HealthWorks AI

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Alignment Healthcare

Earnings Call Insights Q2 2025

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Alignment Healthcare Results Q2 2025

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WHY THIS REPORT

As Medicare Advantage competition intensifies, staying informed isn't optional, it's a strategic advantage. That's why HealthworksAI is curating rapid-turn summaries of earnings calls from key MA players, started with Humana. In a matter of minutes, you'll get the key themes and what it all means for your 2026 plan design, provider alignment, and market positioning.

This is part of our CI (Competitive Intelligence) Beta Series—insightful, fast, and focused on helping MA leaders to strategize.

SUMMARY

Alignment Healthcare delivered another strong quarter in Q2 2025, significantly exceeding the high end of its guidance across all key metrics. Health plan membership grew 28% YoY to 223,700, fuelling a 49% increase in revenue to $ 1 billion. Adjusted gross profit surged 76% to $ 135 million, while the medical benefit ratio (MBR) improved 200 bps YoY to 86.7%. Operating efficiency also improved, with the adjusted SG&A ratio dropping 160 bps to 8.8%. This operational strength translated into adjusted EBITDA of $ 46 million—well above guidance—and a 4.5% EBITDA margin, representing a 360 bps YoY expansion.

The company raised full-year 2025 guidance, with revenue now expected to reach up to $ 3.91 billion (44% YoY growth), and adjusted EBITDA forecast between $ 69—83 million, implying a 1.9% margin. Leadership emphasized sustained outperformance despite the headwinds of the V28 risk model transition and industry-wide Star rating declines. Alignment maintained high Star ratings, with 100% of members expected to be in 4-star+ plans for payment year 2026, positioning it to gain market share from incumbents.

Looking ahead, Alignment reaffirmed its goal of at least 20% membership growth in 2026 and ongoing profitability improvement. It is investing in administrative automation and care navigation to support scalable growth and extend competitive advantages. Leadership underscored the company's growing appeal to providers and seniors alike, driven by differentiated clinical models, tech-enabled care, and financial transparency.

KEY EXECUTIVE QUOTES:

Strengthening Provider Relationships & Utilization Management

Management emphasized the effectiveness of deepening partnerships with IPAs and medical groups in reducing acute admissions, which dropped to the low 140s per 1,000, down from a historical range of 150—160. He attributed this to shared visibility and joint tools.

Medical trend remained stable across inpatient and outpatient, with visibility and control being a key strength, while Part D trends remained higher than the medical side.

The strategic collaboration has created aligned incentives, improving both patient access and provider surplus—becoming a key differentiator amid V28 implementation.

Leadership Quotes:

“We have tools and the data to give both the plan us and the medical group better visibility and control.”

John Kao, Founder and CEO *[Link]*

“It’s yielding results, not only for stars and quality metrics, but also, as reflected in utilization management.”

John Kao, Founder and CEO *[Link]*

SG&A Efficiency as a Competitive Advantage

Alignment's SG&A rate of 8.8%, calling it a benchmark-setting performance for an MA plan, notably better than much larger peers. Kao credited this to their clean-slate data architecture.

Underscoring the integration of operations, clinical models, and financial controls as foundational for future AI deployment.

Leadership Quotes:

"We have the benefit of setting up our data architecture with a clean slate."

John Kao, Founder and CEO *[Link]*

"We're spending time and making investments, I believe will start paying off in the next couple of years."

John Kao, Founder and CEO *[Link]*

Policy Advocacy and Industry Differentiation

Alignment's model of increasing, not denying, care for seniors while maintaining cost efficiency sets them apart. Further they highlighted their testimony before the House Ways and Means Subcommittee as evidence of gaining traction in Washington.

Leadership Quotes:

"The narrative has to change, that we are pushing not only within our company but pushing for the entire sector in the industry."

John Kao, Founder and CEO *[Link]*

AI, Care Navigation, and Operational Scalability

On AI and workflow automation, explained that investments in EHR (Athena), HR (Workday), and claims adjudication (Facets) integrated into their proprietary AIVA system are critical to scaling.

Their concierge-like service with denial rates below 2% reflects successful care navigation. These systems are expected to drive both retention and acquisition, especially as membership scales.

Leadership Quotes:

"AIVA is our core system, we've been successful in integrating, the claims adjudication application into AIVA. It will yield better and more accurate claims payment, higher degrees of auto adjudication, which leads to more consistency."

John Kao, Founder and CEO *[Link]*

Growth Outlook and Geographic Expansion

Alignment remains confident in maintaining 20%+ growth, with California and non-California markets contribution. A balanced approach between growth and margin expansion, highlighting their strong positioning despite competitive headwinds.

Leadership Quotes:

> "I think our market share in California is still relatively small. And I think getting to 20% in California is still something that I think we can achieve."
>
> *John Kao, Founder and CEO* *[Link]*

Stars Performance and Quality Strategy

Alignment saw improved Stars ratings in key geographies, especially Arizona. This will allow positive bid adjustments for 2026.

CAPS remains the biggest drag. The team is rolling out enhanced call routing, care coordination, and member support to directly address CAPS feedback.

Leadership Quotes:

> "We're like five stars on pretty much everything except CAPS and if you put in context the operations of transparency, visibility, and control that those concepts that lead to durability."
>
> *John Kao, Founder and CEO* *[Link]*

"We've built this business based on what Doctor. McClellan intended it to be, which is very simply to provide the highest quality at the lowest cost."

John Kao, Founder and CEO *[Link]*

Part D Strategy and Cautious Outlook

Part D outperformance in H1 as driven by conservative forecasting rather than structural shifts. Despite mild Q2 favorability, they're maintaining caution into H2 due to drug cost volatility and low-income populations with smaller MOOPs (Maximum Out-of-Pockets).

Leadership Quotes:

"We were outperforming based on low bar that we had set in terms of what we were forecasting and what our guidance was. So, there's a little bit of making sure we got it right."

Jim Head, CFO *[Link]*

Member Engagement and Long-Term Margin Maturity

Care Anywhere engagement has risen from ~50% to ~60%. Also, affirmed that cohort margin maturation is tracking consistently, even as 50% of members are in Year 1 or 2, which is notable given the backdrop of strong financial performance.

Leadership Quotes:

"It links to how we work with the IPAs and what we delegate to them and I think there's upside opportunity there."

John Kao, Founder and CEO *[Link]*

FINANCIAL RESULTS

Condensed Consolidated Statements of Operations

(in thousands, except per share amounts) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	**2025**	2024
Revenues:				
Earned premiums	**$ 1,006,203**	$ 674,09	**$ 1,924,246**	$ 1,295,650
Other	**9,085**	7,192	**17,974**	14,237
Total revenues	**1,015,288**	681,286	**1,942,220**	1,309,887
Expenses:				
Medical expenses	**881,740**	605,312	**1,702,640**	1,178,530
Selling, general, and administrative expenses	**103,797**	87,863	**207,628**	178,375
Depreciation and amortization	**7,003**	6,493	**14,597**	12,470
Total expenses	**992,540**	699,668	**1,924,865**	1,369,375
Income (loss) from operations	**22,748**	(18,382)	**17,355**	(59,488)
Other expenses:				
Interest expense	**3,950**	5,691	**7,900**	11,118
Other income, net	**(79)**	(92)	**(89)**	**(50)**
Total other expense	**3,871**	5,599	**7,811**	11,068
Income (loss) before income taxes	**18,877**	(23,981)	**9,544**	(70,556)
Provision for income taxes	**3,224**	22	**3,245**	22
Net income (loss)	**$ 15,653**	$ (24,003)	**$ 6,299**	$ (70,578)
Less: Net income (loss) attributable to noncontrolling interest	**(14)**	(7)	**(254)**	(47)
Net income (loss) attributable to Alignment Healthcare, Inc.	**$ 15,667**	$ (24,010)	**$ 6,553**	$ 70,531
Net income (loss) per share attributable to Alignment Healthcare, Inc.:				
Basic	**0.08**	(0.13)	**0.03**	(0.37)
Diluted	**0.07**	(0.13)	**0.03**	(0.37)
Weighted-average common shares outstanding:				
Basic	**198,328,613**	190,891,787	**195,980,569**	189,948,725
Diluted	**209,519,629**	190,891,787	**201,576,078**	189,948,725

CMS REBATE REALLOCATION: WHAT IT MEANS FOR MEDICARE ADVANTAGE PLANS

From Subsidy Shift to Strategic Reallocation

The recent CMS adjustment to Part D direct subsidies while presented as a technical update has become a strategic trigger for plan executives. Internally referred to by many clients as rebate reallocation, this refers to late-cycle shifts in rebate values (e.g., a $ 10—$ 20 delta from projected benchmarks) that can significantly impact final plan bids.

Plans must now respond with agility tweaking premiums, adjusting givebacks, and fine-tuning benefit configurations, all under high time pressure.

Rapid Response Requires Predictive Readiness

The organizations best prepared are those who've already run scenario simulations and can act on final rebate figures within hours, not days.

Where HealthworksAI's xAI-Powered Intelligence Delivers

This is where our Benefit Simulator, powered by HealthworksAI's xAI predictive analytics engine, creates true competitive advantage. With our platform, leading payers are able to:

- Pre-load likely subsidy ranges and simulate benefit trade-offs in advance.
- Quantify the enrollment and financial impact of each $ rebate shift.
- Align decisions with Stars, market share, and benchmark positioning across counties.

Make It Annual. Make It Actionable.

As CMS continues to evolve its IRA-driven reimbursement strategy, plans must treat this as a recurring AEP ritual. HealthworksAI clients are operationalizing this now embedding it into their annual benefit design calendar. Those who simulate earlier, win earlier.

DON'T FALL BEHIND

- Your competitors already see what's next.
- These reports will plug directly into our **Benefit Strategy Simulator**™ to test competitive scenarios by market, Stars, or subsidy impact.

REAL-TIME INTELLIGENCE.STRATEGIC ADVANTAGE

It's earnings season — and while others wait for industry roundups, our clients already have the insights.

Key executive quotes flagged by theme (Stars, ACA, Medicaid, MLR, Compliance)

Market movements decoded by enrollment, benefit shifts & margin levers

Used by top MA teams to inform 2026 bid strategy & pricing

Deep-dive earnings call analysis within 24—48 hours

Schedule your Competitive Intelligence Demo

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