Humana Ecosystem

Humana
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Outside Relationships

Regulators | Capital | Suppliers | Customers

Subjects of US Health Insurance Regulation

Patient Protection and Affordable Care Act (Administered by U.S. Health and Human Services; mandates coverage requirements; prohibits lifetime limits and certain annual limits, member cost-sharing on specified preventive benefits and pre-existing condition exclusions; imposes rebates for minimum medical loss ratios below 80-85%; establishes Medicare Advantage ratings system and bonuses for high ratings; requires review of premium rate increases for small group and individual products; prohibits use of health status and gender when determining health insurance premiums; establishes federal-and state-based health insurance exchanges and subsidies for low-income participants; audits by Centers for Medicare and Medicaid Services (CMS))

Privacy, Confidentiality and Data Standards Regulation (The Federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"); imposes regulation on the use, disclosure and safeguarding of protected health information; The Health Information Technology for Economic and Clinical Health ("HITECH") Act; imposed additional health information breach notifications and reporting requirements, strengthened enforcement and penalties for HIPAA violations)

State Corporate Practice of Medicine (licensing and regulation of practice of medicine; regulation of fee-splitting between physicians and referral sources; Humana is not licensed to practice medicine and relies of licensed physicians & professional groups to make medical decisions)

Centers for Medicare and Medicaid Services (CMS) (Administers Medicare for Elderly, the Federal Portion of Medicaid for Low-Income People, and Funding for States' Children's Health Insurance Programs (CHIP))

State Regulation of Insurance Companies & Health Maintenance Organizations (Operating companies: Issuance of certificates of authority and regulation regarding internal governance practices, risk and solvency assessment reporting and the filing of periodic financial and operating reports. Subject to state examination and periodic license renewal; Holding Company: issuance and the filing of reports describing capital structure, ownership, financial condition, certain intercompany transactions, enterprise risks, corporate governance and general business operations; and Statutory Risk-Based Capital Requirements: adequacy reporting, oversight)

Anti-Kickback, Physician Self-Referral, and Other Fraud and Abuse Laws (False Claims Laws: impose liability on persons and companies who defraud governmental programs; Anti-Kickback Laws: prohibit the offer, payment, solicitation, or receipt of any form of renumeration to induce, or in return for, the referral of business under Medicare or other governmental health programs; and Stark Laws: prohibit physicians from referring Medicare or Medicaid beneficiaries for certain services to any entity with which the physician, or immediate family member of the physician, has a financial relationship, unless the financial relationship fits within a permissible exception)

Capital

- Public Debt Holders — Bond Financing
- Commercial Banks — Working Capital Financing

Suppliers

Professional Service Providers

- Pricewaterhouse Coopers (Audit Services)
- Alston & Bird; Fried, Frank (M&A Legal Services)
- Spark Foundry (Advertising Agency)
- Mehlman, Castagnetti (Lobbying Agency) — Professional Services
- Goldman Sachs; Evercore (Investment Banking Advisors)
- Healthcare Indemnity (Humana's Captive Insurance Subsidiary) — Captive Insurance Premiums

Customers

- Medical Care Service Providers (Hospitals and Physicians) — Medical Care Services
- Wal-Mart Stores, Inc. — Sales of Humana-Walmart PDP Plans
- Annual or Multi-Year Contracts
- Sales of Individual and Group Medicare Advantage (Part C) Plans
- Sales of Individual and Group Stand-Alone Medicare Prescription Drug (Part D) Plans
- Sales of Medicaid Plans (including LTSS, Dual Eligible, and D-SNP Medicaid Plans)
- Medical Insurance Premiums

Medicare Customers

- Seniors (Medicare Recipients)
- Medicare Advantage and PDP Insurance Coverage
- Employers

Medicaid Customers

- State Governments
- Centers for Medicare and Medicaid Services (CMS)

Medical Insurance Coverage

Low-Income Individuals, Children, and Families (Medicaid Recipients)

Medical Care Services

Medical Care Service Providers (Hospitals and Physicians)

Humana Inc. (Kentucky Corporation)

Debt Structure

Debt ($6.66 @ 12/31/2020) Credit Ratings: BBB+ (S&P), Baa3 (Moody's), BBB (Fitch)

- Commercial Paper ($600 million)
- 5 –Year Unsecured Revolving Credit Agreement: $2.B maturing in May 2022
- Two Series of Notes Due 2022 : $1B (2.90%-3.15%)
- Two Series of Notes Due 2024-2025: $1.2B (3.85%-4.50%)
- Three Series of Notes Due 2027-2030: $1.6B (3.125%-4.875%)
- Five Series of Notes Due 2038-2049: $2.3B (3.95%-8.15%)

Equity Structure

Equity

- Share Repurchase Program — Authorized: 3 billion shares; Remaining: 250 million shares
- Preferred Stock — Authorized: 10 million shares; Outstanding: None
- Common Stock — Authorized: 300 million shares; Issued: 199 million shares; Outstanding: 129 million shares

Governance

Board of Directors

Kurt J. Hilzinger (E) | Raquel C. Bono, M.D. (A, T) | William J. McDonald (A, I) | Marcy S. Klevorn (T)
Karen W. Katz (NGS, T) | John W. Garratt (A, I) | James J. O'Brien (I, OC) | Jorge S. Mesquita (OC)
Bruce D. Broussard (E) | David A. Jones Jr. (E, NGS, OC) | Wayne A.I. Frederick, M.D. (OC, T)
Frank A. D'Amelio (A, NGS) | Marissa T. Peterson (I, T)

Committees:
Executive ("E")
Audit ("A")
Investment ("I")
Nominating Governance & Sustainability ("NGS")
Organization & Compensation ("OC")
Technology ("T")

Executive Officers

- Bruce D. Broussard - President and Chief Executive Officer
- Tim Huval - Chief Administrative Officer
- Heather Cox - Chief Digital Health and Analytics Officer
- Sam Deshpande - Chief Technology and Risk Officer
- Susan M. Diamond - Segment President, Home Business and Interim Chief Financial Officer
- William Fleming - Segment President, Clinical and Pharmacy Solutions
- Cynthia H. Zipperle - Senior Vice President, Chief Accounting Officer and Controller
- Vishal Agrawal, M.D. - Chief Strategy and Corporate Development Officer
- Christopher H. Hunter - Segment President, Group and Military Business
- Joseph C. Ventura – Chief Legal Officer
- Alan Wheatley - Segment President, Retail
- William H. Shrank, M.D. - Chief Medical and Corporate Affairs Officer

Corporate Matters

Strategy and Corporate Development
- Corporate Strategy
- Mergers and Acquisitions
- Joint Venture Activities
- Operating Model
- Member Experience

Administrative
- Human Resources
- Corporate Marketing
- Workplace Solutions
- Inclusion and Diversity
- Safety and Security

Finance
- Accounting
- Internal Controls
- Financial Reporting
- Tax
- Treasury
- Procurement
- Actuarial Activities
- Analytical Activities
- Financial Activities
- Internal Audit
- Investor Relations
- Risk Management

Technology and Risk
- Risk
- Compliance
- Information Technology
- Vision Setting
- Service Delivery (Analytics, Mobile and Legacy Development, and Infrastructure Management)

Digital Health and Analytics
- Digital Care Delivery Operations
- Enterprise Analytics

Medical and Corporate Affairs
- Integrated Care Delivery
- Federal Government Relations
- Public Health Policy
- Clinical Capabilities
- State Government Relations

Legal
- Compliance
- Regulatory & Public Affairs
- Corporate Governance
- Strategic Litigation
- Enterprise Risk

Operations

RETAIL SEGMENT
(2020 Revenue $67.143 billion)

Medicare

Individual Medicare Advantage Plans

Under contract with Centers for Medicare and Medicare (CMS), Humana offers seniors Medicare Advantage health insurance plans providing comprehensive benefits, such as wellness programs, chronic care management, and care coordination.

Types of Plans

HMO
May reduce or eliminate co-insurance or the level of deductibles for medical services from participating in-network providers or in emergency situations; provides no out-of-network benefits.

PPO
May reduce or eliminate co-insurance or the level of deductibles for medical services from participating in-network providers or in emergency situations; provides out-of-network benefits at higher levels of member cost-sharing.

PFFS
Network-based products with in-network and out-of-network benefits (or, in certain sparsely populated geographic areas, freedom to choose any healthcare provider) due to CMS requirement that Medicare Advantage insurers establish adequate provider networks, areas with limited medical plan options.

Individual Medicare Stand-Alone Prescription Drug Plans (PDPs)

Humana offers stand-alone Medicare (Part D) PDPs.

Types of PDPs

- Basic Coverage
- Enhanced coverage with varying degrees of out-of pocket costs for premiums, deductibles, and co-insurance.
- Humana administers CMS's LI-NET plan allowing eligible individuals to receive immediate PDP coverage.

Group Medicare Advantage and Medicare Stand-Alone PDPs

Humana offers employers group Medicare Advantage or group stand-alone PDPs, often with richer benefits than an individual Medicare Advantage Plan or PDP.

Medicare Supplement

Pays medical expenses that Medicare FFS does not cover, such as copayments, coinsurance, and deductibles.

Added Benefits

- Wellness & Prevention Programs
- Reduced-cost-sharing
- Healthcare Decision-Making Tools
- Care Coordination
- Enhanced Prescription Drug Benefits
- Data Analysis
- Care Management Programs
- Complex Case Mgmt
- Reduced Monthly Part B Premium (in some instances)

State-Based Medicaid

Through state-based contracts, Humana serves enrollees in Medicaid, a federal and state-funded program to provide health care to vulnerable populations, including individuals, families, and children living below 138% of the poverty level.

Plan types

- Traditional and Long-Term Support Services (LTSS)
- Dual Eligible Plans
- Dual Special Needs Plans (D-SNPs)

Primary States

FL | KY | WI | OK | SC

Competitors

Anthem | Cigna | UnitedHealth Group | CVS/Aetna | Blue Cross Blue Shield

GROUP AND SPECIALTY SEGMENT
(2020 Revenue $7.24 billion)

Group Commercial Coverage

Commercial Health Insurance Products

Health Insurance
Humana sells commercial health insurance products to employer groups that include a broad spectrum of major medical benefits with multiple in-network co-insurance levels and annual deductible choices that can be offered to employees on either a fully insured, through HMO, PPO, or POS plans, or self-funded basis.

Administrative Services Only (ASO) Products

Services to Self-Insurers
Employers who self- insure their employee health plans can purchase Humana administrative services only—e.g., claim processing, access to health care provider networks, and responding to customer service inquiries. Employers retain the risk of financing the costs of the benefits; many ASO customers purchase stop loss insurance coverage to limit aggregate annual costs.

Military Services

TRICARE
Under TRICARE contracts with the United States Department of Defense, Humana provides administrative services to arrange health care services to dependents of active-duty military personnel and for retired military personnel and their dependents. Humana performs services under the T2017 East Region, five-year contract comprised of 32 states and approximately six million beneficiaries. The contract expires on December 31, 2022 and is subject to renewals on January 1 of each year.

Competitors

Anthem | UnitedHealth Group | Cigna | CVS/Aetna

HEALTHCARE SERVICES SEGMENT
(2020 Revenue $1.016 billion)

Pharmacy Solutions

Humana Pharmacy Solutions℠
Manages traditional prescription drug coverage for individual and employer groups in addition to providing a broad array of pharmacy solutions

Mail Order Services
Available for brand, generic, and specialty drugs and diabetic supplies.

Provider Services

Care Delivery Organization
Humana operates 156 full-service, multi-specialty medical centers in a number of states staffed by 662 primary care providers and medical specialists

Medical Services Organization (Conviva)
Coordinates care for Medicare Advantage beneficiaries in Florida and Texas.

Clinical Care Services

Humana At Home, Inc.
Provides clinical care services, including in-home care, telephonic health services, and remote monitoring. At the end of 2020, Humana enrolled 910,600 members with complex chronic conditions participating in a Humana Chronic Care Program.

Care Management and Wellness Programs
Review billions of clinical data points to improve user outcomes; these programs make use of Humana's clinical management tool, CareHub.

Wellness

Wellness Solutions
Includes the Go365 wellness and loyalty rewards program, employee assistance program, and clinical programs, which can be offered collectively to employer customers as the Total Health product and turn a standard employer plan into an integrated health and well-being solution that encourages participation in these programs.

Go365 Program
Provides access to science-based, actuarily driven programs that feature many well-being tools and rewards, including a sophisticated health-behavior-change model.

Competitors

CVS Health | UnitedHealth/OptumRX | Cigna/Express Scripts | Anthem/IngenioRX

Securities Regulation and Stock Exchange Rules

Dividends and Common Stock Repurchases

Equity Capital

Outside Relationships

Customers | Suppliers | Capital | Regulators

Significant Shareholders

- T. Rowe Price Associates, Inc. (7.82%)
- The Vanguard Group, Inc. (7.32%)
- Fidelity Management & Research Co. (6.01%)
- BlackRock Fund Advisors (4.80%)
- SSgA Funds Management, Inc. (4.24%)
- Institutional ownership: 94.74%

Securities Regulators

- US Securities and Exchange Commission (Securities Law, Disclosure and Reporting Requirements)
- New York Stock Exchange (Listing, Maintenance, and Corporate Accountability Rules)

Customers

- Medical Care Service Providers (Hospitals and Physicians) — Medical Care Services
- Network of Retail Pharmacies — Prescription Drugs Dispensation
- Individual Patients — Prescription Drug Plans

Services Customers

Institutions

- Managed Care Organizations
- Health Insurers
- Third-Party Administrators
- Employers
- Union-Sponsored Benefit Plans
- Workers' Compensation Plans
- Government Health Programs

Providers

- Physicians
- Hospitals
- Clinics

Prescription Drug Plan, Administration and Management Services, and Mail Order Services

Care Coordination, Financial Risk Management, Clinical Integration, and Patient Engagement Services (via Conviva Medical Services Organization)

Chronic and In-Home Care Services, Primary Care Services, and Medicare Advantage Coordination Services

- Seniors
- Individual Patients

Wellness Services

Suppliers

Sales and Marketing Services for Medicare Advantage, Medicare Stand-Alone PDP offerings, and Group and Specialty Health Insurance

Sales and Marketing Partners
- Independent Telemarketing Representatives
- Television, Radio, Internet, and Other Media Outlets
- Licensed Independent Insurance Brokers and Agents (Commission fee-based)
- Wal-Mart Stores, Inc.

Health Insurance and Administrative Service Premiums

Sales of Commercial Group Health Insurance Products, Administrative Service Products, Stop Loss Insurance Coverage

Prescription Drug Supplies

Healthcare Service Providers Agreements (regarding the Provision of Healthcare Services to Members in Accordance with Humana Care Management Techniques, Systems, and Discounted Rates, including Physician Bonuses)

Capital

Health Insurance Coverage

Individual Patients

Customers

- Inter-governmental Organizations
- United States Department of Defense (TRICARE T 2017 East Region)
- Mid-Size Businesses
- Employer Groups
- Self-Insuring Employers
- Multinational Companies

Pharmaceutical Suppliers

- Roche
- Johnson & Johnson
- Bayer
- Abbott
- Merck
- Pfizer
- Celgene

Regulators

Medical Care Service Providers (Hospitals and Physicians) — Medical Care Services

Healthcare Provider Networks

- Hospitals, Clinics, and Other Healthcare Facilities (e.g. outpatient surgery centers)
- Primary Care Practitioners, Specialist Physicians, Dentists, and Providers of Ancillary Healthcare Services

Glossary

- CMS: Centers for Medicare and Medicaid Services
- D-SNP: Dual Eligible Special Needs Plans
- FFS: Fee For Service
- HMO: Health Maintenance Organization
- LTSS: Long-Term Support Services
- POS: Point-of-Service
- PPO: Preferred Provider Organization
- PDP: Prescription Drug Plan
- PFFS: Private Fee For Service

Key Company Data

Revenue by Location
- Premiums: $74.186B
- Services: $1.815B
- Investment income: $1.154B
- Total Revenues: $77.155B
- Net Income: $3.367B

Assets
- Total Current Assets: $23.641B
- Total Non-Current Assets: $11.328B
- Annual Dividend: $2.80
- Total Assets: $34.969B

Resources
- 48,700 employees
- 6 office locations across 2 countries

Share Information
- Ticker Symbol: HUM
- Share Price (6/15/2021): 423.90
- EPS: $25.47

Recent Developments

In the summer of 2020, Humana announced that their Partners in Primary Care unit would open 20 new senior-focused primary care centers over the coming year in the new markets of Las Vegas and Louisiana plus a major expansion in Houston.

In the first quarter of 2021, Humana reported profit and revenue that surpassed expectations and affirmed its full-year earnings outlook while raising its Medicare Advantage (MA) membership guidance. In the year-ago period, net income fell to $717 million ($3.56/share) from $746 million ($4.16/share) and revenue rose to $18.94 billion from $16.11 billion.

In March of 2020, Humana announced that it would be waiving customer cost-sharing and co-payments for all treatments related to the Coronavirus strain COVID-19 for an indeterminate period of time. The waiver of co-payments included both in-network and out-of-network medical care providers.

In June of 2021, Humana announced that it was planning to sell the company's hospice business, Kindred at Home, to capitalize on high market evaluations.

SUMMARY OF MEDICARE COMPONENTS

ORIGINAL MEDICARE		ADVANTAGE	DRUGS
Part A	Part B	Part C	Part D
Ambulance; Inpatient Hospital; Hospice; and Nursing Care	Outpatient, Preventative Care; Lab Services; and Medical Equipment	Parts A & B, plus Prescription Drugs, Vision, Basic Dental, and Hearing Care	Prescription Drug Plans
Seniors Pay No Premium, But Subject to Annual Deductible; Government-Run	Premium (Deducted from Senior's Social Security), Deductible and Co-Insurance; Government-Run	Government Subsidizes Original Medicare (Parts A & B); Seniors Pay for Extra Benefits Thru Premiums & Co-Payments; Privately-Run	Seniors Pay Co-Pay and Premiums; Privately-Run

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