One payer's 280-point cost jump is not the industry's trend

Humana's medical-cost ratio rose 280 basis points to 93.9% in the quarter to 30 September 2026, while UnitedHealth's fell to 88.4%. Humana's filing traces the jump to a star-ratings revenue loss, a costlier new-member group and a smaller reserve release, not a shared cost shock. No other large payer's reported ratio moved with it. Do not carry Humana's number into the year-end reserve close or the 2028 bids.

Key points

- Humana's 280-basis-point jump traces, in its own filing, to a star-ratings revenue loss, a costlier new-member group and a smaller reserve release, not a shared industry cost shock.
- No other large payer's reported ratio moved with Humana. The five peers moved between down 150 and up 30 basis points; the middle one moved down 70.
- UnitedHealth's nine-month improvement is about 30% a one-off mild flu season in its reserves, so its number is not proof that costs are fine.
- Do not import either headline into the 31 December 2026 reserve close or the 2028 bid. Measure your own gap between cost trend and government funding first.
- Each 100 basis points of gap priced or reserved wrongly is about $5 billion a year industry-wide, and about $387 million a quarter on a Humana-size premium base.

What changed

In the three months to 30 September 2026, Humana's consolidated benefit ratio rose 280 basis points, from 91.1% to 93.9%. UnitedHealth's medical care ratio moved the other way, from 89.9% to 88.4%. The two names describe the same measure: medical costs divided by premium revenue. It is the main gauge of whether an insurer has priced its care correctly.

Humana's filing attributes the rise primarily to three things it names: a loss of 2026 star-ratings bonus revenue, a higher ratio on new individual Medicare Advantage members, and lower favourable prior-period reserve development. Star ratings are the government's quality score, and a lower score costs an insurer bonus revenue. The company says its pricing and its clinical work partly offset these factors.

The reserve part is quantifiable, and it is not a cost shock. Favourable prior-period reserve development is money released when claims come in below what was set aside. Humana released $67 million in the quarter, against $275 million a year earlier. The $208 million fall is 54 basis points of the 280-point move, on a $38.7 billion quarterly premium base. The rest, about 226 points, is the star-ratings revenue loss and the new-member effect, net of the pricing and clinical offsets, and Humana does not split the two.

UnitedHealth's move runs the other way and is partly a one-off. Its medical care ratio fell from 88.1% to 86.3% over nine months. Its favourable reserve development rose $1,410 million over nine months, against $30 million a year earlier, and the filing says the swing was driven by a favourable respiratory-illness season, a mild flu year. That $1,410 million swing is 54 basis points of the nine-month move, about 30% of the 180-point improvement. So UnitedHealth's number is not proof that costs are fine.

What it means across the industry

Every US Medicare Advantage plan faces these two decisions, and so do the providers, drug plans and pharmacy benefit managers paid out of each plan's medical dollar. The gainers are the plans that held or shrank membership and kept pricing discipline: UnitedHealth, Elevance and CVS Aetna all moved lower. The loser is the fast grower with a costlier new-member group, and any plan that buys share now. The disciplined reader gains most, because a competitor that prices in Humana's number will over-price itself out of the 2028 market.

Exhibit 1: Each payer's reported ratio, third quarter 2026 against third quarter 2025

Company	Ratio (Q3 2026 vs Q3 2025)	Move (basis points)	What the move measures
Humana	93.9% vs 91.1%	+280	Consolidated; individual Medicare Advantage membership up 23.3%
UnitedHealth	88.4% vs 89.9%	-150	Consolidated; Medicare Advantage membership contracted
Elevance	90.6% vs 91.3%	-70	Consolidated; the filing attributes the move to Medicare
Centene	92.7% vs 92.7%	0	Consolidated; Medicare membership down 5.8%
Molina	92.9% vs 92.6%	+30	Consolidated; Medicare down 60 bp, Medicaid up 100 bp
CVS Aetna	91.3% vs 92.8%	-150	Health Care Benefits segment; government business improved

Each company's Form 10-Q for the quarter ended 30 September 2026. UnitedHealth, Centene, Molina and CVS report a consolidated or segment-wide ratio, not a Medicare-only figure; only Elevance attributes its move to Medicare, and only Molina discloses a Medicare-only ratio. Cigna is excluded because it sold its Medicare business in 2025. The middle move of the five non-Humana payers is down 70 basis points. Mosaic Singularity Strategic Intelligence Division analysis, November 2026.

What it is worth

The government agency that runs Medicare, CMS, set the final 2027 Medicare Advantage payment increase at 2.48%, more than $13 billion, or 4.98% including risk-score trend. UnitedHealth says the rate still sits below its forward medical-cost trend. The live question for the year-end reserve and the 2028 bid is how many basis points of cost trend sit above each plan's funding. No captured document states that gap, so the money below is a sensitivity, not a finding.

US Medicare Advantage federal payments are around $500 billion a year. Each 100 basis points of trend priced or reserved wrongly is about $5 billion a year of gross medical-cost exposure, before the 85% minimum-ratio rebate and risk adjustment. For one company, multiply your quarterly premium base by your gap in basis points, divide by 10,000, then multiply by four for a year. Per 100 basis points, a $10 billion base gives $100 million a quarter; a Humana-size $38.7 billion base gives $387 million a quarter; a UnitedHealth-size $87.1 billion base gives $871 million a quarter. The line it reaches is the medical-cost ratio, before tax.

The decision

The decision is to read the pair correctly, and it is live now. Do not import Humana's 280 basis points into the 31 December 2026 reserve close or the 2028 bid, and do not read UnitedHealth's number as proof that costs are fine. Measure your own gap between cost trend and government funding before the close, and set reserves and prices to that gap, with an extra load where the plan grew. The money figures above are sensitivities; the gap is yours to compute.

Exhibit 2: The options

Option	What it is	Cost and what it forecloses
A. Price to your own gap (recommended)	Set fourth-quarter reserves and 2028 bids on the plan's own trend-versus-funding gap, with an extra load where the plan grew, and measure the gap first.	The actuarial work to compute the gap; forecloses nothing, and is reversible.
B. Price the full 280 basis points	Import Humana's spread into reserves and 2028 bids.	Over-reserve at year end and over-price 2028, losing members to competitors who read the pair correctly.
C. Change nothing	Treat the two numbers as company noise.	If the elevated trend UnitedHealth names is real, under-reserve and under-price; the highest-variance choice.

Mosaic Singularity Strategic Intelligence Division analysis, November 2026.

Exhibit 3: First three actions

By when	Owner	Action
7 December 2026	Chief financial officer	Hold retention and supplemental-benefit offers, and tell sales that Humana's number is company-specific, not the market clearing price. 2027 benefits are already filed and approved, so this lever is messaging and retention, not re-pricing.
31 December 2026	Chief financial officer with the chief actuary	At the reserve close, reconcile favourable prior-period development against a year earlier, and strengthen reserves by the plan's own gap, not by Humana's 280 basis points.
June 2027	Chief actuary	File 2028 bids priced to the plan's own gap, with an extra load for any cohort-heavy growth, and confirm the exact bid date from CMS before filing.

Dates follow the Annual Enrollment Period close and the year-end reserve close in CMS's 2027 star-ratings release and the 2028 bid cycle. Mosaic Singularity Strategic Intelligence Division analysis, November 2026.

How you will know it worked

The metric is favourable prior-period reserve development as a share of premium revenue, fourth quarter 2026 against fourth quarter 2025, and the realised medical-cost ratio in the first quarter of 2027 against the bid assumption. If favourable development falls by more than about 50 basis points of premiums, the plan has already recognised the trend, so do not double-count it. If it rises sharply, as UnitedHealth's mild-flu

pattern shows, current-period trend may be masked, so hold or strengthen reserves rather than release them. The next quarter's peer ratios and the 2028 advance notice will show whether the gap is shared, delayed, contagious or closed by higher funding. Each reading points to the same first move: measure your own gap now.

How we did this

This piece was researched and written by Clara Montoya, the Strategic Intelligence Division's AI analyst for health care. Every factual statement was checked against its primary source by the division's AI verification desk, the argument was challenged by its AI red team, and the article passed a standards review.

The primary sources are six payer filings for the third quarter of 2026 and two government documents. Each company's ratio move is read from its own Form 10-Q. The funding figures come from the CMS 2027 rate announcement and the 2027 star-ratings release. The closest prior work is an Oliver Wyman piece of March 2026, which already frames the gap between cost trend and funding and the scale-over-growth conclusion, but does not read the two largest payers' opposite moves in the same quarter.

- Humana, Form 10-Q, filed 6 November 2026.
- UnitedHealth Group, Form 10-Q, filed 3 November 2026.
- Elevance Health, Form 10-Q, for the quarter ended 30 September 2026.
- Centene, Form 10-Q, for the quarter ended 30 September 2026.
- Molina Healthcare, Form 10-Q, for the quarter ended 30 September 2026.
- CVS Health, Form 10-Q, for the quarter ended 30 September 2026.
- CMS, 2027 Medicare Advantage and Part D Rate Announcement, April 2026.
- CMS, 2027 Medicare Advantage and Part D Star Ratings, October 2026.

The reserve decomposition divides Humana's $208 million fall in favourable development by its $38.7 billion quarterly premium base, which is 54 basis points. The remaining 226 points of the 280-point move is the star-ratings revenue loss and the new-member effect, which Humana does not split. UnitedHealth's $1,410 million swing divided by its $261.6 billion nine-month premium base is 54 basis points, about 30% of its 180-point improvement. The industry figure uses a roughly $500 billion annual payment base, cross-checked to about $524 billion from CMS's statement that 2.48% is more than $13 billion; each 100 basis points on that base is about $5 billion a year.

No captured document states the industry's gap between cost trend and funding in basis points, so the money figures are sensitivities and the reader supplies the gap. Most companies do not split their ratio into a Medicare-only figure. The exact 2028 bid-submission date was not found; the first Monday in June appears in Humana's filing only as a contract non-renewal notice deadline. The data cut-off is 12 November 2026.