

Emerging Issues in the BCBS System

Presented to Inter Plan Executives on August 18, 2026

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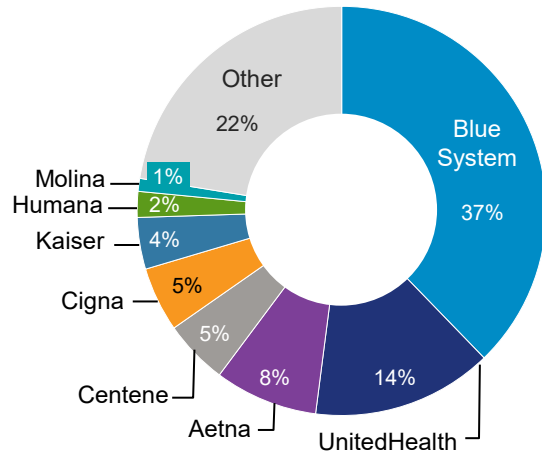
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Agenda

- Competitor Overview & Key Themes/Activities
- Questions
- Appendix - Health Care Market Forces

Competitor strategy is likely to change over the next year as industry and economic pressures continue to mount

4Q 2024 MARKET SHARE BY ENROLLMENT



NATIONAL COMPETITOR STRATEGY

CIG

Cigna – Foundational Growth via Pharmacy Benefit Services, US Employer & International Health; Accelerated Growth for Specialty Pharmacy & Care Services; and Cross-Enterprise Leverage through Relationships, Clinical Innovation, and Technology.

CVS

CVS-Aetna – Best in class business, Strong integrated capabilities, Leading digital strategy, and Disciplined capital stewardship

UHG

UnitedHealth Group – Value-Based Care, Health Benefits, Health Technology, Health Care Financial Services, and Pharmacy Services

The current industry environment has forced competitors to return to basics and focus on the fundamentals of business

Carriers can no longer afford to pursue unprofitable market growth



Revenue & Profits

Revenue has not increased enough to cover increased utilization and costs



Operations & Operational Efficiency

Operational efficiency is one lever to improve financial performance



Risk, Pricing & Competition

Carriers have committed to pricing for risk versus competitively

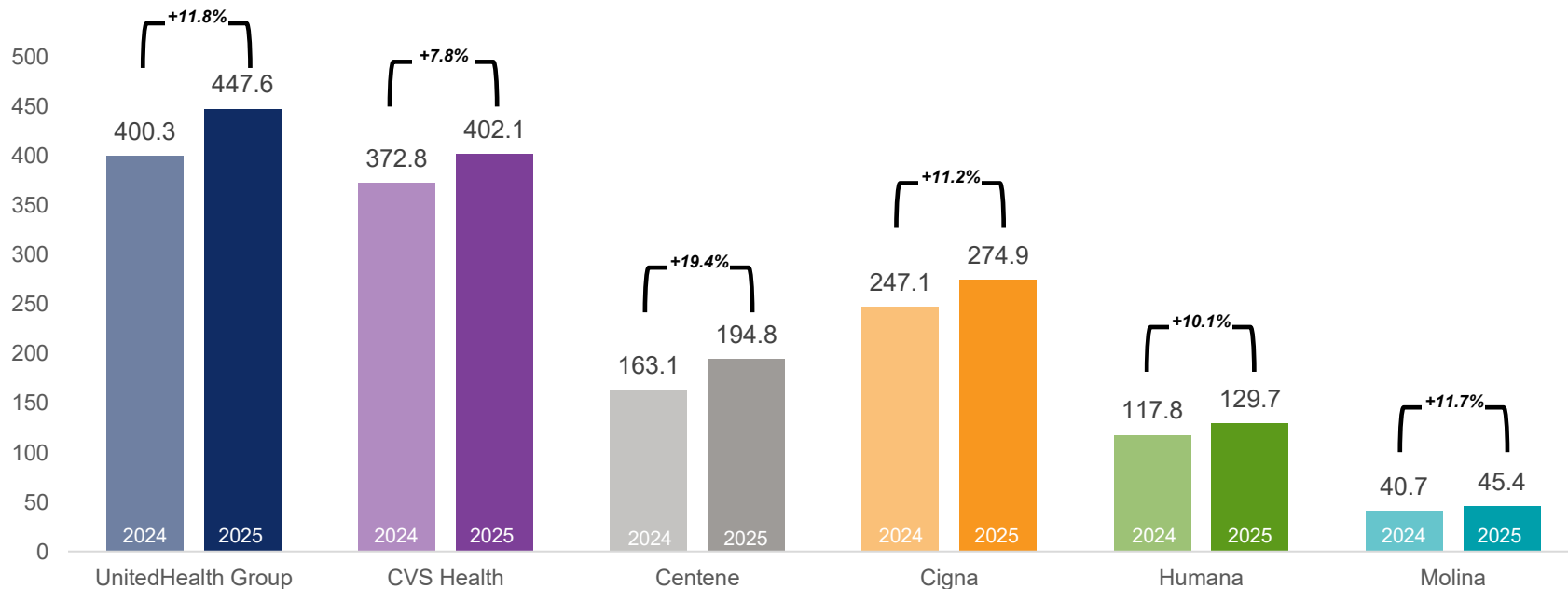


Value Creation & The Customer

Engaging and retaining customers is essential to the business process

Industry revenue has grown due to premium increases as well as from care delivery and services & solutions business segments

COMPETITOR FULL YEAR REVENUE (2024–2025 | M)¹

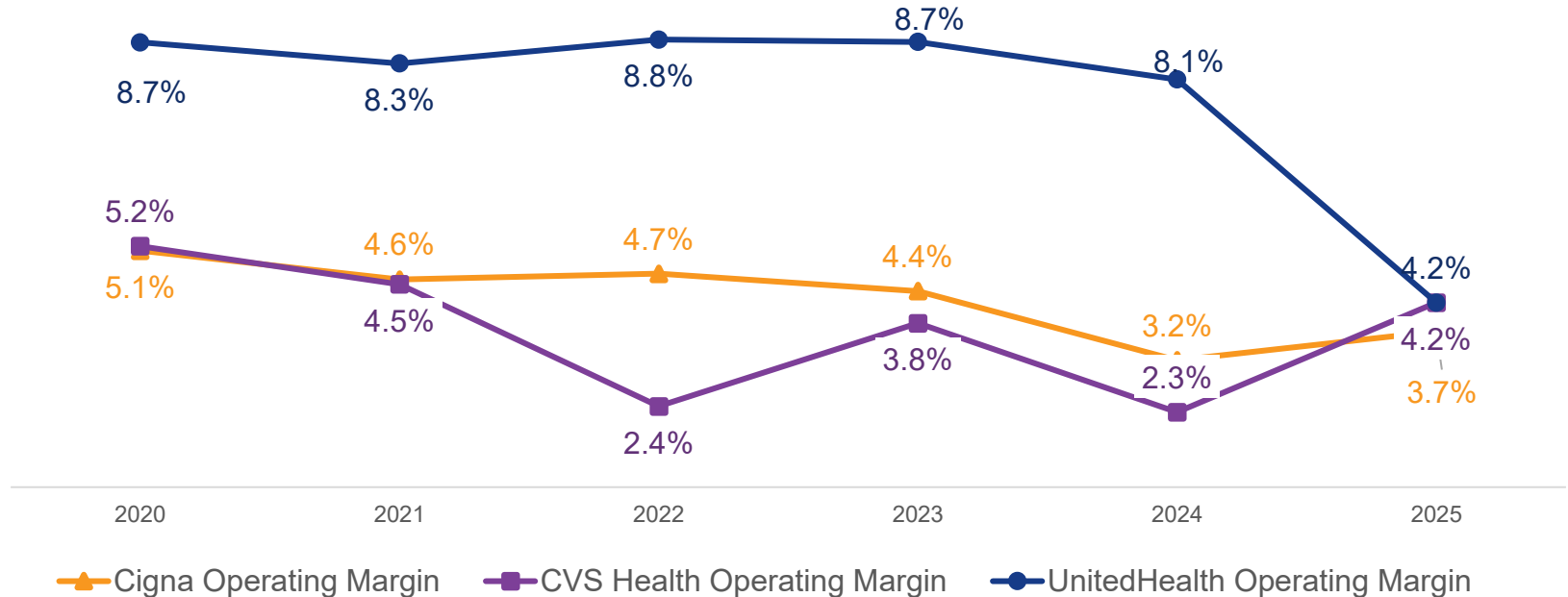




However, at the end of 2024, competitors started to signal about increasing MLRs and profitability pressures

After reporting high utilization, CVS appointed a new CEO to replace Karen Lynch in late 2024

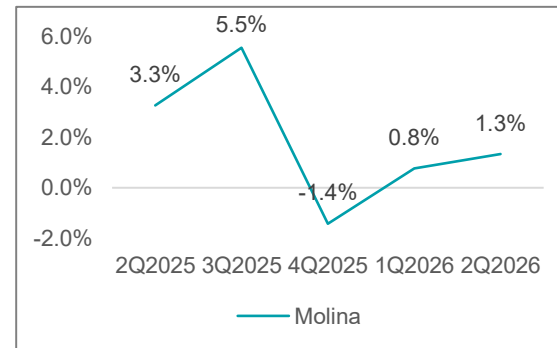
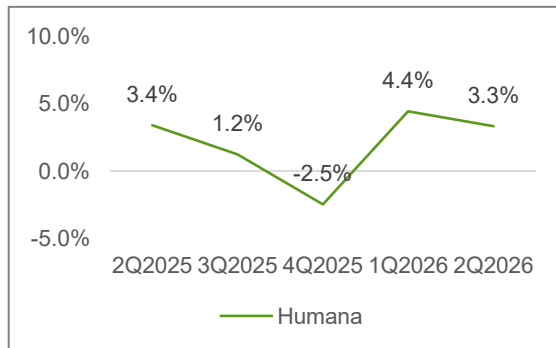
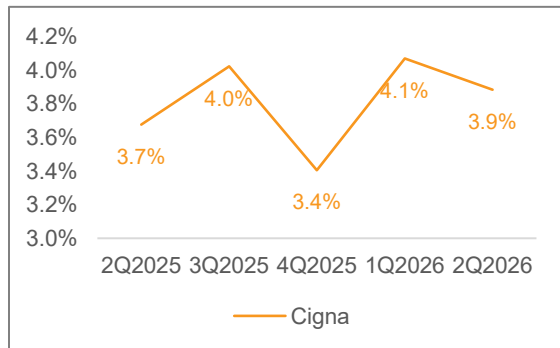
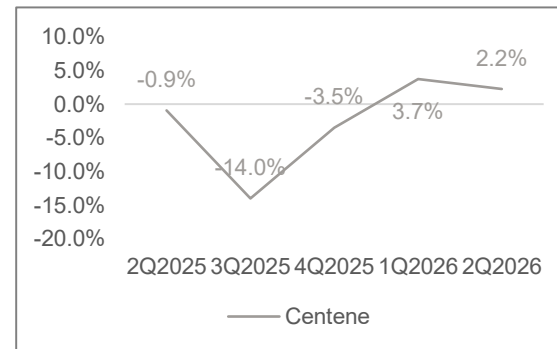
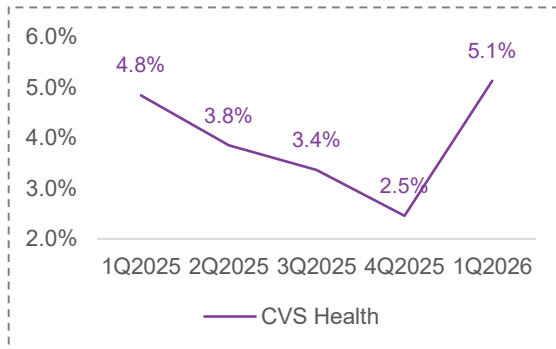
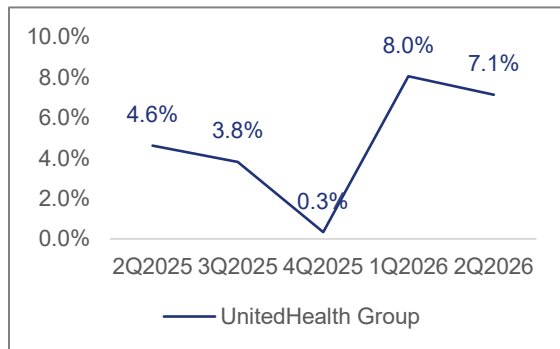
COMPETITOR FULL YEAR OPERATING MARGIN (2020–2025 | %)¹





Closer analysis shows how competitors' operating margins declined during 2025 highlighting industry profitability challenges

Cigna has little at-risk business and experienced relatively stable operating margins



Centene cited the No Surprises Act as a contributor to FY2025 performance¹

No Surprises Act

The 2022 law was meant to shield consumers from unexpected bills when they unknowingly receive care from OON providers

- It banned patients from being billed for those services and created a new point of friction between providers and insurers
- If there is a disagreement over payment, an appeal is filed via the Independent Dispute Resolution (IDR) process where arbitrator picks one side's offer
- HHS estimated that IDR volumes would be 17K disputes per year, but an estimated 2.6M disputes were initiated in 2025 with providers winning 88% of disputes costing payers billions²

United, Aetna, & Humana cited higher Part D costs as a reason for FY2025's earnings decline¹

Inflation Reduction Act

Passed to protect consumers from higher drug prices, but negatively impacts health carriers offering Medicare Part D prescription drug plans

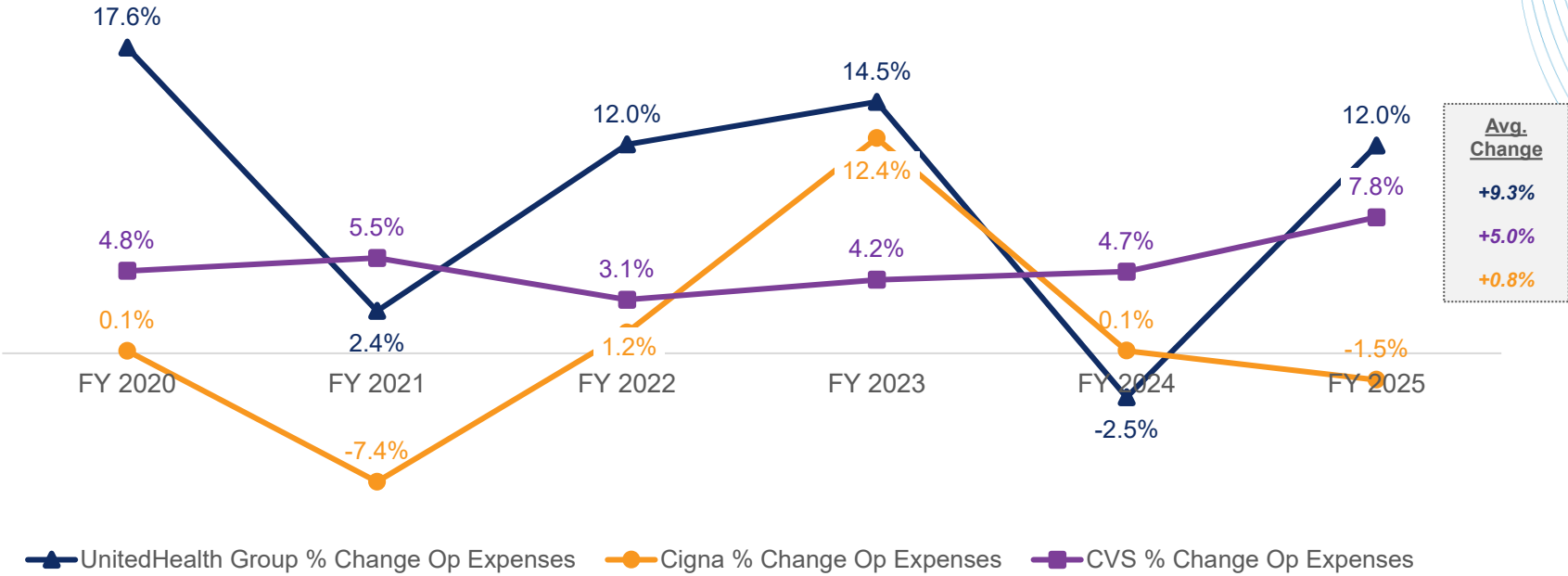
- Required carriers to pay a higher share of costs in the catastrophic coverage phase---jumping from 15% to 60% for generic and brand name drugs
- New annual OOP cap set at \$2,000 leaving plans to pay a larger share for high-cost drugs
- After poor plan performance in 2025, Molina announced plans to fully exit the Part D space in 2027¹





Cigna and CVS have controlled operating expenses better than UnitedHealth which will likely need to make cost cuts in 2026 & 2027

COMPETITOR FULL YEAR % CHANGE IN OPERATING EXPENSES (2020–2025 | %)¹



Source: 1) Company 4Q Earnings Release for 2019-2025. 2020-2026.



Managing day-to-day operations is an essential component of business, and competitors are reducing real estate and personnel costs

Competitors are selling and closing care delivery and solutions locations....

...and reducing head count to lower expenses in an effort to improve profitability



Optum Care has **closed 90 clinics in New Jersey** and additional locations in AR, CA, CT, OR, and TX¹



UnitedHealth Group **offered buyouts to 30K employees** and continues to layoff clinic staff as locations close²



In May 2025, CVS announced plans to **close another 270 stores**³



Laid off ~3K employees beginning in 2024 as part of a \$2B cost cutting initiative⁴



Evernorth Care Group **sold 11 Arizona clinics and permanently closed 7**⁵



Cut ~2K jobs globally in February 2026 to “drive greater efficiency across our business”⁶

Source: 1) CBS News. [Optum to close dozens of New Jersey medical offices, sending patients scrambling](#). November 7, 2025. 2) Noah Tong. [United Health Group offers buyouts to eligible employees: report](#). Fierce Healthcare. February 19, 2025. 3) Newsweek. [CVS Closing 270 Stores Nationwide: List of Locations Impacted](#). May 28, 2025. 4) Sean Humphrey. [CVS to lay off 2,900 'primarily corporate' roles](#). Fox61. September 30, 2024. 5) Kevin Stone. KTAR. [11 Evernorth Care Group clinics acquired by HonorHealth, 7 others closed permanently](#). January 2, 2026. 6) Jakob Emerson. [Cigna to cut 2,000 jobs](#). Beckers Payers Issues. February 10, 2026.



Competitors are rapidly investing in technology like AI to improve operational efficiency with 2 carriers announcing large investments

AI is being leveraged to improve back-office efficiency and increase customer satisfaction

\$9B

PER YEAR ALLOCATED TO
TECHNOLOGY AND INNOVATION
WITH \$1.5B FOR AI IN 2026^{1, 2}

UNITEDHEALTH GROUP

BRIAN EVANKO HAS A BACKGROUND IN
AI, AND ANALYSTS EXPECT HIM TO
“ACCELERATE EFFORTS TO USE AI AND
OTHER NEW TECHNOLOGIES” WHEN HE
BECOMES CEO⁴

THE CIGNA GROUP

\$20B

MULTI-YEAR DIGITAL INVESTMENT
COMMITMENT TO MAKE HEALTHCARE
SIMPLER TO NAVIGATE³

CVS HEALTH

“AGENTIC AI ALONG WITH OTHER
EFFICIENCY INITIATIVES SHOULD
‘GENERATE GREATER THAN \$100
MILLION OF SAVINGS OVER A FEW
YEARS...’”⁵

HUMANA

Source: 1) Jakob Emerson. [UnitedHealthcare expects to lose up to 2.8 million members in 2026](#). Beckers Payer Issues. January 27, 2026. 2) UnitedHealthcare. [Working together to power health care innovation](#). January 22, 2026. 3) CVS Health. [Aetna Launches New AI and Digital Tools to Improve Access and Care](#). June 29, 2025. 4) Allison Bell. [Cigna picks Brian Evanko to succeed David Cordani as CEO](#). BenefitsPRO. March 3, 2026. 5) Emily Olsen. [Humana deploys AI support tool for call centers](#). Healthcare Dive. February 3, 2026.

Disciplined pricing for underlying risk and rightsizing for profitability are now the industry norm

Several carriers have also announced line of business exits due to poor performance



UNITEDHEALTH GROUP

“...we successfully repriced the insurance businesses, intentionally rightsizing them to refocus on membership we can best serve on a sustainable basis.”

Stephen Hemsley, CEO



CVS HEALTH

“We are going to continue to be really disciplined in our pricing across all parts of this business....”

Steven Nelson, EVP and President, Aetna



HUMANA

“We must be priced appropriately to a sustainable and compelling margin.”

James Rehtin, CEO



THE CIGNA GROUP

“We also continue to maintain a disciplined pricing stance. For sold business in the first quarter of 2026, our price increases are in excess of what we achieved for the comparable period in 2025.”

Brian Evanko, President and COO



Competitors are no longer able to support rapid, unprofitable growth and are prioritizing select products, customers, and locations

2026-2027 Enrollment Estimates

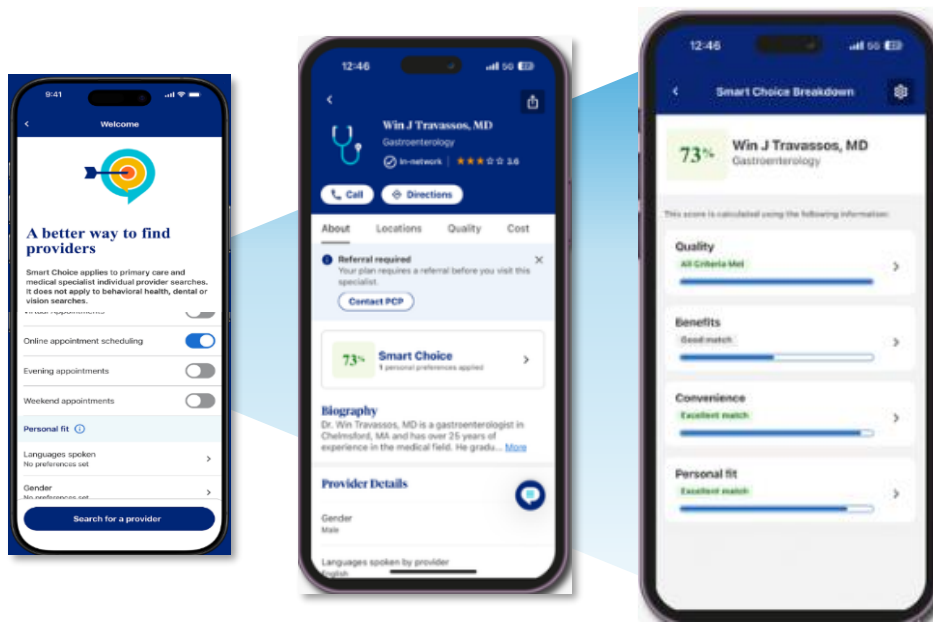
Changes in Market Presence

UnitedHealth Group	Expects to lose ~2.3M-2.8M members in 2026 across commercial risk, Medicare Advantage, and Medicaid ³	• Closed >100 Medicare Advantage plans (including D-SNP) and exited one state^{1, 4} • Raised individual marketplace premiums to selectively shed customers⁴
CVS Health	Expects to lose ~1M members in 2026 ²	• Closed ~90 Medicare Advantage plans across 43 states¹ • Fully exited the Individual Marketplace for 2026²
Centene	Expects to lose members across all 3 lines ---Medicaid, Individual Marketplace, and Medicare Advantage due to repricing ^{1, 5}	• No significant market presence changes have been announced
Cigna Group	Expects flat membership with some decline in Individual Marketplace enrollment for 2026 ⁶ and larger decline with exit in 2027 ⁹	• Shrunk the individual marketplace footprint for 2026⁶ and fully exiting for 2027⁹ • Sold its government business to HCSC resulting in a 2025 enrollment decline
Humana	Expects to gain 1M Medicare Advantage members in 2026 after losing ~500K members due to plan closures ⁷	• Exited > 100 MA plans and 2 states⁷
Molina Healthcare	Expects to lose nearly 1M members in 2026 due to the loss of federal subsidies in the individual marketplace ⁸	• Fully exiting MA PDP in 2027⁸ • Will shrink 2027 Individual Marketplace footprint to focus on markets where it is #1 or #2¹⁰

Source: 1) Ilene MacDonald. [Insurers expect to pull some Medicare Advantage plans from the market](#). Rise. August 8, 2025. 2) Lauren Berryman. [CVS outlines Aetna's 2025 strategy to bolster financials](#). Modern Healthcare. February 12, 2025. 4) Amina Niasse. [UnitedHealth to exit Medicare Advantage plans in 109 US counties](#). Reuters. October 2, 2025. 5) DistillINFO. [Centene Corporation Reaffirms Strong 2026 Earnings Guidance](#). February 24, 2026. 6) Geert De Lombaerde. [Cigna Executives See Little '26 Movement in Enrollment, Cost Ratio](#). Healthcare Innovation. February 8, 2026. 7) Rebecca Pifer Parduhn. [Humana could end 2026 as the largest Medicare Advantage insurer](#). HealthcareDive. February 11, 2026. 8) Trefis. [Molina Healthcare Qualitative Assessment](#). April 2, 2026. 9) The Cigna Group. 1Q2026 Earnings Call Transcript. April 2026. 10) Molina Healthcare. 2Q2026 Earnings Call Transcript. July 23, 2026.

Smart Choice provider search is a new tool within UnitedHealthcare's AI-powered member app and platform

Personalized care recommendations and provider matching could help improve member satisfaction



Smart Choice launched in May 2025 and gives members “access to an enhanced provider search experience – one that is designed to provide greater personalization, transparency, and choice.”¹

It empowers members to more easily search for and find quality care that meets their personal needs via the new provider Smart Choice Score which is based on:

- Quality care – includes UnitedHealth Premium and other credentialed providers
- Benefit structure – in-network providers that are likely to be associated with a lower total cost of care
- Convenience – distance to travel, appointment availability, appointment times, and care settings (in-office/virtual)
- Personal fit – language, gender, board certification status, and consumer ratings & reviews¹

CVS has opened pharmacy-only locations in disadvantaged areas to bridge care gaps and improve medication access and adherence

These new stores can be found in “pharmacy deserts”



STORE DETAILS

- 3,000 ft² full-service retail pharmacy with a “selection of OTC products”¹
- Often located in disadvantaged areas and allow “access to vital pharmacy care” in “a simple and convenient way....”¹

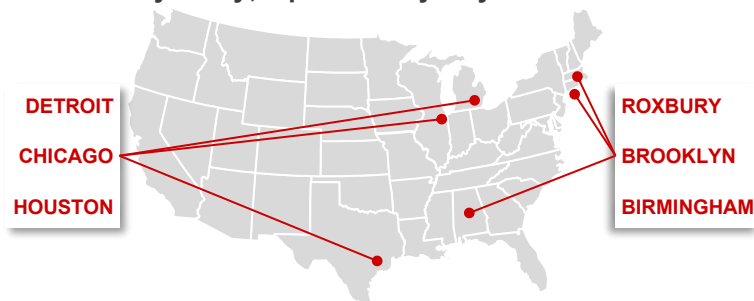


CVS HEALTH

“Our new pharmacy-only locations allow our pharmacy teams to continue to build relationships with patients – their friends and neighbors – and provide on the ground pharmacy care in communities that need us.”

Len Shankman, EVP and President, Pharmacy & Consumer Wellness, CVS Health

New Pharmacy-Only, Apothecary-Style CVS Pharmacies





Cigna is using AI and predictive analytics to identify members who would benefit from earlier support for emerging or complex conditions

The program is designed to improve the customer experience and save \$2K per year

Earlier identification in action



Carly, 29* | Pregnancy complication

Identified early

After experiencing complications during her first trimester, we proactively identified Carly early through our new high-risk maternity predictive model that helps spot pregnancies at higher risk for a NICU stay.

Supported through it all

We connected Carly to a specialized high-risk maternity personal nurse advocate who engaged her early, coordinating care with high-quality specialists, answering benefit and coverage questions, and reviewing her care plan with a Cigna Healthcare medical director. Carly was also connected to a registered dietitian, clinical social worker, and behavioral health specialist to support her needs along the way.

Better outcomes, less stress

As pregnancy complications progressed and a NICU stay became likely, Carly's personal nurse advocate connected her to a specialized NICU nurse advocate, creating a seamless transition in care. With coordinated clinical support before and after delivery, Carly felt less overwhelmed and more confident, resulting in a healthy delivery and a clear plan for her and her baby's care.



Michael, 48* | Colon cancer

Identified early

Michael was left facing an unexpected diagnosis after a colonoscopy revealed signs of cancer. We identified him early through our colorectal oncology predictive model, enabling outreach at a critical moment.

Supported through it all

We connected Michael to a specialized oncology nurse advocate who guided him through every step – confirming his diagnosis, coordinating with his oncologist on his treatment, and preparing him for surgery, chemotherapy, radiation, and recovery. When complications arose, his nurse advocate helped manage his next steps by coordinating home health services with his hospital care team and connecting him with a clinical social worker to support his emotional and resource needs. His nurse advocate also partnered with a Cigna Healthcare medical director to review his care plan.

Better outcomes, less stress

Early engagement and connection helped Michael build trust with his cancer care provider team and feel less anxious about what came next. Knowing he didn't have to navigate treatment alone eased the burden for him and his family, enabling Michael to focus more fully on his health and recovery.

Cigna is using AI-enabled capabilities and its care clinicians to improve the overall customer experience for members with emerging, complex, or chronic conditions like cancer, heart disease, kidney disease, high-risk pregnancy, and behavioral health conditions

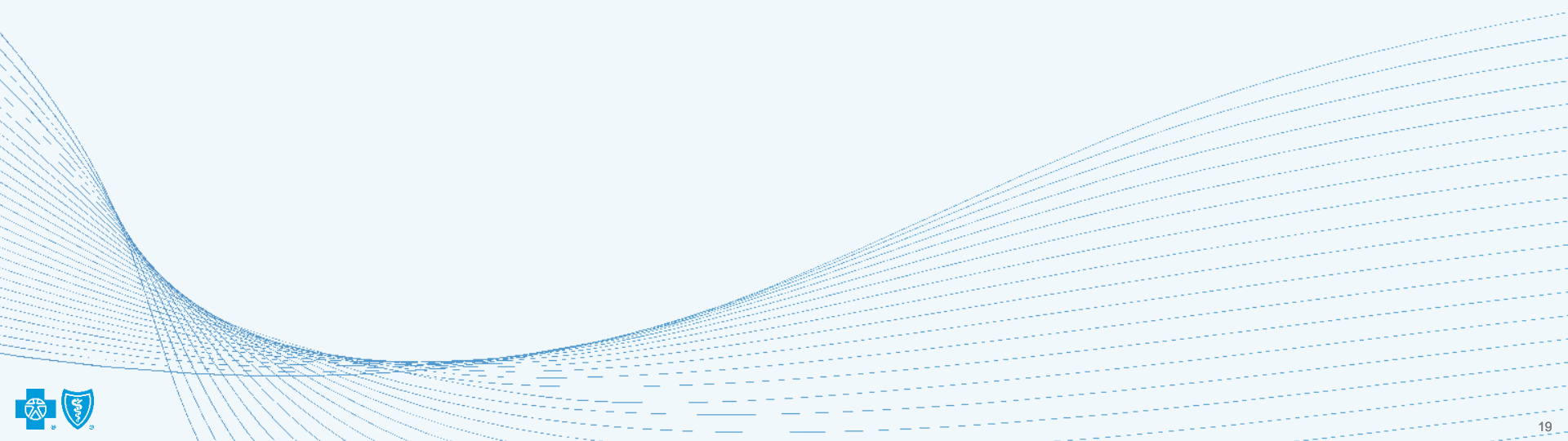
- 1. Earlier Identification of Support Opportunities:** with predictive models and AI-enabled insights, emerging health needs can be identified sooner, creating opportunities to engage customers to improve outcomes
- 2. More Personalized Engagement:** Phone, text, email, and digital tools allow for easy connections and communication
- 3. Greater Access to Expert Clinical Support:** Clinicians can focus on customers with the highest engagement opportunities to help them understand their condition



Questions?

Appendix

Health Care Market Forces



Existing structural issues are colliding with breakthrough technology, forcing a redesign of the industry landscape

Payers are under pressure from key market forces with no evidence of relief in sight



Shrinking Margins & Affordability Challenges

Rx spending continues to grow and is expected to reach ~40% of total care costs by 2034



Aging Population Increasing Demand for Health Care Services

20% of the population will be 65+ by 2029



Loss of Consumer Trust in Insurers

Only 56% of consumers describe insurers as trustworthy



Increased Political & Regulatory Pressure

> 15M in enrollment shifts/coverage losses projected



Fast-Paced Health Care Innovation

The industry is seeing change at an unprecedented pace fueled by new and advanced technologies like AI

Today there are cost pressures from the external operating environment and from multiple input variables

Competitors continue to report that the Inflation Reduction Act & No Surprises Act hurt profitability

14%

INCREASE IN PMPM
MEDICAL COSTS FROM
2023-2024¹

11%

INCREASE IN RX NET
PRICES FROM 2023-
2024¹

>21%

INCREASE IN PMPM
ADMIN COSTS SINCE
2020¹

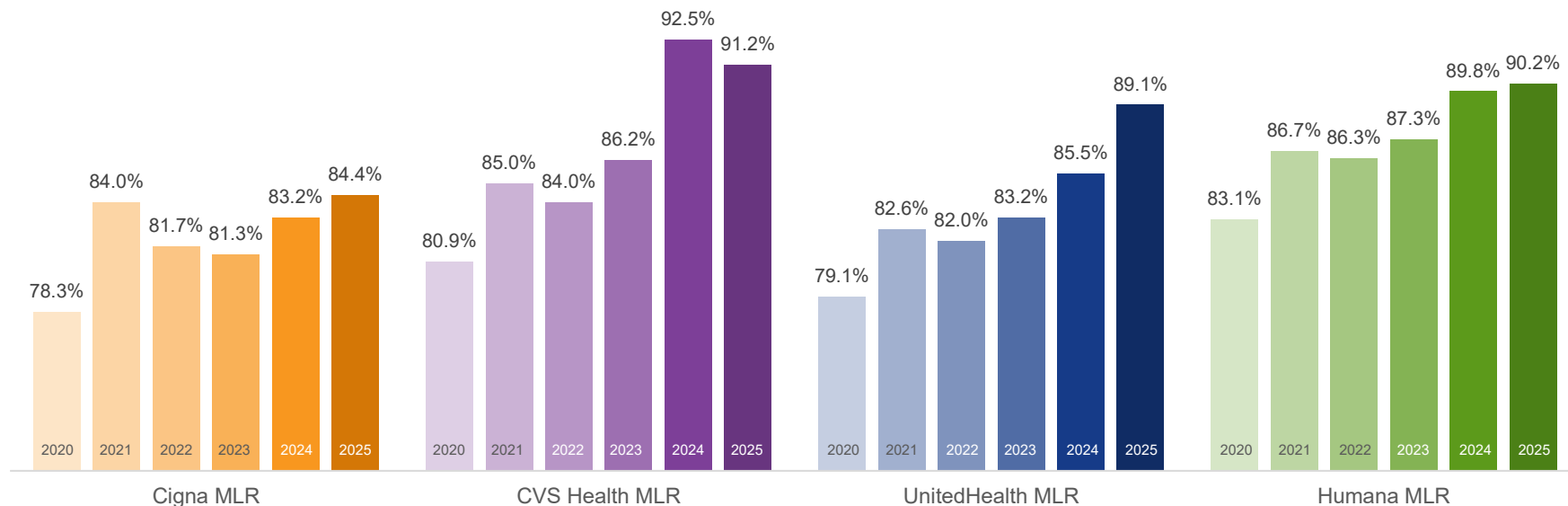
370_{bps}

DECLINE IN INDUSTRY
PROFIT MARGIN SINCE
2020¹

Medical loss ratios began to increase during the pandemic and have not returned to previous “normal” levels

Early 2Q 2026 competitor earnings releases show elevated but more stable MLRs

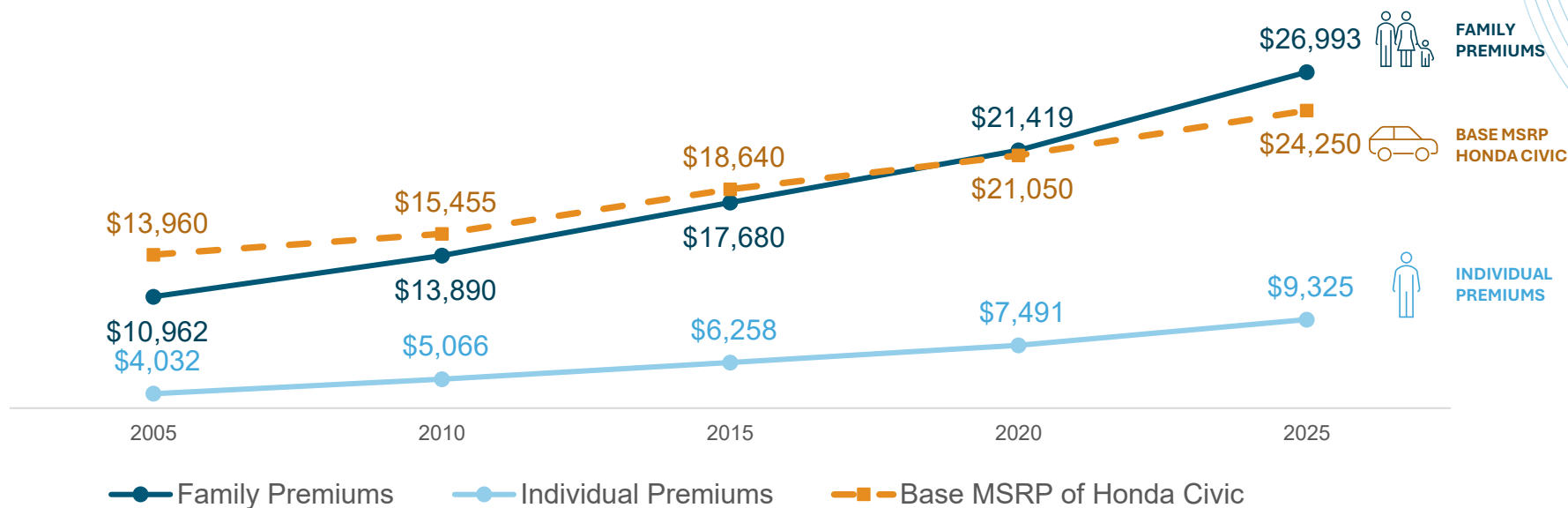
COMPETITOR FULL YEAR MLR (2020–2025 | %)¹



Higher carrier costs translate to higher premiums with family premiums now exceeding the MSRP of a compact car

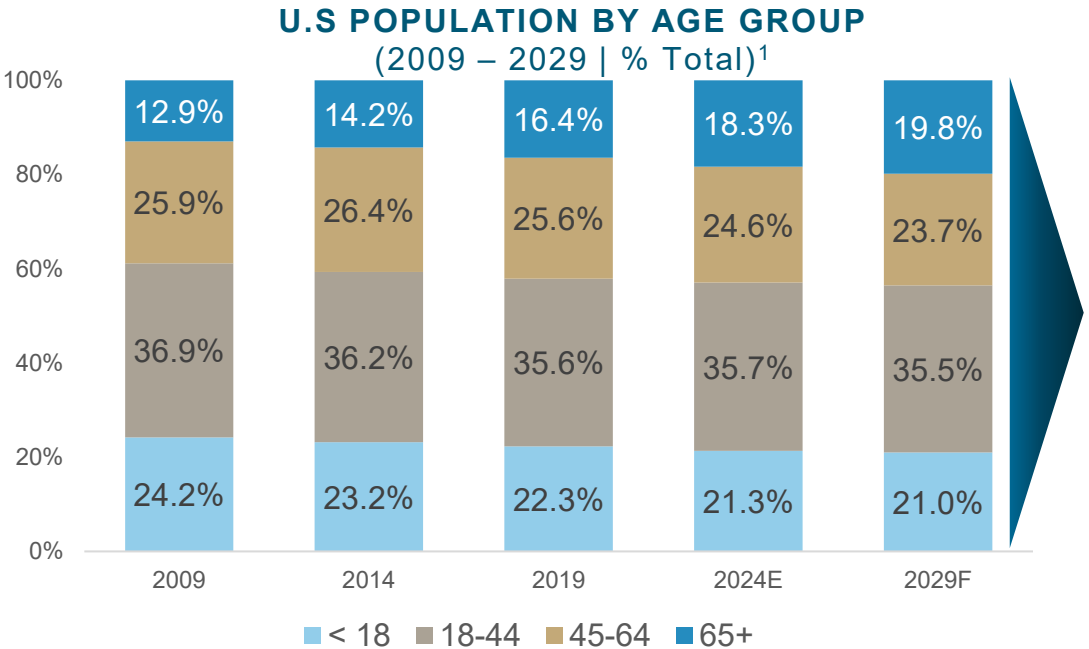
Premium affordability is one of the leading concerns for employers and families

AVERAGE ANNUAL SINGLE & FAMILY PREMIUMS AND BASE MSRP OF COMPACT CAR (2005 – 2025 | \$)^{1, 2}





Seniors make up ~20% of the population, yet they account for nearly 40% of total spend due to higher utilization of services



Age Bracket	Personal Health Care Spending (per capita) ²		
	2024E	2029F	% Change
<18	\$4,807	\$5,900	+24%
18-44	\$5,478	\$7,100	+24%
45-64	\$12,895	\$17,200	+27%
65+	\$25,512	\$33,700	+30%

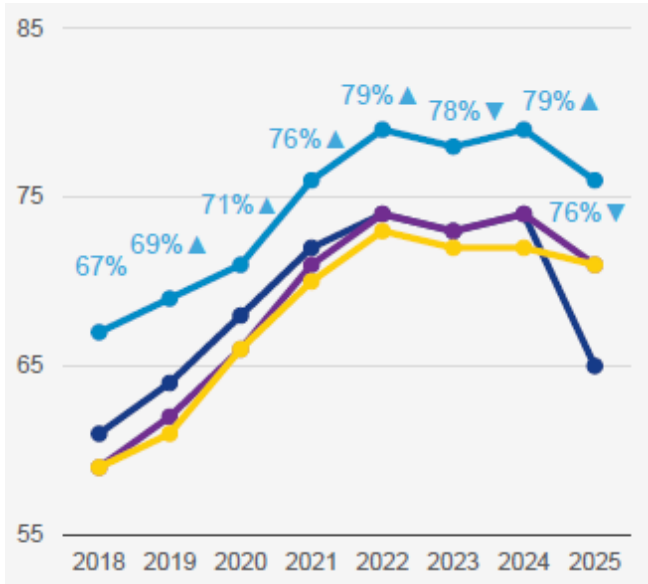


Source: 1) Bureau of Census. Population Projections. 2026. 2) CMS. National Health Expenditure Projections. 2026.



Consumer trust in health insurers has declined sharply which impacts brand perception, stickiness, and loyalty

MEMBER TRUST IN HEALTH INSURANCE CARRIER BY YEAR
(FY 2025 | % RATING 4 OR 5 ON 5-POINT SCALE)³



56%

Of Americans **do not trust financial services companies such as health insurers**, down from 62% since 2025¹

*"I've come to hold a very negative view of all insurance over the years. They have proven to not be my advocate."*²



COMMERCIAL UNDER 65 MEMBER



Source: 1) [2026 Edelman Trust Barometer](#). 2026. 2) BCBSA. H1 2025 BSM Results. 2025. 3) BCBSA. FY 2025 BSM Results. 2026.



Americans also report that they are struggling to get quality care and do not understand how to use their health plan benefits

This growing consumer frustration and dissatisfaction hurts trust

61%

Of Americans report that the actions of **businesses, government, and/or not-for-profits** hurt the ability to get **quality healthcare** in 2025¹

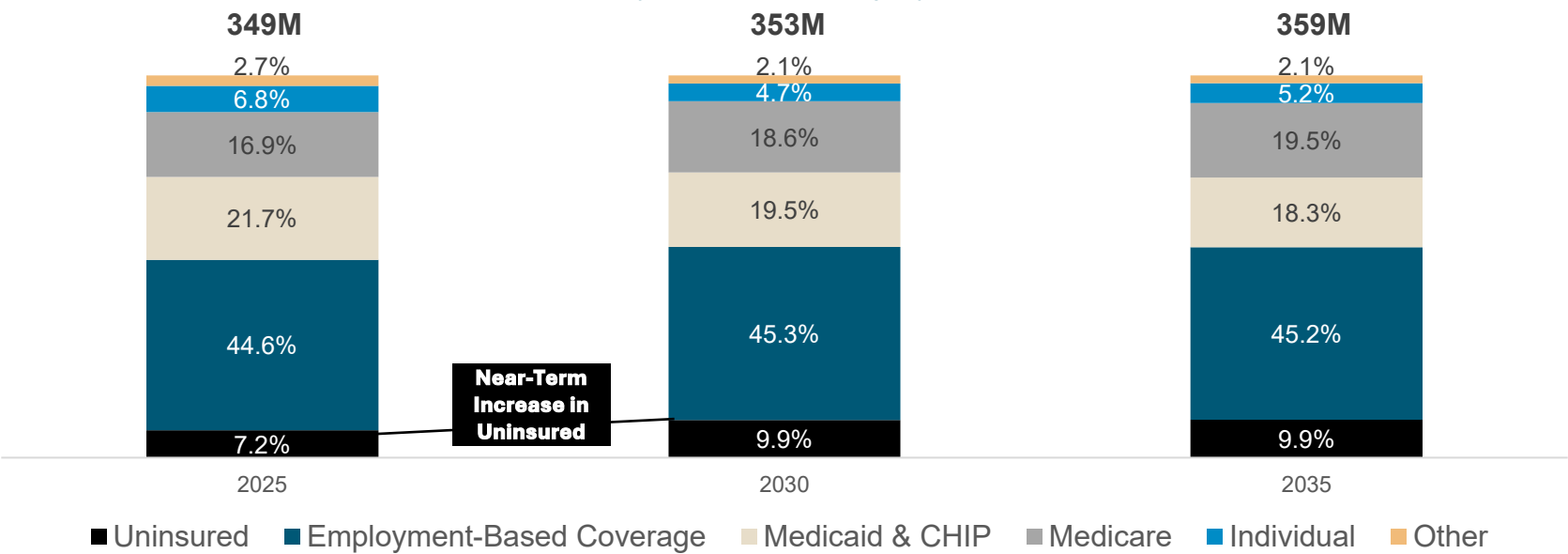
50%

Of health plan members say **information about their plan's coverage is not easy to understand**²



Changes in political priorities are shifting the source of coverage further adding to affordability and access issues

PROJECTIONS OF HEALTH INSURANCE COVERAGE, BY SOURCE
(2025 – 2035 | \$)¹

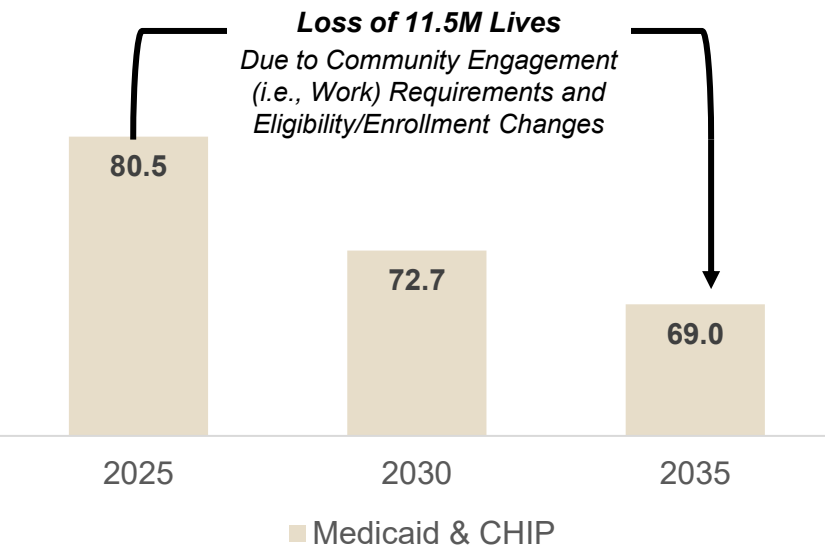


Source: 1) Congressional Budget Office. Federal Subsidies for Health Insurance. February 2026.

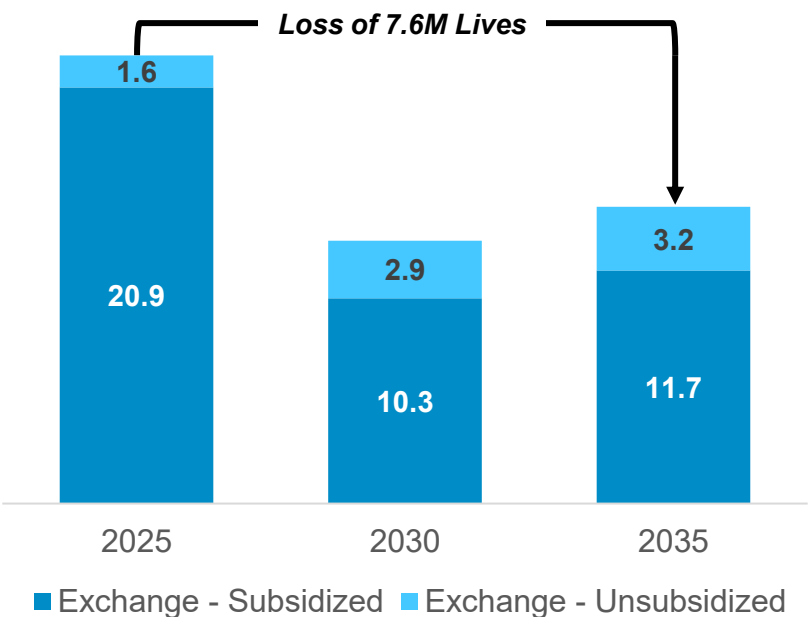


Because of these changes, 15M-20M people are expected to experience coverage disruption or loss by 2035

PROJECTIONS OF MEDICAID/CHIP COVERAGE
(2025 – 2035 | M)¹



PROJECTIONS OF INDIVIDUAL EXCHANGE COVERAGE (2025 – 2035 | M)¹



Source: 1) Congressional Budget Office. Federal Subsidies for Health Insurance. February 2026.



Competitors seem to be more adept at developing and implementing tech solutions that drive efficiency and cost savings

The current focus is on automating repetitive back-office processes and supporting customer service

MEMBER EXPERIENCE



- CHAT/CALL AGENTS
- PROVIDER FINDERS
- SMART CLAIMS TOOLS
- CARE PATHWAY SUPPORT

- **Cigna** introduced a generative AI customer assistant in 2025 and recently expanded its capabilities
- **Humana's** customer service reps are assisted by an AI agent that drives better member satisfaction
- **UnitedHealthcare** recently introduced Avery its generative AI customer companion

OPERATIONAL EFFICIENCY



- CLAIMS PROCESSING
- PRIOR AUTHORIZATION
- CODING & IT

- **Optum** just released Digital Auth Complete which is an AI-powered prior authorization (PA) tool that leverages evidence-based clinical guidelines to deliver timely & accurate decisions. The tool embeds in the EHR and reduces manual touch by 45% with an 80% increase in processing efficiency



Providers have a positive sentiment towards AI and expect to incorporate more use cases over the next year

72% of surveyed physicians currently use AI in a professional context, up from 38% in 2023¹



65%

Use AI or expect to use it within a year to create discharge instructions, care plans, and/or progress notes¹

64%

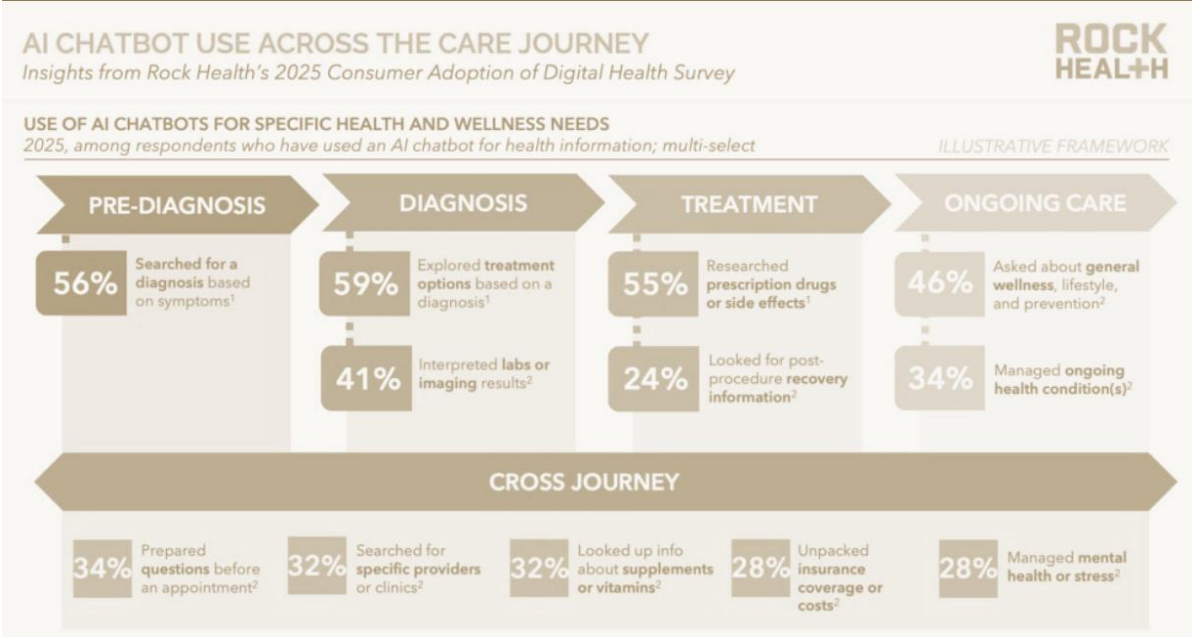
Use AI or expect to use it within a year to generate chart summaries¹

39%

Of surveyed physicians use AI for summaries of medical research and standards of care, up from 13% in 2023¹



For many (consumers), AI has quickly become a routine way to manage health with 64% of users engaging with it weekly¹



Source: 1) Rock Health. [The tortoise and the hare of care: Health AI insights from Rock Health's 2025 Consumer Adoption Survey](#). March 23, 2026.



BlueCross BlueShield Association

BCBSA market and competitive
intelligence assets are available on the
[Research and Intelligence Central](#) site on
BlueWeb