



Alignment Healthcare, Inc.

Q4 2025 Earnings Analysis

Earnings Insight Report for MA Payer Competitive Intelligence

 Insights Summarized from February 26, 2026 Earnings Call

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Table of Contents

S.No	Section Name	Page No.
1	Executive Summary	1
2	Strategic Positioning & Key Development	2
3	Key Leadership Quotes	3
4	FY 2025 Financial Performance	5
5	2026 Outlook & Strategic Priorities	6
6	Key Risk and Consideration	7
7	Bottom Line Assessment	8

EXECUTIVE SUMMARY

The most significant finding: Alignment Healthcare delivered 46% revenue growth and transformed from breakeven (\$1M adjusted EBITDA in 2024) to \$110M adjusted EBITDA in 2025—a 270 basis point margin expansion—while navigating V28 phase-ins, Part D redesign, and industry-wide utilization pressure. This performance stands in stark contrast to larger MA peers (UnitedHealth, Humana, Molina) who are either shedding members, resetting earnings, or managing trough margins. Alignment is the rare MA payer achieving simultaneous growth and margin expansion in the current environment.

Membership Impact: Health plan membership reached ~236,300 at year-end 2025, up 25% YoY. January 2026 AEP results show 275,300 members, a 31% increase YoY. Ex-California membership doubled to ~38,000 (16% of total), with 80%+ growth outside California. 80% of gross sales were plan switchers, and AEP voluntary disenrollment improved nearly 20%.

2026 Guidance Overview: Revenue guided to \$5.14B–\$5.19B (+31% YoY), with adjusted EBITDA of \$133M–\$163M. MBR guided at 87.7% midpoint, reflecting ~10 bps apples-to-apples improvement after stripping out 2025 sweep benefit. Year-end membership expected at 292,000–298,000.

Strategic Positioning: Alignment is the anti-thesis to the industry’s “margin over membership” consensus. While UnitedHealth plans to shed 1.3–1.4M MA members and Humana absorbs a \$3.5B Stars headwind, Alignment is growing 31% with 100% of members in 4+ star plans, positive free cash flow, and expanding margins. Management frames the flat rate environment as advantageous—a “level playing field” that rewards its clinically-led, low-cost model.

What this means for MA payer competitive landscape: Alignment’s results validate that a clinically integrated, technology-enabled MA model can simultaneously grow membership, expand margins, and maintain top-tier Star ratings in a tightening reimbursement environment. If the model continues to scale outside California, it represents a differentiated competitive threat to incumbents—particularly in markets where larger plans are retreating.

STRATEGIC POSITIONING & KEY DEVELOPMENTS

Clinically-Led Growth Through Industry Disruption

Alignment grew membership 25% in 2025 and 31% in January 2026 AEP while delivering 130 bps MBR improvement and 270 bps EBITDA margin expansion. 80% of gross sales were switchers from competitors; voluntary disenrollment improved ~20% YoY. Management explicitly chose “disciplined growth” over maximum volume, prioritizing durable provider relationships and infrastructure scalability.

Strategic implication: Alignment is capturing displaced members from competitors’ benefit cuts and plan exits without compromising profitability—a fundamentally different playbook from Humana’s volume-at-all-costs approach.

Ex-California Expansion: Model Replicability Proven

Ex-California membership doubled to ~38,000 (16% of total), with 80%+ AEP growth outside California. Star ratings demonstrate portability: 5-star plan in North Carolina (third consecutive year), two 5-star plans in Nevada, 4.5-star in Texas, and 4-star in Arizona. Management targets new state entry in 2027 regardless of rate environment, pending provider engagement completion. With less than 4% market share across 23 ex-California counties, the runway for organic growth is substantial.

Strategic implication: This is the critical proof point—if Alignment can replicate California-like unit economics in new markets, the path to the stated “million member” ambition becomes credible and the TAM expands dramatically.

V28 Navigation & Rate Environment Positioning

The 2027 Advance Rate Notice indicated a net 0.9% rate increase—disappointing for the industry but framed by management as favorable for Alignment. CEO Kao stated the company can “win in any rate environment” and that flat-to-low rates create a “level playing field” that advantages its clinical model. Alignment’s blended RAF score is below 1.1, meaning the third V28 phase-in has minimal relative impact compared to competitors with scores of 1.5–2.0.

Strategic implication: Alignment is structurally less exposed to the two largest regulatory headwinds (V28 and chart review crackdowns) than any major MA peer, turning industry headwinds into relative competitive advantages.

AI & Technology Investment Roadmap

Management identified 30+ agentic AI potential use cases but is taking a foundational-first approach: unified data architecture validation (through AIVA) and end-to-end workflow documentation are prerequisites. Deployment expected to begin mid-2026, targeting member services, financial reporting, and stratification model enhancement. Clinical AI deployment is not prioritized—management prefers human-led care delivery.

Strategic implication: This is a measured, infrastructure-first AI strategy, not a headline-driven one. The operational efficiency gains (SG&A, faster cash flow breakeven) are likely to materialize in 2027+, creating further operating leverage on the existing growth trajectory.

KEY LEADERSHIP QUOTES

Winning in any rate environment



John Kao

Founder & Chief Executive Officer

"We believe we are entering a reimbursement environment that creates a more level playing field with our competitors, which allows our distinct care management model to shine. We are proving the effectiveness of our distinct medical cost advantages with the results we have shared with you over the past two years."

Strategic Implication: Kao is positioning the tightening rate environment as an offensive opportunity, not a defensive challenge. This frames Alignment’s clinical model as a structural moat that widens when the industry faces pressure—the opposite narrative from peers who are cutting benefits, exiting markets, and shedding members to survive the same conditions.

Disciplined growth over volume



John Kao

Founder & Chief Executive Officer

"We chose not to grow at the level some of these other folks grew. We did not just grow to get growth. We wanted durable provider relationships. We wanted to make sure our infrastructure would be able to sustain the level of Stars that we have been able to produce."

Strategic Implication: A pointed contrast to Humana's 1M+ net new members in AEP. Kao is implicitly questioning whether competitors' aggressive growth will prove durable. Alignment's 31% growth, while smaller in absolute terms, is paired with improving retention and 100% 4+ star membership—metrics that may produce superior long-term unit economics.

EBITDA transformation milestone



James M. Head

Chief Financial Officer

"This year marks a tremendous milestone in the maturation of our company's profitability. We transformed from roughly breakeven, just \$1 million in adjusted EBITDA in 2024, to delivering adjusted EBITDA of \$110 million in 2025."

Strategic Implication: The \$1M-to-\$110M EBITDA leap is the single most compelling proof point in Alignment's narrative. It demonstrates that the care model generates margin at scale and that operating leverage is real. If 2026 delivers the guided \$133M–\$163M, it validates a multi-year compounding trajectory that peers cannot match on growth rate.

Minimal chart review exposure



John Kao

Founder & Chief Executive Officer

"Approximately 1% of our total HCC value is derived from chart reviews of any kind. Within that category, an even smaller subset is related to unlinked chart reviews... We do not rely on that that much at all."

Strategic Implication: In an environment where CMS is aggressively targeting coding-driven revenue, Alignment’s sub-1.1 RAF score and minimal chart review dependence create a structural advantage. Competitors with RAF scores of 1.5–2.0 face disproportionate exposure to further risk adjustment reforms.

FY 2025 FINANCIAL PERFORMANCE

A. Key Metrics Summary

Metric	Q4 2025	Full Year 2025
Health Plan Membership	236,300	236,300 (+25% YoY)
Total Revenue	\$1,012.8M	\$3,948.7M (+46% YoY)
Adjusted Gross Profit	\$124.9M	\$494.8M
Adjusted MBR	87.7%	87.5% (-130 bps YoY)
Adjusted EBITDA	\$11.4M	\$109.9M (vs \$1.3M in 2024)
Net Loss	(\$11.0M)	(\$1.0M)
Cash & Investments	-	\$604M

B. MBR & Key Performance Drivers

MBR improvement of 130 bps YoY (88.8% to 87.5%) reflects strong clinical model execution across all major cost categories, including Part D profitability and supplemental expenses trending in line with guidance.

Inpatient admissions per thousand (ADK) finished in the low 140s in Q4, reflecting favorable flu season outcomes. Proactive care approach and Care Anywhere model drove strong utilization management.

Adjusted SG&A ratio declined 140 bps (11.1% to 9.7%) as operational infrastructure scaled to support membership growth. Adjusted SG&A grew 28% on 46% revenue growth, demonstrating significant operating leverage.

Positive free cash flow achieved for the first time in 2025, with \$604M in cash and investments. A \$200M revolving credit facility was closed post-quarter, with no near-term draw expected.

V28 second phase-in navigated successfully. Blended RAF score below 1.1 limits relative impact versus competitors with scores of 1.5–2.0. Chart review exposure limited to ~1% of total HCC value.

2026 OUTLOOK & STRATEGIC PRIORITIES

A. Guidance Summary

Metric	2026 Guidance	2025 Actual	Commentary
Health Plan Membership (Year-End)	292,000–298,000	236,300	+24–26% YoY; raised by 2,000 at midpoint
Total Revenue	\$5.14B–\$5.19B	\$3.95B	+31% YoY; membership-driven
Adjusted Gross Profit	\$615M–\$650M	\$494.8M	+24–31% YoY
Adjusted EBITDA	\$133M–\$163M	\$109.9M	+21–48% YoY
Q1 2026 Revenue	\$1.21B–\$1.23B	\$1.01B (Q4)	Seasonal expectations
Q1 2026 EBITDA	\$26M–\$36M	\$11.4M (Q4)	Seasonally stronger start

B. Membership Outlook & Growth Strategy

Alignment's 2026 growth reflects a deliberate balance of expansion and profitability:

January 2026 AEP: 275,300 members (+31% YoY). California grew 23%; ex-California grew 80%+. ~50% of AEP growth was in LIS, duals, and C-SNP populations.

Intra-year caution: Management is not banking on sustained intra-year growth beyond AEP/OEP. Year-end guidance of 292K–298K implies modest intra-year additions.

New state entry in 2027: Readiness to enter new states in 2027 regardless of reimbursement rate outcomes, provided provider engagement targets are met.

Distribution investment: Deepening broker relationships and sales engine in ex-California markets. Broker receptivity is elevated as incumbents retreat from benefit cuts and plan exits.

C. 2026–2027 Strategic Priorities

Stars Maintenance: 100% of members in 4+ star plans. CMS proposed Stars simplification (12 measure deletion) assessed as net neutral. Stars advantage extends into 2027 payments.

AI Deployment: Foundational data architecture and workflow documentation targeted for mid-2026 completion. 30+ agentic AI use cases ready for deployment in H2 2026, targeting member services, financial reporting, and clinical stratification.

Supplemental Benefit Captives: Evaluating acquisition of specialty benefit captives (dental, vision, transportation) to internalize margin on ~5% of premium currently paid to third parties.

SG&A Leverage Reinvestment: Further operating efficiency gains reinvested into clinical model advancements, new market playbooks, and technology infrastructure.

Provider De-delegation: Continued shift of utilization management from IPAs to direct Alignment oversight using AIVA technology tools—a key driver of 2025 clinical outperformance.

KEY RISKS & CONSIDERATIONS

2026 Headwinds

V28 Final Phase-In: Third and final year of V28 risk model changes compresses per-member revenue. While Alignment's low RAF score (~1.1) limits relative impact, it is still a revenue headwind that offsets underlying MBR improvement.

New Member Mix Headwind: ~50% of AEP growth was LIS/dual/C-SNP members who carry higher first-year MBRs. Transition from unmanaged to managed care setting creates near-term margin pressure that only resolves as cohorts mature.

2027 Rate Uncertainty: Advance Rate Notice at 0.9% net is disappointing for the industry. While Alignment positions itself as rate-agnostic, a sustained sub-trend rate environment would compress the industry's benefit designs further, potentially reducing the pool of competitive switchers available for Alignment to capture.

Ex-California Scaling Risks: Doubling ex-California membership is operationally demanding. Provider satisfaction, network adequacy, and care model fidelity must be maintained as the footprint expands. New state entry in 2027 introduces execution complexity.

No Sweep Assumption: 2026 guidance excludes sweep pickup from new members (\$14M benefit in 2025, ~30 bps MBR). While conservative, this means any shortfall in base performance is not backstopped by assumed favorable development.

Strategic Opportunities

Competitor Retreat Creates TAM Expansion: UnitedHealth (-1.3M–1.4M MA members), Elevance, and Centene are actively shedding membership. Alignment’s high-quality, broker-friendly model is positioned to capture displaced members at favorable acquisition economics.

Stars Advantage Durability: 100% of members in 4+ star plans provides bonus payment advantages that compound over time. If CMS simplifies the Stars program, Alignment’s strong measure performance across the portfolio provides downside protection.

Sweep Upside: Exclusion of sweep from guidance creates a built-in upside buffer. If new member risk adjustment data performs similarly to 2025, \$14M+ of incremental profit is not in the guide.

Supplemental Benefit Captive Opportunity: Internalizing ~5% of premium currently paid to third-party specialty benefit vendors creates a new margin expansion vector as scale increases.

Flat Rate Environment as Structural Moat: If 2027 final rates remain below medical cost trend, competitors will face another year of benefit rationalization. Alignment’s low-cost clinical model allows it to maintain richer benefits while peers cut—a self-reinforcing competitive cycle.

AI-Driven Operating Leverage (2027+): 30+ use cases targeting member services, financial reporting, and clinical stratification could accelerate the SG&A ratio decline below 9%, creating incremental EBITDA margin expansion.

BOTTOM LINE ASSESSMENT

Strategic Opportunities

Alignment Healthcare is executing the most differentiated growth story in Medicare Advantage. While the industry’s largest players—UnitedHealth, Humana, Molina, Elevance, Centene—are variously shedding members, absorbing Stars headwinds, managing trough Medicaid margins, or executing multi-year turnarounds, Alignment delivered simultaneous 46% revenue growth, 270 bps margin expansion, and positive free cash flow in 2025. The company’s clinically integrated model (AIVA + Care Anywhere) is producing industry-leading results on a fundamentally different cost structure: sub-1.1 RAF scores, minimal chart review exposure, 100% 4+ star membership, and no reliance on third-party VBC networks or global capitation.

The 2026 guide—\$5.16B revenue (+31%), \$148M EBITDA midpoint (+35%)—is conservatively constructed (no sweep, cautious intra-year growth assumptions) while embedding significant upside optionality. Management’s decision to grow “responsibly” at 31% rather than chase Humana-style 25%+ growth reflects a long-term orientation toward provider durability, Stars sustainability, and infrastructure readiness.

MA Payer Competitive Intelligence Implications

Alignment's Q4 2025 results carry three implications for MA payer competitive strategy:

Clinical model differentiation matters more than scale: Alignment is outperforming on margins and growth despite being a fraction of the size of UnitedHealth, Humana, or Centene. This validates that clinically integrated, technology-enabled care models can win against scale-dependent strategies.

The switcher pool is real and accessible: 80% of Alignment's gross sales were switchers from competitors. Combined with Humana's 70% switcher mix, [An1] this confirms massive member churn in the current environment. Plans with strong Stars, rich benefits, and provider relationships are capturing this flow.

Rate environment rewards cost management, not coding: Alignment's sub-1.1 RAF score and minimal chart review exposure position it as the structural beneficiary of CMS's ongoing program integrity focus. Plans dependent on coding intensity and risk adjustment optimization face growing headwinds.

REAL-TIME INTELLIGENCE WITH STRATEGIC ADVANTAGE

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



Key executive quotes



Market movements



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For support with your **2027 bid strategy**, contact **Dan Paladino** (dan.paladino@healthworksai.com) or your **Client Success Manager**.