



 Alignment Healthcare

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AWARDS

# Alignment Healthcare Q1 2026 Results

Earnings Insight Report for MA Payer Competitive Intelligence



Insights Summarized from April 30, 2026 Earnings Call

Prepared by  
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## EXECUTIVE SUMMARY

Alignment Healthcare's (ALHC) Q1 2026 results are the sharpest counterpoint to the national payer narrative this earnings season. While UHG sheds 1.3 million MA members, Humana cuts benefit ahead of 2027 bids, and Elevance contracts 15% in Medicare, ALHC grew membership 30.9% year-over-year to 284,800 and simultaneously expanded adjusted EBITDA 87.6% to \$37.9 million, exceeding the high end of its own guidance range. Every metric the company tracks went in the right direction: MBR improved 20 bps, SG&A improved 60 bps, EBITDA margin expanded 90 bps. The company raised the midpoint of all four-guidance metrics: membership, revenue, adjusted gross profit, and EBITDA. The Q1 inpatient spike (high 150s per thousand vs. mid 150s expected) was a resolved internal workflow issue, not utilization deterioration, with a financial impact of roughly \$2 million and ADKs fully normalized by February. The more durable signal is operational: claims auto-adjudication improved from under 15% to over 60% year-to-date, a step-change in efficiency that is structural rather than seasonal. For MA payers, Alignment is the clearest proof point this earnings season that a clinical-first, Stars-focused, heavily capitated model can grow profitably in the same environment where nationals are retreating.

# Q1 2026 KEY METRICS

Metric	Q1 2026	Q1 2025	YoY Change
Total Revenue	\$1.235B	\$0.927B	+33.3% YoY
Earned Premiums	\$1.227B	\$0.918B	+33.6% YoY
Adjusted Gross Profit	\$145.9M	\$107.2M	+36.1% YoY
Medical Benefits Ratio	88.2%	88.4%	-20 bps YoY
Adjusted SG&A % Revenue	8.7%	9.3%	-60 bps YoY
Adjusted EBITDA	\$37.9M	\$20.2M	+87.6% YoY
Adjusted EBITDA Margin	3.1%	2.2%	+90 bps YoY
GAAP Net Income	\$11.4M	(\$9.4M)	Profitable
EPS (diluted)	\$0.05	(\$0.05)	Beat \$0.01 est. by 400%
Operating Cash Flow	\$128.7M	\$16.6M	+675% YoY
Cash & Investments	\$726M	\$448M	+62% YoY
Funded Leverage Ratio	2.6x trailing 12-month EBITDA	N/A	Improved QoQ
Inpatient Admits/1,000	High 150s	~155	Workflow issue resolved

## MEMBERSHIP

Segment	Q1 2026	Commentary
Total Health Plan Members	284,800	+30.9% YoY
C-SNP, LIS & Dual Eligible Share	~50% of AEP growth	High acuity intentional
Members in 4+ Star Plans	100%	Unchanged advantage
At-Risk / Capitated Contracts	>50% globally capitated	Insulates from trend
CenterWell-equivalent (VBC)	Growing	De-delegation accelerating
Ex-California Membership	Growing	New market scaling underway

# Strategic Positioning & Key Developments

## Growing Into the National Retreat: The Countercyclical Story

ALHC's 30.9% membership growth is not accidental and not undisciplined. Approximately 50% of AEP growth came from C-SNP, LIS, and dual-eligible populations, which Kao explicitly described as intentional: 'We intentionally focused on growth amongst high acuity populations, whom we believe will benefit most from our clinical model.' This is a direct contrast to plans like Molina that are exiting MAPD and reducing dual exposure, and Humana that is cutting benefits to defend margin. ALHC is leaning into exactly the populations that create the highest embedded earnings opportunity in Year 3 and beyond. The short-term MBR drag from new member acuity ramp is baked into guidance.

## Claims Auto-Adjudication: From 15% to 60% in 12 Months

The single most underappreciated disclosure in the Q1 call. Kao stated directly: 'Just 12 months ago, our claims auto-adjudication rate was less than 15%. Our year-to-date auto-adjudication rate is over 60%, and we expect to drive even higher claims automation as we progress throughout this year.' At 60%+ auto-adjudication you remove human touch points from most claims, compressing administrative cost and payment cycle time simultaneously. This is what SG&A leverage looks like in a scaling managed care business. The 60 bps SG&A improvement in Q1 is early, direct evidence this is flowing through.

## The Inpatient Spike: One Month, One Workflow, \$2M Impact

Management was unusually transparent about this issue, which itself is a signal worth noting. Kao confirmed it was an internal workflow gap where authorizations were paid at full acute rates instead of observation rates following a CMS rule change requiring more timely authorization. It was identified by the end of January, corrected by February, and had a financial impact of approximately \$2 million. Jim Head confirmed that April trends are tracking as expected. Absent to the issue, Q1 MBR would have been approximately 30 basis points lower. The inpatient admissions per thousand in the mid-150s (underlying) is exactly where management expected given the high-acuity new member mix.

## Risk Adjustment: Conservative Booking, Q2 Upside Potential

Head confirmed that for new members, ALHC books risk adjustment conservatively to the paid monthly member revenue from CMS, not to an estimated final rate. This is the same posture. Centene and Molina disclosed this earnings season. The Q2 CMS sweep data will be the validation event. Head stated: 'We book to the paid MMR, which means what CMS pays us; we'll record as revenues. What that does is provide opportunity for upside in the second quarter when we get the final sweeps.' With approximately 50% of AEP growth in high-acuity populations whose risk scores will be validated in sweeps, the magnitude of Q2 upside could be meaningful.

## 2027 Expansion: New Large Markets Confirmed, RADV Position Clean

Kao confirmed that ALHC will expand into new markets in 2027, including 'some large markets', though declined to name them for competitive reasons. Current geographies include California, Texas, North Carolina, and Nevada. On RADV, Kao stated confidence directly: 'The extrapolation methodology is no longer in the 2020 audits. We feel very good about that entire process. I am not worried about that.' This is a meaningful contrast to both UHG (DOJ overhang) and Elevance (\$935M CMS accrual). Alignment's RADV exposure, per Kao, has been tightly scrubbed.

# KEY LEADERSHIP QUOTES

## Operational Discipline at Speed



**John Kao**

*Founder and Chief Executive Officer, Alignment Healthcare*

*"Just 12 months ago, our claims auto-adjudication rate was less than 15%. Our year-to-date auto-adjudication rate is over 60%, and we expect to drive even higher claims automation as we progress throughout this year."*

**Strategic Implication:** This is the most operationally significant disclosure in the call. A 4x improvement in auto-adjudication in 12 months is not incremental. It is a structural change in how the company processes claims, and it flows directly into the SG&A improvement that is already visible in Q1 results. For MA payers studying the ALHC model: the automation investment started two years ago in operational decisions, and the margin benefit is arriving now. Kao's comment that 'performance we are achieving now was made 2 years ago on operational decisions' should be read as a roadmap for what 2027-2028 margins could look like.

## The Inpatient Issue, Owned and Closed



**John Kao**

*Founder and Chief Executive Officer, Alignment Healthcare*

*"We paid authorizations at full acute rates when we should have paid them at observation rates. It was a workflow problem. We've course corrected it, but it impacted our January numbers, \$2 million I think it was. ADK-wise, we were a little bit higher by 2 days. I don't think it's a systemic problem. I think it was a 1-month blip, and we have it course corrected."*

**Strategic Implication:** The speed and specificity of this disclosure is more important than the issue itself. Kao had the root cause, the dollar amount, and the resolution timeline on the earnings call. That is a reflection of real-time operational visibility, not crisis management. Jim Head added that April trends are tracking exactly as expected. The fix took 30 days. For MA payers: this level of operational transparency and response time is rare at any scale and speaks to why ALHC's model is harder to replicate than the financials alone suggest.

## High-Acuity Growth: Intentional, Not Incidental



**Jim Head**

*Chief Financial Officer, Alignment Healthcare*

*"About 50% growth in C-SNP, LIS, and dual eligible population. That's what we're talking about. All of that is exactly tracking just how we expected. The good news is we knew this. We absolutely embrace going after that population because we think we can be very successful with them."*

**Strategic Implication:** This is the key strategic posture that separates ALHC from peers this year. While Molina is exiting MAPD, Humana is cutting benefits in complex populations, and UHG is shedding 1.3M members, ALHC is deliberately growing into the highest-acuity, highest-need MA populations because its clinical model can manage their costs. The short-term MBR headwind from the new member ramp is fully anticipated in guidance. The long-term embedded earnings from these cohorts in Year 3 and beyond is the thesis.

## On the Rate Environment: Trend Will Not Be 2.48%



**John Kao**

*Founder and Chief Executive Officer, Alignment Healthcare*

*"No way trend is gonna be at 2.48%. There's just no way. I mean, I love Chris. I have a lot of respect for him, but the trend is a lot higher, which gets to and speaks to affordability, which gets back to hospital billing."*

**Strategic Implication:** Kao is saying publicly what every MA actuarial team knows privately: the 2027 final rate notice does not cover observed trends. His answer to geographic variation is the nuance that matters for regional payers. He noted that L.A. County rate increases are closer to 6%, which is meaningfully above the national 2.48% headline. Plans need to model the rate of impact market by market, not at the consolidated level. Alignment's California-heavy book benefits from this geographic variation in ways that are not immediately obvious from the headline number.

## Path to 1 Million Members: The Long View



### John Kao

Founder and Chief Executive Officer, Alignment Healthcare

*“Our operational discipline and unique model gives us swift visibility across the organization. This enables us to identify issues quickly and take actions to manage their near-term impact. Growing and scaling a business as rapidly as we are in an industry as complex as Medicare Advantage is not a straight line. That being said, we are progressing very nicely.”*

**Strategic Implication:** Kao has consistently anchored investor expectations around the 1-million-member target without giving a timeline. The strategic logic is that the clinical model's cost advantage compounds with membership maturity: gross profit per member grows from approximately \$90 for new at-risk members to \$230 for Year 5+ members. At 284,800 members today, the embedded earnings trajectory is substantial, and management is investing in operational infrastructure now to support that scale without compromising margin.

## 2026 GUIDANCE UPDATE

Metric	Raised 2026	Prior 2026	Status
Membership YE	294,000-299,000	292,000-298,000	Raised midpoint
Revenue	\$5.16B-\$5.21B	\$5.08B-\$5.16B	+~\$100M raise
Adjusted Gross Profit	\$620M-\$650M	\$615M-\$645M	Low end +\$5M
Adjusted EBITDA	\$138M-\$163M	\$133M-\$158M	Low end +\$5M
Q2 Membership	288,000-290,000	N/A	Strong retention
Q2 Revenue	\$1.30B-\$1.32B	N/A	+5.2% vs Q1
Q2 Adj. EBITDA	\$50M-\$60M	N/A	60% H1 weighting
Full-Year MBR	~88.4% midpoint	~88.4%	Unchanged

# KEY RISKS & OPPORTUNITIES

## Headwinds

- **New Member Acuity Ramp in H2:** With approximately 50% of AEP growth in C-SNP, LIS, and dual-eligible populations, H2 MBR will reflect higher inpatient admits per thousand than the retained book. Management guided this and baked it into the full-year assumption of higher-than-prior-year admits per thousand. The risk is that the acuity ramp exceeds expectation in Q3 and Q4, squeezing the H2 margin that sits below the 60% H1 EBITDA weighting.
- **Risk Adjustment Sweep Uncertainty:** ALHC books new member risk adjustment conservatively to paid MMR. The Q2 CMS sweep will either confirm upside or leave revenue recognition flat. A below-expectation sweep result would close the Q2 guidance cushion and put pressure on H2. Management has not embedded sweep upside into any guidance figure.
- **New Market Operational Scaling:** Kao confirmed new large market entries in 2027. Each new market requires building provider network depth, concurrent review infrastructure, and clinical workflow standardization before the Stars and cost management advantages fully materialize. The de-delegation process from IPA-based concurrent review to direct authorization (which drove the Q1 workflow issue) is a repeating execution risk in each new geography.

## Opportunities

- **National Payer Benefit Cuts Create AEP 2027 Opportunity:** Humana confirmed benefit reductions for 2027 across its 7.12 million MA members. UHG guided 1.3-million-member losses in 2026 with further benefit rationalization for 2027. In markets where ALHC competes or plans to enter, these benefit cuts create a displaced member pool that will be actively shopping in AEP 2027. Alignment's 100% 4+ Star book and clinical model credibility position to capture these switchers efficiently.
- **Member Maturation: Embedded Earnings Compounding:** Kao described the cohort economics directly on the call: as the proportion of loyal members grows, embedded earnings compound structurally without new sales. With a large 2025 and 2026 new member cohort, the 2027 and 2028 margin expansion from cohort maturation is already contracted. Kao explicitly called out that supplemental benefit costs, currently in the 5%-6% of MLR range, are an M&A opportunity: bringing dental, vision, and transportation in-house at 300,000 members could reduce MLR meaningfully.
- **AI and Automation: Structural SG&A Compression Ahead:** Kao indicated on the call that more transparency on AI deployment will come in Q2. The roadmap covers clinical operations, provider data management, Stars workflows, and member management.

At 60% auto-adjudication today, with further improvement expected, and AI being layered on top of fully documented end-to-end workflows, the SG&A trajectory from 8.7% toward the 7% range over 2027-2028 is credible, not aspirational.

## BOTTOM LINE ASSESSMENT

Alignment Healthcare's Q1 2026 is the most instructive earnings release of this season for any MA payer trying to understand what differentiated clinical execution produces financially. The 87.6% EBITDA growth, the 60 bps SG&A improvement, and the 20 bps MBR improvement all happened while the company grew membership 31% and deliberately leaned into the highest-acuity populations in MA. The inpatient spike was a \$2 million, one-month workflow issue, fully resolved and disclosed with unusual specificity. The claims auto-adjudication jump from under 15% to over 60% in 12 months is the most important operational data point in the release, and it is not getting adequate attention.

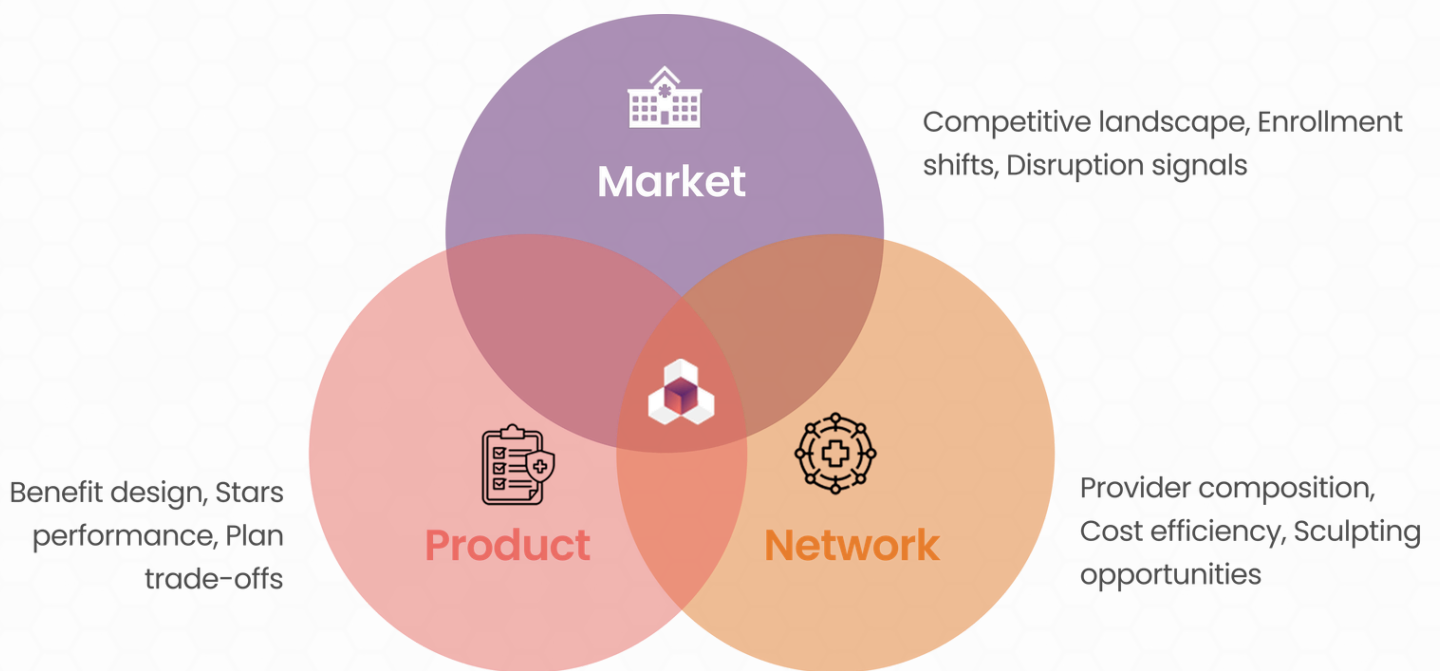
What management is betting on is straightforward: a clinical-first model that is more than 50% globally capitated can absorb trend volatility that destroys margin for fee-for-service-oriented plans. Stars above 4 across 100% of membership generate revenue premiums that offset rate environment headwinds. And member cohort maturation from Year 1 to Year 5 compounds embedded earnings automatically. The three risks worth monitoring are: Q2 CMS sweep results on new member risk adjustment, H2 MBR as the high-acuity cohort matures, and new market provider engagement outcomes ahead of 2027 expansion announcements.

For MA payer competitive intelligence: Alignment is not a national-scale competitor today. But the model it is proving at 284,800 members, specifically 100% Stars above 4, over 60% claims automation, greater than 50% capitation, and intentional high-acuity member focus, is the template that will become increasingly difficult to compete against as the book matures toward Kao's 1 million member target. The Q2 earnings call is the next monitoring event: CMS sweep data, new market announcements, and the first clean read on high-acuity member utilization post-workflow fix.

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