

# Q3 2025 Insights: Humana

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

Humana's Q3 2025 earnings reveal a company in strategic transition, fundamentally shifting from growth-at-all-costs to lifetime value optimization—even as it beats earnings expectations and faces investor skepticism about ambiguous growth targets.

The company delivered EPS of \$3.24 (vs. \$2.83 forecast, +14.49% surprise) on revenue of \$32.65B (+2.03% above forecast), yet the stock fell 5.38% in premarket trading. This disconnect captures the market's concern: Humana refuses to provide specific 2026 membership growth targets, instead emphasizing "customer lifetime value" and "NPV maximization" while stating new sales are at the "high end of anticipated range."

### Key Strategic Themes:

- **Growth Philosophy Shift:** Explicit move away from membership targets toward lifetime value, with willingness to "slow new sales" if volume risks member experience

- **Contract Deconsolidation:** Reducing H5216 concentration from 43-45% of members to create portfolio diversification and reduce single-contract risk
- **Stars Recovery Trajectory:** Confident in return to top quartile by bonus year 2028; seeing 600K more gaps closed YoY in current measurement year
- **Benefit Stability Strategy:** After two years of benefit cuts, maintaining stable benefits to drive retention and reduce plan-to-plan switching
- **Channel Mix Optimization:** Shifting toward owned distribution, select partners, and digital—correlated with higher LTV and engagement
- **Cost Trends:** Expecting continued elevation in 2026 (mid-single digits medical, low double digits Rx), but pricing confidence remains

### Bottom Line:

Humana is playing the long game, prioritizing sustainable profitability over short-term enrollment wins. The company expects individual MA margin (ex-Stars) to double in 2026 vs 2025 and targets 3%+ pretax margins “over time.” However, the refusal to provide growth guidance creates uncertainty for investors accustomed to clear enrollment targets. Early AEP indicators show “high end” new sales, improved channel mix, reduced plan-to-plan switching, and favorable product mix toward 4+ star contracts—but whether this translates to material growth remains deliberately vague.

## Key Executive Quotes

### Challenges: Balancing Growth and Experience



“Our focus is on maximizing customer lifetime value and customer NPV. That’s our focus. The way we do that is delivering an exceptional experience that fuels member retention... We welcome new sales. However, we are prepared to take targeted actions to slow new sales if we reach the point where the volume risks negatively impacting member experience.”

**Jim Rehtin, CEO (On Growth Philosophy)**



“We do recognize that you want us to provide a specific growth target. We do not think that focusing on a net growth target is the right metric because growth through retention is desirable, and we will take as much of it as we can. We also will not give a specific number around new sales targets because the amount that we can absorb is dependent upon member product and channel mix.”

**Jim Rehtin (On Why No Growth Target)**



“There’s been a bit of a cycle, right? Which is why there’s all this question about, is growth good or is growth not good? That really comes from our approach that says, we’re going to grow on plans that frankly don’t have a very attractive margin. They’re attractive for the customer. We bring them in, and then those plans tend to degrade over time. The problem is if you overgrow on those low-margin plans, you say growth might not be good.”

**David Dientfoss, President of Enterprise Growth (On Past Growth Challenges)**

## Objectives: Margin Expansion Over Volume



“We remain committed to achieving individual MA pretax margin of at least 3% over time.”

**Jim Rehtin (Long-Term Margin Target)**



“We continue to expect that our margin for individual MA, excluding STARS, will double in 2026 over 2025, and then we’ll continue to make progress in 2026 [meant 2027].”

**Celeste Mellet, CFO (2026 Margin Trajectory)**



“While we are focused on LTV and NPV, we recognize we can’t have a long-term without the short-term. We are balancing the long-term value creation with delivering on the next year or the next quarter.”

**Celeste Mellet (Balancing Short and Long Term)**

## Targets: Early AEP Performance Indicators



“New sales are at the high end of the range, the high end of the anticipated range of outcomes that we expected in AEP. Channel mix is meaningfully improved relative to prior years. We have greater volume in our own distribution channel with select high-performing partners and in digital distribution.”

**Jim Rehtin (On Early AEP Trends)**



“We are also seeing favorable product mix, including higher-than-initially-expected sales in plans with four stars and greater. We are not seeing outsized sales in areas where competitors have exited plans.”

**Jim Rehtin (On Product Mix)**



“We are experiencing significantly reduced Humana plan-to-plan mix, with plan-to-plan sales down year over year. We believe that this is likely an early indicator that our stable benefit strategy and changes to our customer service approach are working to reduce voluntary attrition, though we need more time to validate this assumption.”

**Jim Rehtin (On Retention Proxy)**

## Next Steps: Execution Roadmap



“We will continue to monitor new sales volume and manage it dynamically. We are prepared to take further mitigating actions, as we did heading into AEP, if it appears that new sales will put member experience at risk.”

**Jim Rehtin (On Dynamic Growth Management)**



“We’ve already decommissioned a number of plans. That is a potential lever, but there are other levers. Keep

in mind that we own a big part of our own distribution, including our own marketing. We are able to do other levers beyond commissions if we want to have volume match our operational capacity.”

**David Dientfoss (On Mitigation Levers)**

## Compliance & Risk Management



“We are disappointed, but we are not surprised by our bonus year 27 STARS results. The results are consistent with our baseline planning scenario, and our outlook remains the same as we previously communicated at our investor conference in June.”

**Jim Rehtin (On Stars Disappointment but Confidence)**



“We have taken measures such as taking Part D risk back, where we saw the IRA shift cost in a very significant way. We have been reducing benefits for two years to reset the product so that it is a product that we and our value-based partners want to grow. We are implementing STARS mitigation programs that mitigate the impact of the STARS revenue hit based upon their success and their performance.”

**George Renaudin, President of Insurance Segment (On VBC Partner Support)**

## What Changed vs. Q2 2025

Metric	Q3 2025	Change/Status	Commentary
EPS	\$3.24	+14.49% vs forecast	Beat driven by solid execution and strategic investments
Revenue	\$32.65B	+2.03% vs forecast	Membership retention better than expected
Full-Year EPS Guidance	~\$17	Reaffirmed	Despite \$150M in incremental growth investments
Medical Cost Trends	In line	Meeting expectations	Expect continuation into 2026 (mid-single digits)
Debt-to-Capital Ratio	40.3%	Down from 40.7% Q2	Target: ~40% long-term
2026 AEP Progress	Early stages	“High end” of range	2 weeks incomplete data; positive indicators but no growth target

### Strategic Shift Insights:

- **Growth Philosophy:** Explicitly deprioritizing membership targets in favor of lifetime value/NPV
- **Channel Mix:** Meaningfully improved toward owned distribution, select partners, digital
- **Product Mix:** Higher-than-expected sales in 4+ star plans
- **Plan-to-Plan:** Significantly reduced Humana plan-to-plan switching YoY (retention proxy)
- **Competitor Exits:** NOT seeing outsized captures in markets where competitors exited

### Market Reaction Context:

Despite beating earnings by 14.49%, stock fell 5.38% premarket. Investor concerns center on: (1) refusal to provide specific 2026 growth targets, (2) ambiguous language around “high end of range” without defining the range, (3) willingness to “slow new sales” if volume risks experience, and (4) continued elevated cost trends into 2026. Market interpreting strategic shift as potential flat-to-modest growth rather than recovery growth story.

## Competitive Intelligence Takeaways

### What This Means for Your Strategy

#### 1. Lifetime Value > Growth Is the New Paradigm

Humana’s explicit rejection of growth targets signals industry evolution toward sustainable profitability. After overgrowing low-margin products, they’re stabilizing benefits and optimizing for retention.

**Action:** Evaluate whether your growth targets are value-accretive or margin-dilutive. Calculate member LTV by channel, product, and cohort.

#### 2. Contract Concentration Risk Is Real

With 43-45% of members in H5216, Humana recognizes excessive single-contract risk. They’re deliberately diversifying across 4+ star contracts.

**Action:** Assess your contract concentration. If >40% in any single contract, develop multi-year diversification strategy.

### 3. Channel Mix Drives LTV More Than Volume

Humana shifting toward owned distribution, select partners, and digital—better retention, lower acquisition cost, higher engagement. Different complaint rates to Medicare by channel.

**Action:** Analyze your channel economics beyond just CAC. Include retention rates, Stars complaints, and engagement metrics by channel.

### 4. Benefit Stability Beats Rich Supplementals

After two years of cuts, Humana's 2026 strategy is benefit stability—especially core medical. Seeing reduced plan-to-plan switching (retention proxy).

**Action:** If you've been in benefit-cutting mode, assess whether stability would improve retention more than marginal supplemental richness.

### 5. Stars Recovery Requires Multi-Year Commitment

Humana seeing 600K more gaps closed YoY, confident in top quartile by BY2028, but refusing short-term crosswalks that risk long-term Stars.

**Action:** If pursuing Stars recovery, avoid short-term fixes that compromise long-term trajectory. Balance 2026 delivery vs 2028 positioning.

### 6. Operational Capacity Constraints Are Binding

Humana explicitly stating they'll "slow new sales" if volume risks experience. Already took actions pre-AEP (decommissioning plans).

**Action:** Assess your operational capacity for onboarding and servicing new members. Growth without capacity destroys LTV.

### 7. Value-Based Care Partners Need Support

Humana taking Part D risk back from VBC partners post-IRA; implementing Stars mitigation programs; reducing benefits to reset sustainable products.

**Action:** If you have capitated partners, assess their margin health post-IRA and V28. Proactively restructure before relationships deteriorate.

### 8. Dual-Eligible Margins Justify Medicaid Expansion

Humana prioritizing Medicaid procurements with strong dual linkage (Michigan HIDI, Illinois, South Carolina). Duals deliver margins in year one unlike core MA.

**Action:** Evaluate D-SNP/FIDE-SNP expansion opportunities. Calculate dual penetration vs Medicaid operational requirements.

### 9. Cost Trends Remaining Elevated Through 2026

Mid-single digits medical, low double digits Rx expected to continue. Pricing confidence despite this.

**Action:** Validate your 2026 trend assumptions against Humana’s expectations. Assess whether your bids priced for persistent elevation.

### 10. Market Growth May Disappoint CMS Forecast

Humana expects mid-single digit industry growth despite CMS flat forecast. Historical CMS forecasts “never right.”

**Action:** Don’t anchor growth expectations to CMS projections. Model multiple scenarios given competitive disruption.

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

For questions or custom analysis, contact HealthWorksAI team