

Q3 2025 Insights: Alignment Healthcare

Earnings Call Competitive Intelligence Report



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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.

Executive Summary

Exceptional Q3 Performance

Alignment Healthcare delivered a standout Q3 2025 with exceptional margin expansion and positioning for aggressive 2026 growth amid industry-wide disruption.

Outstanding Results

+26% YoY

Membership Growth

43.5% YoY

Revenue Growth

\$32.4M

Adjusted EBITDA

Guidance Raised

Full-Year EBITDA Guidance

\$90-98M

+98% vs Initial

Up from \$47.5M at midpoint—demonstrating exceptional execution

Fourth consecutive guidance raise

Conservative planning and excellent execution continue to exceed expectations

Key Strategic Themes

Quality Dominance

100% of members in 4+ star plans (vs 63% national average), with two 5-star contracts in NC and NV

Clinical Excellence

Inpatient admissions per thousand in low 140s, demonstrating superior care management driving 87.2% MBR

Market Opportunity

Confident in 20%+ growth for 2026 despite flat industry enrollment, capitalizing on competitor exits

Risk Model Evolution

Shifting from global capitation (65-70% of business) to shared risk arrangements

Operational Leverage

SG&A ratio improved 120 bps to 9.6%, demonstrating platform scalability while investing in AI

Bottom Line:

Alignment is executing a textbook strategy for the post-V28 world—managing care better than competitors can code, maintaining benefit stability, and taking share from disrupted incumbents. Their model proves that superior care management trumps coding optimization in the new MA paradigm.

Q3 2025 Deep Dive

Outstanding performance across all key metrics

Q3 Revenue

\$993.7M

+44% YoY

Adjusted Gross Profit

\$127.5M

+58% YoY

Adjusted EBITDA

\$32M

3.3% margin

Membership

229.6K

+26% YoY

Key Margin Drivers

Clinical Excellence

Inpatient ADK in low 140s maintained through Q3—exceptional performance driving MBR improvement

87.2%

MBR (↓120 bps YoY)

Operational Leverage

SG&A ratio down to 9.6% from 10.8%, demonstrating platform scalability

9.6%

SG&A Ratio (↓120 bps)

Additional Drivers

- Part D Stability: IRA changes stabilized; moderated utilization growth sequentially
- Care Model Scaling: Successfully onboarded and managed 60% growth cohort from 2024

2026 Strategic Roadmap

Quality-driven growth at scale with clear execution priorities

2026 Growth Target

20%+

Year-End 2025 Members

232.5-234.5K

Full-Year EBITDA

\$90-98M

Target MBR 2025

87.9%

Mission Statement



We believe we are the best Medicare solution for seniors everywhere, and we look forward to serving even more seniors across our markets in 2026.”

John Kao, CEO

Execution Roadmap

High Priority

Complete 2026 AEP Strong

Geographic diversity in growth (CA + 5-star leverage in NC/NV)

High Priority

Accelerate Provider Risk-Sharing

Move more IPA relationships from global cap to shared risk (currently 65-70%)

Medium Priority

Pursue Ancillary M&A

Tuck-in acquisitions for supplemental benefits (4-5% of premium opportunity)

Medium Priority

Expand Geographic Footprint

New markets within existing states + new states for 2027 launch

High Priority

Maintain Stars Momentum

California HMO raw score at 4.05 with Health Equity Index cushion for 2027

Investment Priorities

Automation & AI

Continuous improvement in automation across the organization, improved AI logic in Care Anywhere and AVA AI, and productivity improvements in clinical programs. Expected to pay out even more for 2026 and 2027.

Provider Network Evolution

Strategic shift from global capitation to shared risk arrangements, creating win-win scenarios with improved IPA financials and better clinical outcomes while maintaining Alignment's control and visibility.

Vertical Integration

Pursuing tuck-in acquisitions for supplemental benefits (dental PPO, behavioral HMO) to capture 4-5% of premium currently going to external vendors while seeding with 250K+ member base.

Strategic Takeaways

What this means for your strategy in the evolving MA landscape

Critical

Clinical Performance Separates Winners from Losers

Alignment's inpatient ADK in the low 140s is exceptional—likely 20-30 points below many competitors. This performance drives their 87.2% MBR and enables benefit stability.

Action Item: Benchmark your ADK performance and assess whether your care management infrastructure can compete in this environment.

High

Market Share Up for Grabs in 2026

Despite flat industry enrollment projections, Alignment expects 20%+ growth by capitalizing on competitor exits and disruption.

Action Item: Identify which competitors are exiting your markets and position to capture displaced members with superior value propositions.

Critical**Stars Excellence Creates Compounding Advantage**

100% of Alignment members in 4+ star plans vs. 63% nationally. Two 5-star contracts (NC, NV) drive enrollment while generating bonus payments.

Action Item: If you don't have a path to consistent 4+ stars, consider whether your model is sustainable long-term or if footprint consolidation is warranted.

High**Provider Risk-Sharing Beats Global Cap**

Alignment deliberately shifting from global capitation to shared risk arrangements where they take inpatient risk. Result: better outcomes, better IPA financials.

Action Item: Evaluate your capitation strategy—are you taking enough risk to truly manage outcomes, or are you delegating control?

Medium**Benefit Stability Trumps Rich Supplementals**

Alignment stands out on core benefits (MOOP, cost-sharing) but is selective on supplementals, ensuring quality over quantity.

Action Item: Assess whether your rich supplemental benefits are driving retention or just increasing MLR without value creation.

Benchmark Your Position

% Members in 4+ Star Plans

100%

Alignment

Inpatient ADK

Low 140s

Alignment

MBR (Q3 2025)

87.2%

Alignment

SG&A Ratio

9.6%

Alignment

2026 Growth Target

20%+

Alignment

Provider Risk Model

65-70% shared risk

Alignment (growing)

Questions to Ask Your Team

- What is our inpatient ADK, and how does it compare to Alignment's low 140s?
- Are we competing on core benefits or supplemental flash?
- What percentage of our business is global cap vs. shared risk?
- How do our AI/automation investments compare?
- Which competitors are exiting our markets? How are we positioned to capture displaced members?

Key Executive Quotes



"I know there's a concern that we're going to grow too much and we're going to pick up a bunch of bad business... I'm less worried about that simply because we had a 60% growth year in 2024. Not only did we onboard it well, we managed the risk really, really well. I think we're proving that we can scale the clinical model and we can actually manage the polychronic population really, really well."

John Kao, CEO (Addressing Growth Quality Concerns)



"Our Part D experience through the first nine months of the year gives us confidence that all of the moving parts related to the IRA changes have been appropriately captured and that we are on pace to meet the Part D margin assumptions embedded within our guidance."

Jim Head, CFO (Part D Confidence)



"We believe we are the best Medicare solution for seniors everywhere, and we look forward to serving even more seniors across our markets in 2026."

John Kao, CEO (Mission Statement)



“Stability is the name of the game. As we said, we’ve done a really good job executing against Part D through 2025. We were prudent and thoughtful about how we did it, and we think that sets up well for next year.”

Jim Head, CFO (Stability Theme)



“The investments that we’re making now are really going to start paying out even more for 2026 and 2027... continuous improvement that we’re making to improve automation across the entire organization, improved AI logic in our care anywhere and in AVA AI, and even more productivity improvements and efficiency in a lot of our clinical programs.”

John Kao on Investment Priorities



“Our base case is that it’s going to be here. It’s just a question of timing... We’ve never been an organization that has really relied on risk adjustment as a revenue tool. We’re just being prudent about that. We do feel the base case is that it’s going to be there. Washington is not letting go of this topic just yet.”

John Kao on RADV



“We ended the third quarter with \$644 million in cash, cash equivalents, and investments. Cash in the quarter was favorably impacted by the timing of certain medical expense payments.”

Jim Head, CFO (Balance Sheet & Cash Flow)



“Our ability to consistently earn high STARS results from AVA’s centralized data architecture that provides our organization and clinical resources with the cross-functional visibility to execute on each STARS metric.”

John Kao on California Performance



“I’m not going to be happy until we get the five stars for every one of our plans.”

John Kao on Stars Philosophy



“Our ability to deliver low cost through our care management capabilities is creating the capacity to keep benefits across our products generally stable to modestly down. We believe this disciplined approach supports our growth objectives while staying mindful of the third and final phase in V28.”

John Kao on 2026 Benefits



“A lot of our thinking around [supplementals] has been driven by not just the bid economics, but also by quality. Can we ensure our members that we can provide the right quality of supplemental benefits? That’s just something we always think about.”

Jim Head on Supplemental Strategy



“When you talk about 4% to 5% of premium being really applied to the supplemental business... if we bought or started some ancillary business, whether it be a dental PPO or a behavioral HMO or whatever it is, that we could seed it with 250,000 lives right off the bat. I think there’s going to be some margin improvement opportunity for us to do that, and I think we can do that with very little execution risk.”

John Kao on Supplemental Benefits M&A Strategy



“We’re very, very pleased with across-the-board growth in California and really leveraging the five stars in North Carolina and Nevada. We’re very pleased about the geographic kind of composition of the growth. I’d say even more importantly is the product mix and the kind of provider networks that we think are very high-performing and where the growth is actually occurring.”

John Kao (Q&A with Scott Fadell, Goldman Sachs)



“We really wanted to fund that growth from cash flow from operations. Obviously, we’re going to fulfill that promise. We’re being diligent and looking at both new markets within the existing state footprint. That’s going to be the most capital-efficient, brand-efficient as well, as well as looking at some new states for 2027.”

John Kao on 2027 Expansion Plans



“We’re about 65% to somewhere between 65% and 70% is in what we would refer to as our shared risk business... What we have done starting last year is really take on more of the component, and we’ve done that in a way that is resulting in better clinical outcomes and improved financial outcomes for our IPA partners. It’s kind of a win-win for everybody.”

John Kao (Q&A with Matthew Gilmore, KeyBank)



“Outside of California, you’re going to have more shared risk and/or just directly contracted in the sense where we really are the IPA. We are the network, and we are supporting the practices... that’s what’s caused us to get to five stars. In North Carolina and Nevada, we have more visibility and control with the direct providers, PCP specialists, and the hospital partners.”

John Kao (Outside California Approach)



“I think you’re going to see some changes with respect to how CMS is going to deal with HRAs. I think there’s going to be more program integrity around ensuring there be clinical validation around an HRA. Same with chart reviews. The encounter-based baselining was referred to in last year’s advance notice. I don’t know if they’re going to be implementing any of that in this advance notice. I would be surprised, actually.”

John Kao (Q&A with Craig Jones, Bank of America)



“From a policy point of view, a lot of what we’re hearing about really is around Medicare Advantage program integrity, making sure that trust in the program is high and gaming is eliminated.”

John Kao on Program Integrity



“There’s a little bit of a pause in the action, as you know, given the fact that this humanicates. The courts overturn RADV procedures based on Procedures Act violations. I think our internal point of view is that CMS still has a lot of ways to pursue this, and we don’t think that it’s going to go away.”

John Kao (Q&A with Whitmail, Liberty Partners)



“We believe CMS’s transition to the excellent health outcomes for all reward, formerly known as the Health Equity Index, will add cushion to our four-star rating in California. This change rewards health plans that effectively serve the most vulnerable, low-income seniors, including those who are dually eligible. Our model is particularly well-suited to manage this population.”

John Kao



“I thought that they would not be as aggressive as they were this past year. They were aggressive. We’re actually really happy with the fact that we still got the four stars for all of our members.”

John Kao



“After V28, the final third year phase-in in 2026, they’re not going back to V24. I mean, it’s still going to be a tight reimbursement environment... the organizations that can provide the highest quality care at the lowest cost will ultimately be the winners, which is why you’ve seen us do so well in 2024 and 2025.”

John Kao on Post-V28 World (Q&A with Jonathan Young, UBS)



“CMS is calling for basically flat year-over-year enrollment. I think the plan said they actually expected to decline. Just wondering if you have any view on overall Medicare Advantage market growth in 2026.”

Ryan Langston (TD Cowen)



“California typically is lower than the industry, again, year to year. There’s a lot of disruption out there. There’s a lot of changes going on out there. We feel very well positioned on the growth side and the retention side.”

John Kao



“I know you’re now actually planning for the first time to invest into your brand. I think I saw on LinkedIn,

there's a commercial video. How should we think about the brand investment going forward?"

Michael Haugh (Baird) on New Marketing Initiative



"As we continue to scale the business, there's going to be a decline in our SG&A ratio. I think we're going to take a balanced approach to that in the sense that we want to continue investing in the business."

Jim Head



"I think we're just getting big enough that it's an opportunity for us to establish not only a brand for Alignment Healthcare, but really, it's an opportunity for us to demonstrate what is possible if you do Medicare Advantage the way it was designed to be operated. This is why we always talk about MA done right."

John Kao



"Can you offer some perspective on retention versus gross new adds for 2026?"

Jessica Tassen (Piper Sandler) on Early AEP Performance Details



"We're happy with both, Jess. Gross ads are strong across the board, and retention is actually better than we anticipated across the board. It's a both-and situation, which is where we need to be. The investments we've made in member experience are paying off. It continues to pay off."

John Kao on Early AEP Performance Details



"Wanted to follow up on some of the seasonal flu comments in the context of what's going on with the broader policy guidance on vaccines. Are you seeing any behavioral changes from seniors or vaccine uptake this year?"

Andrew Mott (Barclays) on Vaccine Uptake and Policy Environment



“We’re following essentially our Part D cost, which is basically a lot of it’s flu shots, and literally tracking it daily, weekly. It seems to be trending pretty much in line with what we’ve seen in the past. I’d say a little bit softer in Q3, but picking up in October.”

John Kao on Vaccine Uptake and Policy Environment



“Can you help us understand how much of that investment spend is already captured in current spend versus what’s new or incremental? It’d also be helpful to understand how much of that investment or that spend is directly earmarked for things like STARS.”

Andrew Mott (Barclays) Follow-up on Investment Priorities Beyond SG&A



“I don’t think there’s any leaps and bounds types of investment. What we’re doing is we’re being very smart in applying investment dollars.”

Jim Head on Investment Priorities Beyond SG&A



“What’s really impacting the fourth quarter is more making sure we’re prepared for growth as we typically are in Q4. As we move forward, we’re making sure that we have enough room to make the investments in the platform, in our capabilities, in our human capital, etc., as we go forward. One of the things that I’m very focused on is making sure that we’re really underwriting those investments smartly and making our choices well.”

John Kao on Investment Priorities Beyond SG&A



“John, I noticed during your prepared comments, you mentioned the term replicability several times. Is that an indication of more willingness from you and the board to move into additional markets going forward?”

Ryan Daniels (Baird) on Confidence Despite Growth Concerns



“Yeah. Absolutely. What I’ve stated in the past is we really wanted to fund that growth from cash flow from operations. Obviously, we’re going to fulfill that promise. I think we’ve come a long way in the last few years with our confidence, not only in how we deploy the care model, but how we ensure that our shared services can scale in terms of ingesting the members, onboarding the members, and then caring for the members. I think that’s going to be good for seniors everywhere.”

John Kao on Confidence Despite Growth Concerns

This competitive intelligence report is part of HealthWorksAI’s rapid-response earnings analysis series.

For questions or custom analysis, contact HealthWorksAI team