




Elevance Q1 2026 Earnings Analysis

Earnings Insight Report for MA Payer Competitive Intelligence

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EXECUTIVE SUMMARY

The most surprising finding in Elevance Health’s Q1 2026 report is not the 16% adjusted EPS beat—it is the hidden anatomy of that beat. Of the \$12.58 adjusted EPS. The ‘real’ underlying core outperformance was approximately \$0.30 per share of better claims experience—solid but far more modest than the headline suggests. The company raised full-year adjusted EPS guidance by \$1.25 to at least \$26.75 but explicitly carved out the \$1.00 non-recurring investment item from the 2027 growth baseline (set at \$25.75, not \$26.75). Management is essentially telling analysts: the business is genuinely improving, but the Q1 beat is not as clean as it looks.

Revenue of \$49.5B grew 1.5% YoY, with total medical membership of 45.4 million up 186K from year-end 2025—a rare Q1 membership gain driven by commercial fee-based and individual ACA expansion, partially offset by continued MA and Medicaid attrition. The benefit expense ratio of 86.8% increased 40 bps YoY, but Medicare improved and Medicaid was ‘slightly favorable to expectations.’ The enterprise adjusted operating margin of 6.5% remained essentially flat. Cash flow of \$4.3B was exceptional (+\$3.3B YoY), though the \$935M CMS accrual for historical MA risk adjustment data and a \$129M organizational restructuring charge weigh on GAAP results.

The 2027 commitment of at least 12% adjusted EPS growth of the \$25.75 baseline is credible—but depends on Medicaid reaching trough in 2026, MA margin holding at 2%+, and CarelonRx momentum sustaining into 2027 client ramps.

Strategic Positioning & Key Developments

CMS Risk Adjustment Matter: \$935M Accrual, But Manageable

The most significant new development is the \$935M accrual for historical MA risk adjustment data following a CMS notice received in February 2026. Management was forthright: this covers historical payment disputes involving interpretation of risk adjustment policy during a prior period—not current practices. CEO Gail Boudreaux confirmed an extension to July 31, 2026, to meet compliance requirements, and stated that if those steps are completed, sanctions will not go into effect.' The accrual is excluded from adjusted EPS and the full-year cash flow guide of \$5.5B is stated as inclusive of potential CMS cash payments. For MA payers, the strategic implication is clear: CMS program integrity enforcement is not just a UnitedHealth issue—it is industry-wide, with Elevance becoming the second major payer to disclose a material risk adjustment exposure in 2026.

Medicare Advantage Repositioning Working: 2% Margin Target Maintained

MA membership declined 356,000 YoY to 1.899 million, a 15.8% drop from March 2025—the sharpest rate in the industry as a proportion of portfolio. But the margin story is improving results were 'stronger than anticipated' in Q1, and the full-year 2% operating margin target remains intact. Management attributed the improvement to product repositioning and selective market exits taken for 2026. The 2027 final rate notice, while still 'below widely expected medical cost trend, was acknowledged as a step in the right direction. Boudreaux signaled continued bid discipline for 2027: prioritize plans that deliver long-term value.' Translation: another year of membership shrinkage over margin sacrifice.

ACA Bronze Surge: Growth Tailwind with H2 Margin Risk

ACA individual membership grew to 1.424 million, up from 1.307M at year-end—a 9% sequential jump. Critically, the growth is concentrated in bronze-tier plans, which carry higher deductibles and defer plan cost to H2. Management now expects Q2 end membership of approximately 1.2 million but is not yet revising the full-year 900,000-member guidance. The \$0.15 per share Q1 EPS benefit from ACA bronze seasonality will reverse in H2. For MA payer competitive intelligence: Elevance's ACA franchise is capturing displaced members from subsidy changes—validating that the individual market remains a membership source even as MA disciplines down.

Carelon: Revenue Growing Fast, Margins Under Investment Pressure

Carelon revenue grew 7.9% YoY to \$18.0B, with Carelon Services up 12.7% to \$7.4B. But operating gain declined 3.8% as lower affiliated health plan membership (headwind to several risk-based programs) and continued investment in risk-based capability expansion compressed margins. CarelonRx adjusted script volume fell 9.3% sequentially from year-end and 4.3% YoY. Management is clear-eyed: the near-term margin pressure is the price of building scalable risk-based solutions (oncology, post-acute, behavioral health) that will serve external clients in 2027+. The CareBridge home-based care model is showing a 20% reduction in hospital readmissions and 10%+ savings on post-acute care—early proof points that the clinical investment is generating real outcomes.

AI Investment >\$1B: Practical Deployment, Not Just Pilots

Elevance is investing more than \$1B in digital and AI-enabled capabilities in 2026. Unlike peers who discuss AI in strategic terms, Boudreaux provided specific proof points: 22 million commercial members on the AI-enabled virtual assistant with measurable consumer effort score improvements; Sydney, a personalized provider-matching tool using 500+ data points already connected to 20%+ of members; and prior authorization AI reducing denials by nearly 70%, with 60,000 associates now actively using AI productivity tools. The adjusted operating expense ratio improved 20 bps to 10.5% despite these investments—suggesting early efficiency gains are real.

Commercial Momentum: Record Pipeline, Near-100% Retention

National account renewal rates of 99.3% and a 'record' 2027 pipeline signal that Elevance's commercial franchise is at a competitive high. The second Blue Bid strategy (now in year two) continues driving incremental wins, with ~2 million members in the pipeline—though Boudreaux noted it is 'not quite as high' as the first year. CarelonRx ASO wins in the national account space are gaining traction, with \$100 PMPM savings and fewer ER visits demonstrated for integrated medical-pharmacy clients. Self-funded commercial growth is accelerating, with membership up 2.9% sequentially providing a durable, margin-stable growth vector as MA and Medicaid face pressure.

KEY LEADERSHIP QUOTES

Execution Over Environment



Gail Boudreaux

President and CEO, Elevance Health

“Our actions are driving more consistent performance and position Elevance Health for continued improvement over time. We are not relying on a different trend environment to support the guide.”

Strategic Implication: This is the most strategically important declaration in the call. Boudreaux is explicitly rejecting the ‘wait for trends to moderate’ narrative and staking Elevance’s credibility on internal clinical management, site-of-care optimization, payment integrity, and AI. For MA payers, the message is: Elevance believes it can improve margins regardless of the macro trend environment. The dependency is whether these actions scale consistently across all markets, not just the early-adopter West Region and CareBridge platforms.

2026 EPS Beat Anatomy: What the Non-Recurring Item Tells You



Mark Kaye

Chief Financial Officer, Elevance Health

“Of our revised full-year EPS increase of \$1.25 per share, \$0.25 reflects the portion of underlying non-seasonal business favorability we saw in the quarter. The remaining \$1 was the non-recurring item. That \$1 should clearly be excluded from the 2026 earnings baseline. When you think about returning to at least 12% EPS growth in 2027, that growth is off of an ending 2026 baseline at this point in time of at least \$25.75.”

Strategic Implication: Management’s explicit baseline reset from \$26.75 to \$25.75 for 2027 growth purposes is a rare example of anti-sandbagging transparency. Kaye is protecting the 2027 EPS growth commitment from being built on a non-recurring foundation. This is credibility-building—but it also signals that the underlying 2026 business improvement is more modest than the headline raise suggests. The 12% growth of \$25.75 implies a 2027 adjusted EPS of at least \$28.84.

CMS Matter: Engaged, On Timeline, Confident



Gail Boudreaux

President and CEO, Elevance Health

“We have through July 31st to meet all of those compliance requirements. Based on the steps that CMS has prescribed and the current timeline, we believe and expect that if we complete those steps, the sanctions will not go into effect. This matter does not affect our outlook or how we serve our members.”

Strategic Implication: The July 31 deadline is the critical monitoring date for this matter. Management's confidence that sanctions will not go into effect—if compliance is completed—suggests the path to resolution is procedural rather than adversarial. However, the \$935M accrual represents a 'current best estimate' that could move in either direction as resolution proceeds. For MA payer competitive intelligence: this disclosure confirms that CMS's historical risk adjustment enforcement is now reaching a second major national plan. Regional payers with similar coding practices should assess their own exposure.

Medicaid: 2026 Is the Trough, 2027 Recovery Expected



Gail Boudreaux

President and CEO, Elevance Health

"We continue to believe 2026 is the trough year. Where we don't see a sustainable path to profitability in a state, we will exit. We need a sustainable path to this business, and the capital we put into it can be returned."

Strategic Implication: The willingness to explicitly state state-exit as a live option—even while emphasizing constructive rate conversations—reflects a harder line than prior quarters. Full-year Medicaid operating margin guidance of -1.75% means the segment remains structurally loss-making through 2026. The trough thesis depends on states closing the rate-to-trend gap in 2027 rate cycles. Work requirement implementations are flagged as 'phased and manageable' rather than a cliff risk. For MA payers: Medicaid dislocation from potential state exits by Elevance could flow members to regional plans with strong Medicaid footprints.

Commercial AI-Driven Affordability: Record Pipeline Signals



Morgan Kendrick

President, Commercial Health Benefits Business, Elevance Health

"We have a very strong pipeline, almost a record level for 2027. The renewal numbers in our national business are nearly 100%. These are organizations that don't move very often. They like what they're getting, and they keep it."

Strategic Implication: A 99.3% national account renewal rate paired with a record 2027 pipeline is a rare combination in managed care. It signals that Elevance's integrated medical-pharmacy value proposition (CarelonRx + whole health clinical programs) is genuinely differentiating in the employer market, not just on price. The \$100 PMPM savings for integrated medical-pharmacy clients is the specific claim that will resonate with sophisticated CFOs managing self-funded plans. This commercial momentum creates a stable earnings floor that partially offsets MA and Medicaid volatility.

AI Reducing Prior Auth Denials by 70%



Gail Boudreaux

President and CEO, Elevance Health

"We see this technology and AI reducing those denials by more than almost 70%, and it eliminates a lot of the need for follow-up and back and forth. That's good for the system and good for care providers. More than 60,000 of our associates already have access to AI tools and are using them in their productivity workflows."

Strategic Implication: The 70% denial reduction from AI prior authorization is a politically strategic claim as much as an operational one. Post the UnitedHealth cyberattack and congressional scrutiny of prior authorization practices, Elevance is positioning AI not as a cost-cutting tool but as a member experience and provider relations investment. For MA payer competitive intelligence: if AI-driven prior auth reduction becomes a standard competitive differentiator, regional plans without comparable AI infrastructure face a growing operational gap relative to the large nationals.

Q1 2026 Financial Performance

A. Key Metrics Summary

Metric	Q1 2026	Q1 2025	YoY Change
Operating Revenue	\$49.5B	\$48.8B	+1.5%
Adjusted Diluted EPS	\$12.58	\$11.97	+5.1%
GAAP Diluted EPS	\$8.00	\$9.61	-16.8%
Adjusted Operating Gain	\$3.2B	\$3.3B	-1.6%
Adjusted Operating Margin	6.5%	6.7%	-20 bps
Benefit Expense Ratio (BER)	86.8%	86.4%	+40 bps
Adjusted Operating Expense Ratio	10.5%	10.7%	-20 bps
Operating Cash Flow	\$4.3B	\$1.0B	+\$3.3B YoY
Days in Claims Payable	46.6 days	42.8 days	+3.8 days YoY
Total Medical Membership	45.4M	45.8M	-0.9% YoY

B. Segment Revenue & Performance

Segment	Q1 2026 Revenue	YoY Growth	Op. Gain	Op. Margin
Health Benefits	\$42.5B	+2.6%	\$2.2B	5.1%
Commercial	\$13.2B	+7.2%	-	-
Individual (ACA)	\$2.5B	+7.6%	-	-
Medicare	\$11.0B	-3.6%	-	-
Medicaid	\$14.3B	+1.7%	-	-
FEP	\$4.0B	+9.7%	-	-
Carelon (Total)	\$18.0B	+7.9%	\$1.1B	5.9%
CarelonRx	\$43.4B	+21%	\$2.4B	5.6%
Carelon Services	\$7.4B	+12.7%	\$0.47B	6.4%
Corporate & Other	~\$0	NM	(\$1.1B)*	-

*Corporate & Other includes \$935M CMS accrual + \$129M business optimization charge + \$47M transaction costs.

C. BER & Key Performance Drivers

The Q1 2026 benefit expense ratio of 86.8% (up 40 bps YoY) reflects two competing forces: elevated Medicaid medical cost trend that remains above rate levels, partially offset by improving Medicare performance from portfolio repositioning actions. Prior period reserve development of approximately \$250M benefited the quarter, which management noted is 'reestablished as margins and reserves through the normal process, meaning minimal net P&L impact. Days in claims payable of 46.6 (up 5.3 days sequentially, 3.8 days YoY) reflects normal Q1 seasonality, higher medical claims inventory in commercial from ACA mix dynamics, and the typical early-year slowdown in Medicaid and Medicare claims payment cycles—not a change in reserve adequacy.

- **BER Drivers by Segment:** Medicaid elevated above rate-setting, driving 40 bps consolidated deterioration. Medicare improved meaningfully from product exits and pricing discipline—two-thirds of Q1 operating outperformance came from better claims experience, of which flu severity accounted for approximately 10 cents of benefit.
- **ACA Bronze Seasonality:** One-third of Q1 outperformance came from ACA bronze-plan seasonal timing. Bronze plans defer plan cost to H2. This \$0.15/share benefit will reverse in Q3–Q4, making H2 MCR progression a critical monitoring variable.
- **Carelon Margin Compression:** Carelon operating gain declined 3.8% YoY despite 7.9% revenue growth. Lower affiliated health plan membership is a cross-segment headwind. Risk-based capability investment (oncology, post-acute, behavioral health) weighs on near-term margins but positions for external revenue growth in 2027.
- **Operating Expense Discipline:** Adjusted operating expense ratio improved 20 bps to 10.5% despite \$1B+ in AI investment, demonstrating early productivity benefits. The adjusted OpEx ratio improvement partially offset the BER deterioration.
- **Cash Flow Surge:** Operating cash flow of \$4.3B (+\$3.3B YoY) reflects underlying earnings strength and highly favorable working capital dynamics in Q1. Full-year guide of \$5.5B is stated as inclusive of potential CMS cash payments—implying meaningful Q2–Q4 outflows related to the risk adjustment matter

2026 OUTLOOK & STRATEGIC PRIORITIES

A. Updated Full-Year 2026 Guidance

Metric	Raised 2026 Guidance	Prior 2026 Guidance	Q1 2025 Actual	Commentary
Adjusted Diluted EPS	≥\$26.75	≥\$25.50	\$11.97 (Q1)	+\$1.25 raise; \$1.00 non-recurring
GAAP Diluted EPS	≥\$19.85	Not provided	\$9.61 (Q1)	Includes CMS accrual impact
Operating Revenue	\$49.5B pace	≈\$196B annualized	\$48.8B (Q1)	1.5% growth; yield offset by vol.
BER	Monitored vs 86.8%	≈86% range	86.4% (Q1 2025)	Medicaid drag; MA improving
Adjusted OpEx Ratio	~10.5% trajectory	~10.7%	10.7% (Q1 2025)	-20 bps; AI efficiency gaining
Operating Cash Flow	≥\$5.5B	≥\$5.5B	\$1.0B (Q1 2025)	Inclusive of CMS payments
Share Repurchases	≥\$2.3B	≥\$2.3B	\$1.1B (Q1)	On track; \$5.6B authorization left
Medicaid Operating Margin	Approx. -1.75%	Approx. -1.75%	Negative (Q1)	Trough year: 2027 recovery expected
Medicare MA Operating Margin	≥2%	≥2%	Below 2% (2025)	Q1 stronger than expected

B. Membership Outlook & Strategic Trade-offs

Elevance's membership strategy reflects a deliberate and differentiated portfolio approach: shrink where margin is structurally impaired (MA, Medicaid risk, Employer Group risk), grow where returns are durable (commercial fee-based, ACA, CarelonRx external). The net result is stable total membership with an improving mix quality—a fundamentally different positioning from Humana's volume collapse or UHG's broad retreat.

- **Medicare Advantage:** 1.899M on March 31, down 15.8% YoY and 14.8% sequentially from year-end. Full-year 2% margin target maintained. 2027 bid discipline confirmed: further attrition likely in 2027 AEP.
- **Medicaid:** 8.456M on March 31, down 4.6% YoY. Full-year guidance: high-single-digit % decline. Trough year thesis intact; work requirements flagged as phased and manageable. State exit remains a live option where margin path is unsustainable.
- **Commercial Fee-Based:** 21.170M on March 31, up 3.2% YoY—the fastest-growing segment. National account retention is near 100%, record 2027 pipeline. Self-funded employer demand driving consolidated fee income growth.

- **ACA Individual:** 1.424M on March 31 (+9% from year-end). Bronze-tier shift more pronounced than expected. Q2 end target: approximately 1.2M members. Full-year guide maintained at 900K+. H2 cost seasonality from bronze mix is the key risk.

C. 2026–2027 Strategic Priorities

- **Execute MA Margin Recovery to 2%+:** Portfolio repositioning and product exits for 2026 are working. 2027 bid discipline will prioritize margin over membership. Aspiration: sustainable 2%–4% long-term MA range post-2026.
- **Close Medicaid Rate-to-Trend Gap:** Constructive engagement with state partners in July 2026 and 2027 rate cycles. Site-of-care optimization and CareBridge deployment reduced hospital readmissions by 20%. Targeted exits where margin path is not achievable.
- **Scale Carelon Risk-Based Capabilities:** Oncology, post-acute, behavioral health (serious mental illness in Medicaid) in active rollout. CareBridge expanding dual-eligible home engagement. Integrated model showing 10%+ post-acute savings. Target: external revenue from risk-based solutions becomes a material earnings contributor in 2027.
- **Resolve CMS Risk Adjustment Matter:** July 31, 2026, compliance deadline. \$935M accrual as current best estimate. \$5.5B full-year OCF guide inclusive of any cash payments. Expectation: sanctions will not go into effect if compliance steps are completed.
- **AI at Scale Across Enterprise:** AI prior auth reducing denials by 70%. Sydney matches 20%+ of members to high-performing providers. 60,000 associates using AI productivity tools. Full year \$1B+ investment with early expense ratio improvements validating the approach.
- **2027 EPS Growth at Least 12%:** Off revised \$25.75 baseline (excluding \$1.00 non-recurring 2026 item). Key levers: MA margin normalization, Medicaid rate alignment, Carelon external revenue ramp, CarelonRx client onboarding, AI-driven OpEx reduction. No single assumption drives the target—diversified platform protects against individual segment misses.

KEY RISKS & CONSIDERATIONS

2026 Headwinds

- ACA H2 Cost Reversal from Bronze Mix:** The \$0.15/share Q1 EPS benefit from ACA bronze seasonality is a timing effect that will fully reverse in H2 as these plans pay a higher share of member costs in Q3–Q4. Combined with a higher-risk-pool dynamic from enhanced subsidy changes, the H2 ACA BER could deteriorate meaningfully. Management flagged ‘higher lapsation increasing morbidity of remaining pool’—but stated this is ‘consistent with or better than’ pricing assumptions.
- CMS Risk Adjustment Matter Resolution Uncertainty:** The \$935M accrual is a current best estimate and could increase if the resolution process reveals additional exposure. Cash outflows will pressure Q2–Q4 operating cash flow. While sanctions are expected not to go into effect if compliance is met, any failure to meet the July 31 deadline would be a severe operational and reputational risk.
- Medicaid Rate Inadequacy Persisting:** Medicaid rates remain ‘slightly below the mid-single-digit trend.’ Multiple state rate processes are ongoing through 2026 and 2027. If states fail to close the rate-trend, particularly in behavioral health and high-acuity populations—Medicaid losses could persist beyond the 2026 trough. Work requirement timelines create additional membership and acuity uncertainty.
- Carelon Margin Pressure During Investment Cycle:** Carelon operating margin declined to 5.9% (vs. 6.6% in Q1 2025) as lower affiliated health plan membership and risk-based capability investment weigh. External client revenue ramp is back-half-weighted for 2026 and more materially weighted to 2027. If affiliated health plan membership declines faster than external wins replace it, Carelon faces structural top-line pressure.
- CarelonRx Script Volume Headwind:** Quarterly adjusted scripts declined 9.3% sequentially from year-end 2025. The affiliated health plan membership decline (MA, Medicaid, Employer Group risk) is the primary driver. New external ASO wins will partially offset but will take multiple quarters to fully ramp. Specialty pharmacy growth is a bright spot but may not fully compensate for volume loss.
- H2 Earnings Back-Half Concentration:** With Q2 guided at approximately 23% of full-year EPS, more than 75% of the remaining 2026 EPS must be generated in Q3 and Q4. This back-half weighting leaves little room for execution missteps in Medicaid trend, ACA cost reversal, or Carelon ramp timing. The H1/H2 split is more adverse than industry peers.

Strategic Opportunities

- **MA Member Dislocation as Market Share Opportunity:** Elevance's 99.3% national account retention and record commercial pipeline demonstrate that the brand is strong. As UHG sheds 1.3M MA members and Humana restructures, Elevance's well-positioned MA markets (fewer exits than competitors) can capture quality switchers—especially for 2027 AEP in markets where competitors have repriced aggressively.
- **CarelonRx External Revenue Acceleration:** The \$100 PMPM savings for integrated medical-pharmacy clients is a compelling proof point. National account ASO wins in 2026 will generate full-year revenue in 2027. If CarelonRx penetrates 10-15% of the existing commercial fee-based book with integrated pharmacy, the revenue opportunity is substantial. PBM regulatory transparency trends align with CarelonRx's model.
- **Medicaid 2027 Rate Cycle Recovery:** State Medicaid rates lag trends by 12–18 months. If 2026 elevated trend experience is captured in 2027 rate negotiations, the margin recovery could be more pronounced than management's conservative -1.75% 2026 trough suggests. States have a strong incentive to retain large, capable managed care partners.
- **AI-Driven SG&A Structural Reduction:** The 20-bps adjusted operating expense ratio improvement in Q1 despite \$1B+ AI investment suggests efficiency gains are already arriving. As the 60,000 associates using AI tools expand to the broader workforce, and as AI prior auth reductions eliminate manual follow-up workflows, the OpEx ratio improvement could accelerate toward the 10% range by 2027–2028, creating a durable margin expansion lever.
- **CareBridge Scaling Into Dual-Eligible Market:** The CareBridge home-based care platform's 20% readmission reduction and 10%+ post-acute savings are generating strong demand. The dual-eligible population (Medicare-Medicaid crossover) is the highest-cost, highest-complexity cohort in managed care. If CareBridge can demonstrate these outcomes at scale, it becomes a differentiated competitive advantage in D-SNP and FIDE plans—a growing strategic battleground for 2027–2028.
- **CMS Compliance Completion as Credibility Signal:** If Elevance successfully completes the CMS compliance steps by July 31 without sanctions, the market will treat the \$935M charge as a one-time item and re-rate the stock on the underlying business trajectory. Successfully navigating the CMS matter while maintaining financial guidance would demonstrate operational maturity under regulatory pressure.

BOTTOM LINE ASSESSMENT

Strategic Direction & Forward-Looking Credibility

Elevance Health's Q1 2026 report delivers a complex message: the underlying business is genuinely improving, but the headline beat is overstated by \$1.00 per share in non-recurring investment income and \$0.15 in ACA bronze seasonality that will reverse. Management's credibility-building move—explicitly resetting the 2027 growth baseline to \$25.75 to exclude the non-recurring item—is the right call and a bullish signal about management's confidence in the \$28.84+ 2027 EPS trajectory. The \$935M CMS risk adjustment accrual is the single largest uncertainty, but the July 31 compliance framework and management's confidence language suggest resolution is achievable.

What most analysts missed: Elevance is the only major MA payer to report positive total membership growth in Q1 2026. While MA and Medicaid declined as planned, commercial fee-based and ACA expansion more than offset—a portfolio diversification capability that UHG and Humana lack. This membership stability, combined with the near-100% national account retention, creates a durable revenue floor that makes Elevance's multi-year earnings recovery narrative more defensible than peers dependent on MA volume recovery alone.

Bull Case vs. Bear Case

Bull case: CMS matter resolved cleanly by July 31, Medicaid states close rate-to-trend gap in H2 2026 cycles, ACA H2 cost experience tracks within pricing assumptions, Carelon external revenue begins flowing materially in Q3-2026, and AI-driven OpEx reduction accelerates toward 10% ratio by 2027. In this scenario, Elevance delivers \$28–29 adjusted EPS in 2027—the high end of the 12%+ growth trajectory—and trades at a P/E expansion multiple as CMS overhang clears.

Bear case: CMS matter proves larger than the \$935M accrual as compliance reveals additional historical exposure, ACA H2 BER deteriorates meaningfully from bronze mix and morbidity effects, Medicaid states are slow to close the rate gap extending losses into early 2027, and Carelon margins remain compressed as affiliated health plan membership declines faster than external wins compensate. In this scenario, 2026 adjusted EPS comes in at the low end near \$25.75 (the non-recurring-adjusted baseline), and the 2027 12% growth commitment faces skepticism. The risk/reward is more attractive than the headline CMS exposure suggests—Elevance's commercial franchise strength, national account retention, and CarelonRx momentum provide genuine earnings protection that pure MA-dependent peers lack. The July 31 CMS deadline and Q2 earnings call are the two critical near-term catalysts to watch.

For MA payer competitive intelligence: Elevance’s CMS disclosure is the second major national plan to confirm historical risk adjustment enforcement exposure in 2026. Regional plans with similar RAF score profiles and coding intensity should assess their own exposure proactively. Elevance’s commercial momentum (99.3% retention, record pipeline) and Carelon risk-based capabilities are differentiating the company in the employer market—a competitive dynamic that regional payers with limited diversification will increasingly need to address for 2027 employer market positioning.

REAL-TIME INTELLIGENCE, STRATEGIC ADVANTAGE

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