Humana Surges as New Medicare Ratings Set to Boost Revenue

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Summary by Bloomberg AI

- Humana Inc. shares surged as the company improved its performance on crucial Medicare Advantage quality ratings that will boost future revenue.
- Shares of CVS Health Corp. fell as ratings for some of its largest plans deteriorated, while UnitedHealth shares were little changed in premarket trading.
- The quality measures, called Star ratings, can translate to bonuses worth billions of dollars for companies if their plans have four or more stars.

Humana Inc. shares surged as the company improved its performance on crucial Medicare Advantage quality ratings that will boost future revenue.

Shares in Humana rose as much as 14% in premarket trading on Friday. The company's largest Medicare Advantage contract with more than 2 million members improved its rating above the threshold to earn bonus payments, according to data released from the Centers for Medicare and Medicaid Services on Thursday.

Shares of CVS Health Corp. fell 1.7% in premarket trading, as ratings for some of its largest plans deteriorated.

Medicare Advantage, the private version of the Medicare program for the elderly, covers about half of all eligible US seniors. It's administered by some of the biggest health conglomerates in the country, including Humana, UnitedHealth Group Inc. and CVS' Aetna unit.

The quality measures, called Star ratings, can translate to bonuses worth billions of dollars for companies if their plans have four or more stars. In 2026, the government was expected to pay more than $13 billion in these bonuses, **according to** the health policy group KFF.

The ratings released Thursday will affect company revenues in 2028. The data is closely watched by investors.

Shares of UnitedHealth were little changed in premarket trading. A spokesperson said the Star ratings were in line with the company's expectations.

Alignment Healthcare Inc., a smaller Medicare insurer, tumbled 24%, while Clover Health Investments Corp. gained 9.8%.

Alignment said the company's largest contract that serves three-quarters of its members dropped below the 4-star threshold for bonus payments. The company said in a filing it would challenge CMS' calculations and expects to sue.

While Medicare Advantage has been a significant profit driver, insurers have struggled to make enough money to satisfy investors as medical costs rise and the government cracks down on billing practices that authorities have called improper. Miscalculations in the business have been financially disruptive for companies in recent years.

As a result, they have been closing less profitable plans and cutting benefits, leaving **millions of seniors** to find new insurance every year. Many plans have said they're prioritizing improving profit margins over growing membership.

Medicare Advantage companies and outside experts have critiqued the Stars bonus program for tying large amounts of money to measures that don't reflect the actual medical care patients receive.

Some health insurers have sued, alleging that the government was assigning ratings arbitrarily, with mixed success. In one notable example, Humana **alleged** it lost billions of dollars because of how the company responded to three phone calls from federal secret shoppers. Elevance Health Inc. said one phone call cost it **$190 million**.