of our $1.5 billion aggregate principal amount of 0.650% senior notes maturing in August 2023 and our $600 million aggregate principal amount of 3.850% senior notes maturing in October 2024 during the period beginning on March 13, 2023 and ending on July 21, 2023. For the nine months ended September 30, 2023, we repurchased $361 million principal amount of these senior notes for approximately $358 million cash. In August 2023, we repaid the remaining $1.2 billion aggregate principal amount of our 0.650% senior notes due on their maturity date of August 3, 2023.

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

Net repayments from the issuance of commercial paper were $895 million in the 2024 period and net proceeds from the issuance of commercial paper were $1.6 billion in the 2023 period. The maximum principal amount outstanding at any one time during the 2024 period was $2.7 billion.

We repurchased common shares for $750 million and $980 million in the 2024 period and 2023 period, respectively, under share repurchase plans authorized by the Board of Directors. We also acquired common shares in connection with employee stock plans for $18 million and $31 million in the 2024 period and 2023 period, respectively.

We paid dividends to stockholders of $323 million and $320 million during the 2024 period and 2023 period, respectively.

Future Sources and Uses of Liquidity

Dividends

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

Stock Repurchases

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

Debt

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

Acquisitions

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

Liquidity Requirements

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

Adverse changes in our credit rating may increase the rate of interest we pay and may impact the amount of credit available to us in the future. Our investment-grade credit rating at September 30, 2024 was BBB according to Standard & Poor's Rating Services, or S&P, and Baa2 according to Moody's Investors Services, Inc., or Moody's. A downgrade by S&P to BB+ or by Moody's to Ba1 triggers an interest rate increase of 25 basis points with respect to $250 million of our senior notes. Successive one notch downgrades increase the interest rate an additional 25 basis points, or annual interest expense by $1 million, up to a maximum 100 basis points, or annual interest expense by $3 million.

In addition, we operate as a holding company in a highly regulated industry. Humana Inc., our parent company, is dependent upon dividends and administrative expense reimbursements from our subsidiaries, most of which are subject to regulatory restrictions. We continue to maintain significant levels of aggregate excess statutory capital and surplus in our state-regulated operating subsidiaries. Cash, cash equivalents, and short-term investments at the parent company were $609 million at September 30, 2024 compared to $510 million at December 31, 2023. This increase primarily reflects working capital changes, net proceeds from the issuance of senior notes and commercial paper, proceeds from the sale and maturities of investment securities, dividends from insurance subsidiaries and cash from certain non-insurance subsidiaries within our CenterWell segment partially offset by common stock repurchases, repayment of maturing senior notes, repayment of borrowings under the commercial paper program, purchases of investment securities, capital expenditures, capital contributions to certain subsidiaries, cash dividends to shareholders and acquisitions. Our use of operating cash derived from our non-insurance subsidiaries, such as our CenterWell segment, is generally not restricted by departments of insurance (or comparable state regulators).

Regulatory Requirements

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

Although minimum required levels of equity are largely based on premium volume, product mix, and the quality of assets held, minimum requirements vary significantly at the state level. Based on the most recently filed statutory financial statements as of June 30, 2024, our state regulated subsidiaries had aggregate statutory capital and surplus of approximately $13.5 billion, which exceeded aggregate minimum regulatory requirements of $10.6 billion. The amount of ordinary dividends paid to our parent company was approximately $0.5 billion during the nine months ended September 30, 2024. The amount, timing and mix of ordinary and extraordinary dividend payments will vary due to state regulatory requirements, the level of excess statutory capital and surplus and expected future surplus requirements related to, for example, premium volume and product mix.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Interest rate risk also represents a market risk factor affecting our consolidated financial position due to our significant investment portfolio, consisting primarily of fixed maturity securities of investment-grade quality with a weighted average S&P credit rating of AA- at September 30, 2024. Our net unrealized position decreased $448 million from a net unrealized loss position of $1,294 million at December 31, 2023 to a net unrealized loss position of $846 million at September 30, 2024. At September 30, 2024, we had gross unrealized losses of $998 million on our investment portfolio primarily due to an increase in market interest rates since the time the securities were purchased. There were no material credit allowances during the nine months ended September 30, 2024. While we believe that these securities in an unrealized loss will recover in value over time and we currently do not have the intent to sell such securities, given the current market conditions and the significant judgments involved, there is a continuing risk that future declines in fair value may occur and material realized losses from sales or credit allowances may be recorded in future periods.

Duration is the time-weighted average of the present value of the bond portfolio's cash flow. Duration is indicative of the relationship between changes in fair value and changes in interest rates, providing a general indication of the sensitivity of the fair values of our fixed maturity securities to changes in interest rates. However, actual fair values may differ significantly from estimates based on duration. The average duration of our investment portfolio, including cash and cash equivalents, was approximately 3.3 years as of September 30, 2024 and 3.0 years as of December 31, 2023. Based on the duration, including cash equivalents, a 1% increase in interest rates would generally decrease the fair value of our securities by approximately $803 million at September 30, 2024.

Item 4. Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer, or CEO, our Chief Financial Officer, or CFO, and our Principal Accounting Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures for the quarter ended September 30, 2024.

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

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, and the risk factor set forth below.

The number of our Medicare Advantage plans rated 4-star or higher are expected to significantly decline in 2025. We have filed a lawsuit seeking to set aside and vacate the 2025 Star Ratings of our Medicare Advantage plans, but there is no assurance that we will prevail in this lawsuit. If we are not successful the decline in our Star Ratings may negatively impact our 2026 quality bonus payments from CMS and may also significantly adversely affect our revenues, operating results, and cash flows.

Based on 2025 Medicare Advantage Star Ratings released by CMS in October 2024, approximately 25% of our Medicare Advantage members are currently enrolled in plans rated 4-star or higher for 2025, as compared to 94% based on our 2024 Star Ratings. We have filed a lawsuit that, among other things, seeks to set aside and vacate the 2025 Star Ratings for our Medicare Advantage plans, but there is no assurance that we will prevail in the lawsuit. If we are not successful the decline in our Star Ratings performance for 2025 may negatively impact our 2026 quality bonus payments from CMS and may also significantly adversely affect our revenues, operating results, and cash flows. Please see "Legal Proceedings and Certain Regulatory Matters" in Note 13 to the unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, "Financial Statements" of this Form 10-Q for a description of the lawsuit.

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

(a) None.

(b) N/A

(c) The following table provides information about our purchases of equity securities that are registered by us pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, during the three months ended September 30, 2024:

Period	Total Number of Shares Purchased (1)(2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)(2)	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2)
July 2024	1,148	$ 375.21	1,148	$ 2,926,243,841
August 2024	—	—	—	2,926,243,841
September 2024	—	—	—	2,926,243,841
Total	1,148	$ 375.21	1,148	

(1) Effective February 16, 2024, the Board of Directors replaced the February 2023 repurchase authorization (of which approximately $824 million remained unused) with a new share repurchase authorization for repurchases of up to $3 billion of our common shares exclusive of shares repurchased in connection with employee stock plans, expiring as of February 15, 2027, which we refer to as the 2024 repurchase authorization. Our remaining repurchase authorization was $2.93 billion as of October 29, 2024.

(2) Excludes 0.05 million shares repurchased in connection with employee stock plans.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

a. None.

b. None.

c. During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6: Exhibits

3(i)	Restated Certificate of Incorporation of Humana Inc. filed with the Secretary of State of Delaware on November 9, 1989, as restated to incorporate the amendment of January 9, 1992, the correction of March 23, 1992, and the amendment dated April 24, 2024 (incorporated herein by reference to Exhibit 3(i) to Humana Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024).
3(ii)	Humana Inc. Amended and Restated By-laws, effective as of December 7, 2023 (incorporated herein by reference to Exhibit 3(b) to Humana Inc.'s Current Report on Form 8-K filed on December 7, 2023).
31.1	Principal Executive Officer certification pursuant to Section 302 of Sarbanes–Oxley Act of 2002.
31.2	Principal Financial Officer certification pursuant to Section 302 of Sarbanes–Oxley Act of 2002.
32	Principal Executive Officer and Principal Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Humana Inc.'s Quarterly Report on Form 10-Q formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets (Unaudited) at September 30, 2024 and December 31, 2023; (ii) the Condensed Consolidated Statements of Income (Unaudited) for the three and nine months ended September 30, 2024 and 2023; (iii) the Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three and nine months ended September 30, 2024 and 2023; (iv) the Condensed Consolidated Statements of Stockholders' Equity (Unaudited) for the three and nine months ended September 30, 2024 and 2023; (v) the Condensed Consolidated Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2024 and 2023; and (vi) Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File formatted in Inline XBRL and contained in Exhibit 101.

SIGNATURES

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

HUMANA INC.
(Registrant)

Date:	October 30, 2024	By:	/s/ JOHN-PAUL W. FELTER
			John-Paul W. Felter
			Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)