

A photograph of a multi-story brick building with the word "Humana" in large white letters on the top facade. The building has many windows and is set against a clear sky.

Humana

Humana Inc. Q1 2026 Results

Earnings Insight Report for MA Payer Competitive Intelligence



Insights Summarized from April 29, 2026 Earnings Call

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EXECUTIVE SUMMARY

The most important signal from Humana's Q1 2026 results is not the headline EPS but the explicit strategy being telegraphed for 2027 bids: benefit cuts are coming. CEO Jim Rehtin made it unambiguous on the call, stating that medical cost trend continues to outpace program funding and that Humana will adjust benefits to stay on track for its 2028 commitment of at least 3% sustainable MA margin. Q1 Adjusted EPS of \$10.31 landed at the high end of guidance (110%-115% of full-year), and the Insurance segment benefit ratio of 89.4% came in slightly favorable to the 'just under 90%' target. But the year-over-year comparison is distorted by the Stars headwind: without the BY2026 Stars revenue drag, the underlying MA business would look meaningfully better. Revenue grew 23% to \$39.6B, almost entirely driven by 25% individual MA membership plus higher PDP premiums. Full-year adjusted EPS guidance of >\$9.00 is affirmed. For MA payers: Humana's 7.1 million MA members are sitting in plans that will be less rich in 2027, and the company is explicitly prioritizing retention overgrowth in next year's bids. That creates both a displaced-member opportunity and a pricing floor signal for the market.

Q1 2026 KEY METRICS

Metric	Q1 2026	Q1 2025	YoY Change
Total Revenue	\$39.6B	\$32.1B	+23.4%
Adjusted EPS	\$10.31	\$11.58	-11.0%
GAAP EPS	\$9.83	\$10.30	-4.6%
Insurance Benefit Ratio	89.4%	87.4%	+200 bps
Adj. Operating Cost Ratio	10.0%	10.5%	-50 bps
Operating Cash Flow	\$1.25B	\$0.33B	+279%
Days in Claims Payable	33.9 days	38.8 days	-4.9 days
Debt-to-Capitalization	43.0%	42.8%	+20 bps
Parent Company Cash	\$111M	\$1,234M	-91%

MEMBERSHIP

Segment	Q1 2026	Q1 2025	YoY Change
Individual Medicare Advantage	6.39M	5.22M	+22.6%
Group Medicare Advantage	729K	573K	+27.3%
Total Medicare Advantage	7.12M	5.79M	+23.1%
Medicare Stand-Alone PDP	3.86M	2.43M	+58.8%
State-Based Contracts	1.56M	1.62M	-3.0%
CenterWell Primary Care Patients served	601.6K	417.8K	+44.0%

Strategic Positioning & Key Developments

2027 Bid Strategy: Benefits Will Be Cut, Retention Is Priority One

Rechtin was unusually direct: the 2027 bid process will involve benefit reductions to close the rate-trend gap and make progress toward 2028's 3%+ margin target. The approach is market-by-market, preserving the benefits that drive member retention and Stars performance while trimming elsewhere. Third priority is growth, described as 'a distant third.' George Renaudin confirmed the industry is broadly making the same adjustments. For regional MA payers, this sets a competitive floor: expect Humana's 2027 AEP value proposition to be weaker than 2026 in most markets.

Stars: BY2026 Drag Is the Full-Year Story, BY2028 Is the Bet

The BY2026 Stars headwind is the single biggest financial driver depressing 2026 results, and it runs through the entire year. Insurance segment income is guided to approximately breakeven because of it. Management expressed unchanged confidence in returning to top-quartile Stars results by BY2028. A leading indicator is encouraging: HEDIS gap closure on selected metrics is tracking 5% ahead of last year's pace for new members. The Stars result for BY2027 (announced in October 2026) is the next major binary event that will either validate or threaten the 2028 margin thesis.

New Member Growth Running as Expected, IBNR Up 35%

With 25% individual MA growth, new members run at higher benefit ratios than retained members, which management had flagged in guidance. CFO Celeste Mellet confirmed IBNR grew 35% sequentially against 22% MA membership growth, and stated Humana is 'prudently reserved' given the early stage of the year. All key leading indicators through April, including APTs, pharmacy, risk scores, and authorizations, are tracking in line to better than guidance. The flu benefit was de minimis versus what was already baked into guidance.

Balance Sheet: Survival Mode Turned Managed Discipline

Mellet outlined a year of intensive balance sheet work: \$1B in junior subordinated notes issued in March to pre-fund 2027 maturities, \$3B+ in capital contribution requirements mitigated through subsidiary reinsurance and legal entity restructuring, dividends maintained, buybacks limited to dilution offset. Parent company cash at \$111M, down sharply from \$1.2B a year ago, is the bluntest indicator of how tight Humana's liquidity remains. Non-core asset creation is planned to help fund strategic acquisitions, with updates expected in coming months. Welsh Carson put options add \$1B-\$1.5B of potential 2027 obligations that are included in the funding plan.

CenterWell: 110K Sequential Patient Growth, MaxHealth Closes

CenterWell added 110,500 primary care patients sequentially (22.5% growth), with roughly 59,000 from the MaxHealth acquisition and the remainder organic. Total patients served now at 601,600. Revenues grew 20% to \$6.1B across pharmacy, primary care, and home health. The operating cost ratio of 94.5% (vs 91.1% Q1 2025) was inflated by skin substitute runout in ACO REACH, Villages Health integration timing, and MaxHealth transaction costs, all of which are non-recurring within the year. Full-year CenterWell income guidance of \$1.3B-\$1.8B is affirmed.

KEY LEADERSHIP QUOTES

2027 Bids: Margin First, Retention Second, Growth a Distant Third



Jim Rehtin

President and CEO, Humana

"We are approaching bids with a focus on returning to a sustainable margin of at least 3% in 2028 and making progress against that in 2027. We will adjust benefits to remain on track to deliver our 2028 commitment. The priority is retention, retention, retention. Growth is a distant third priority."

Strategic Implication: This is the clearest competitive signal in the call. Humana is telling the market its 2027 product will be less rich, and it is choosing to accept some membership loss rather than sacrifice margin. For regional MA payers, this confirms that Humana will not be an aggressive AEP 2027 competitor in most markets, and it validates the industry's collective move toward pricing discipline over volume.

Q1 Is Exactly Where We Expected It to Be



Jim Rehtin

President and CEO, Humana

"We are pleased with our first quarter, and that is because we are where we expect it to be. And I'm just going to repeat that for emphasis. We are pleased with our first quarter because we are where we expect it to be."

Strategic Implication: The repeated framing is deliberate. After 2025's series of guidance misses, Rehtin is using Q1 to re-establish credibility. This is not a beat narrative; it is a 'we said what we would do and we did it' narrative.

The bar for investor trust has been reset to execution against guidance, not outperformance. The dependency is whether Q2 and H2 hold the same discipline.

IBNR Up 35%: We Believe We Are Prudently Reserved



Celeste Mellet

Chief Financial Officer, Humana

"We did take a prudent approach to claims reserves for the quarter given how early it is in the year and given the membership growth. We believe we are prudently reserved coming out of the first quarter, just given the year ahead."

Strategic Implication: IBNR growing 35% against 22% membership growth is the most watched number in the report. Management's characterization as deliberate conservatism is credible given the new member growth profile, but it also means Q2 reserve development will be the first real test of whether that conservatism was right-sized or insufficient. This is the single most important monitoring variable for Q2.

2027 Rate Notice: Better, But Still Below Trend



George Renaudin

President, Insurance Segment, Humana

"The industry is taking, it appears to be any way, a more measured approach given the funding environment and medical trend. The help we received from CMS is helpful, but it is not, as Jim said, keeping up with medical trends. So, we and others are having to make benefit adjustments, geographic adjustments in line with those expectations."

Strategic Implication: Renaudin is confirming this is an industry-wide phenomenon, not Humana-specific. The 2027 rate notice improvement narrows but does not close the trend gap. Every large MA payer is making the same benefit rationalization calculus. For regional plans, the window is in markets where large nationals are pulling back benefits or exiting service areas. Those members need somewhere to go.

FY 2026 GUIDANCE

Metric	2026 Guidance	2025 Actual	Commentary
Adjusted EPS	>\$9.00	Affirmed	Stars headwind baked in
GAAP EPS	>\$8.36	>\$8.89 prior	Revised down
Total Revenue	>\$160B	>\$160B	Affirmed
Insurance Benefit Ratio	92.75% +/- 25bps	Affirmed	On track
Insurance Segment Income	~Breakeven	~Breakeven	Stars drag all year
CenterWell Income (GAAP)	\$1.3B-\$1.8B	Affirmed	Growth trajectory intact
Indiv. MA Membership Growth	~+25% YoY	Affirmed	On track per Q1
Operating Cash Flow	\$2.5B-\$2.9B	Affirmed	vs \$331M in Q1 2025

KEY RISKS & OPPORTUNITIES

Headwinds

- **Stars Drag Through All of 2026:** Insurance segment income is guided to approximately breakeven for the full year specifically because of the BY2026 Stars headwind. There is no recovery from this within 2026. If BY2027 Stars (announced October 2026) disappoint again, the 2027-2028 earnings trajectory collapses and the entire investment thesis unravel.
- **Parent Cash at \$111M:** This is the lowest liquidity position Humana has been in as a public company. While management executed significant balance sheet actions, the margin for error is thin. Any operational miss in H2, combined with Welsh Carson put obligations (\$1-1.5B potential in 2027), creates a capital crunch scenario.
- **New Member Cohort Performance Unknown:** 25% MA growth means a large proportion of 2026 members are new and running at higher BRs. IBNR is prudently reserved but Q2 completed claims will be the first real read. If the new cohort trends worse than assumed, the H2 HBR step-up in the full-year guidance has no cushion.

Opportunities

- **Stars Return Unlocks 2028 Margin Step-Change:** If BY2028 Stars return to top quartile as management expects the quality bonus revenue that was lost in BY2026 comes back. Combined with the benefit repricing Humana is doing now, a Stars recovery is the single largest margin lever in the portfolio. HEDIS gap closure tracking 5% ahead is an early positive.
- **25% MA Growth Creates a Larger Base for 2027 Repricing:** A 7.1M MA membership base being repriced toward 3% margins by 2028 represents a fundamentally different earnings trajectory than where Humana was in 2024. The revenue base is bigger, and margin is being restored on top of it.
- **Competitor Benefit Cuts Create Switcher Pool:** Renaudin explicitly said the industry is broadly cutting benefits for 2027. Regional MA players who have managed Stars and margins more conservatively enter 2027 AEP with a relative benefit advantage in markets where large nationals are pulling back. The displaced member opportunity is real.

BOTTOM LINE ASSESSMENT

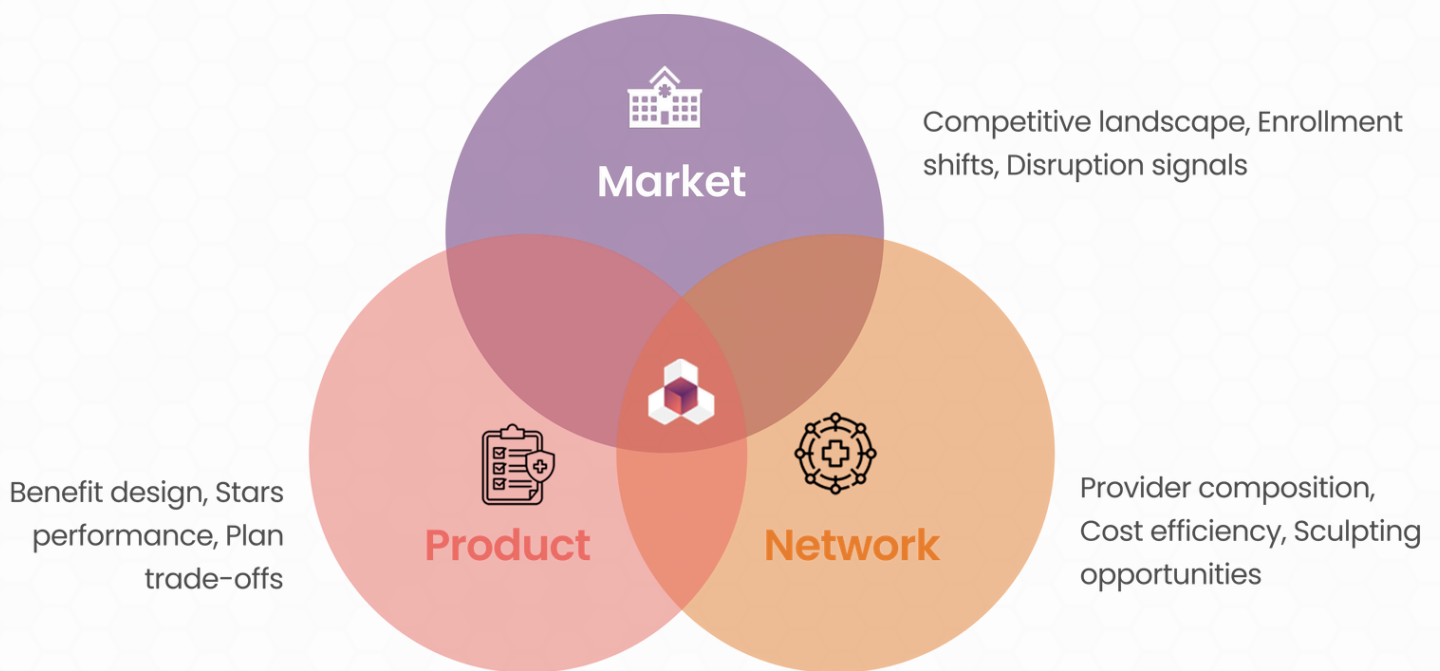
Humana's Q1 2026 is a credibility restoration quarter, not a financial performance quarter. Management's most important communication is not the numbers; it is the explicit commitment to benefit cuts for 2027 bids and a sustainable 3%+ MA margin by 2028. The financial performance is literally designed to land at expectations, not beat them. The underlying business: MA membership growth is tracking, early trend indicators are in line, CenterWell is growing, and operational efficiency is improving. The structural headwinds are also real: the Stars drag eliminates Insurance segment earnings for the full year, parent cash is thin, and the new member cohort carries execution risk into H2.

For MA payer competitive intelligence: Humana's 2027 AEP posture is now clear. It is benefitting reduction with a focus on retention, not competitive aggression. The markets where Humana is retrenching on benefits or exiting service areas are the specific opportunities for regional plans. The October 2026 Stars announcement for BY2027 is the most consequential external event for Humana's trajectory and the entire MA market's competitive dynamics heading into 2027 bid season. If Humana's Stars improve as guided, the repricing-plus-Stars tailwind creates a credible path to 2028. If Stars disappoint again, the plan's entire financial architecture requires renegotiation.

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