

Capital Cost Comments...

Health Plan Industry stocks rose on average 1.4% from October 16th through October 23rd, while increasing 14.0% year-to-date. The broader market, measured by the S&P 500, was lower by 0.5% for the week, and is higher by 7.3% for the year. Health plan sector market capitalization increased by 1.5% for the week and is higher by 6.9% for the year.

Individual stock price performance among the plans in our universe was higher with six of seven plans gaining ground. Anthem led the universe higher increasing by 4.7%, followed by Cigna at 3.7% and Centene at 1.8%. Humana gained 1.5%. Molina and UnitedHealth grew by 0.9% and 0.2%, respectively. Triple-S decreased by 2.8%.

Valuation indicators were higher with Price per Total Member increasing by 1.5% to \$3,495. Price per Risk Member rose by 1.6% to \$5,768. Price-to-Trailing Twelve Month Earnings gained by 1.4% to 17.7 times, and Price-to-Sales increased by 1.7% to 0.72 times. Price-to-Operating Earnings was higher by 2.0% to 15.7 times. Price-to-Projected 2020 Earnings grew by 1.5% to 15.0 times. Please see the Financial Tables on Pages A – D for more data.

Health Plan Dashboard

<i>Capital Cost Indicators</i>	Commercial	Medicaid	All
Equity Capital Costs			
Price-to-Sales	0.84	0.54	0.72
Price per Risk Member	\$7,758	\$2,783	\$5,768
Price per Total Member	\$4,087	\$2,606	\$3,495
Price-to-Operating Earnings	17.2	12.7	15.7
Price / Earnings	17.2	19.0	17.7
Price / 2020 Earnings	14.7	15.9	15.0
Health Plan Industry Beta			0.915
Health Plan Industry Discount Rate			6.77%
<i>Health Plan Stock Price Index</i>			
<i>Financial/</i>			
<i>Operational Metrics</i>	Commercial	Medicaid	All
Growth			
Revenue Growth	9.0%	30.8%	15.2%
Price Change	3.4%	5.6%	4.1%
Insured Membership Growth	4.2%	24.1%	9.9%
Profit Margin			
Operating Margin	9.9%	8.1%	9.4%
Health Benefit Ratio	76.6%	77.1%	76.7%
Administrative Exp. to Prem.	12.2%	15.0%	13.0%
Return on Equity			
	14.4%	24.0%	17.2%
Leverage and Solvency			
Debt to Capital	16.6%	21.1%	17.9%
Medical Months of Tangible BV	1.69	0.69	1.36
Days of Claims Payable	53.4	50.5	52.6
Chg. in Days of Claims Payable	(4.8)	3.6	(2.4)

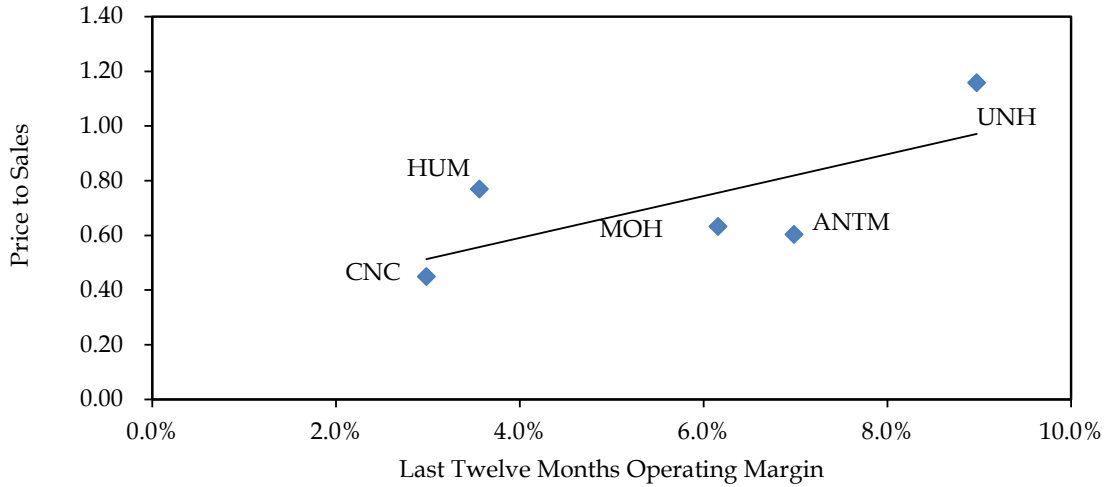
The equity prices and valuation metrics increases were due to bullish investor sentiment in the healthcare sector. This week there are upcoming earnings, before the market opens, for Centene, Anthem and Molina, on the 27th, 28th and 29th, respectively.

The health plan industry beta and health plan discount rate were 0.915 and 6.77%, respectively. *All rates of change are calculated holding the universe of health plans constant.*

Regressions Based on Valuations

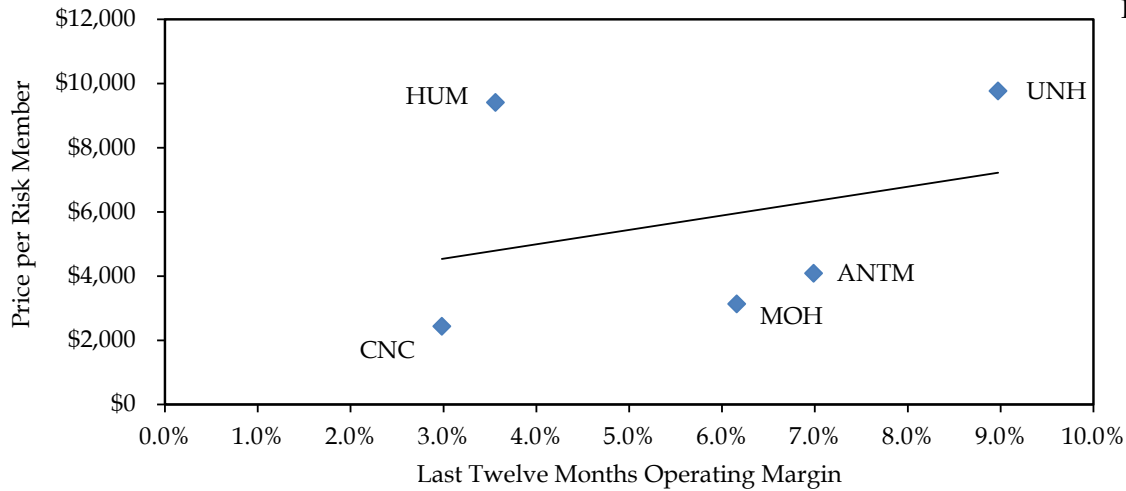
Last Twelve Months Operating Margin vs. Price-to-Sales

R² = 49.6%
P-Value = 18.4%



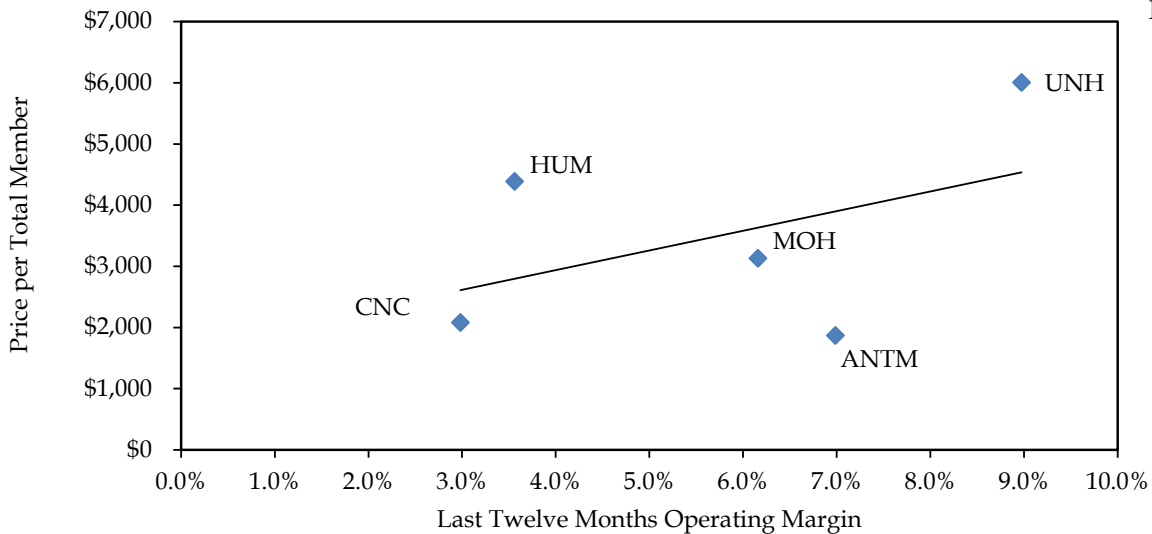
Last Twelve Months Operating Margin vs. Price Per Risk Member

R² = 9.8%
P-Value = 60.7%



Last Twelve Months Operating Margin vs. Price Per Total Member

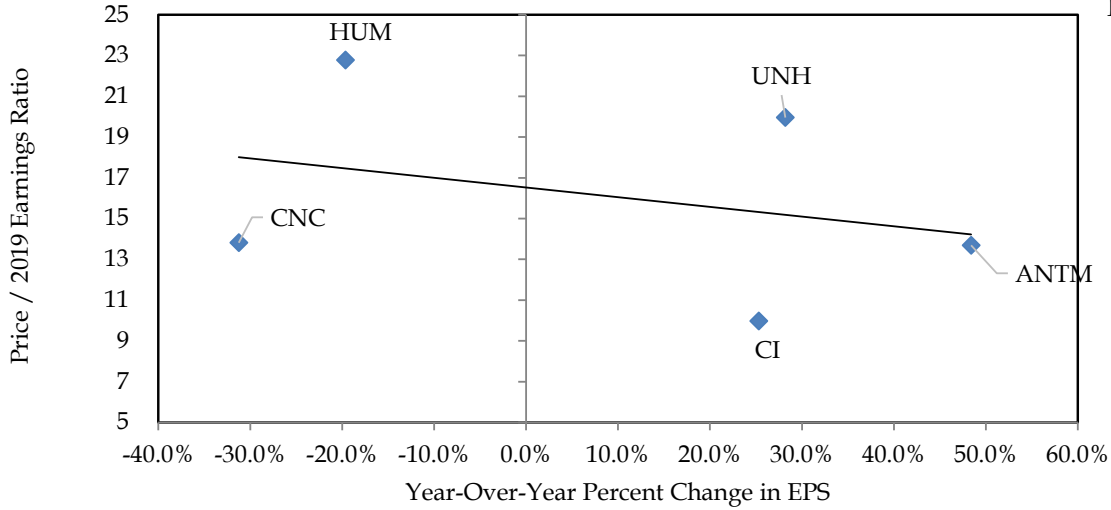
R² = 21.4%
P-Value = 26.8%



Regressions Based on Valuations, continued.

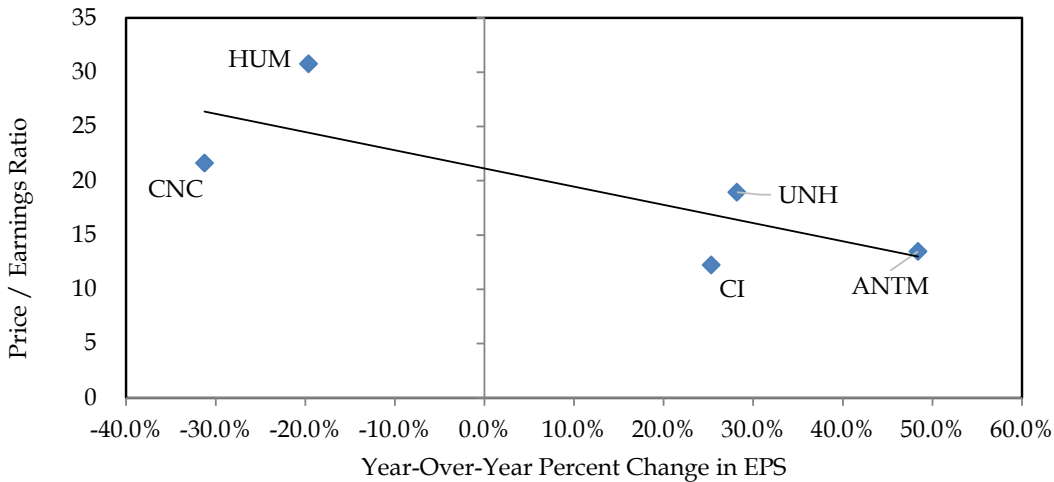
Last Twelve Months Year-Over-Year Percent Change in EPS vs. Price / 2020 Earnings Ratio

R² = 9.7%
P-Value = 61.0%



Last Twelve Months Year-Over-Year Percent Change in EPS vs. Price / Earnings Ratio

R² = 58.8%
P-Value = 13.0%



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From time to time, Sherlock Company provides performance benchmarking services to firms mentioned in PULSE. PULSE analyses are based exclusively on publicly available information and not on confidential information through our benchmarking services.

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P • U • L • S • E
Market Statistics
(000, Except Ratios)

Ticker	Year End Data	Interim Data (Int.)	Stock Price 10/23/20	Shares Outstanding (Int.)	Current Market Cap.	Valuation Ratios (a)										
						Price / Earnings Multiples (P/E)			Price to Op. Income LTM	Price to EBITDA LTM	Price to Sales LTM	Price Per Risk Member	Price per Total Member	Price to Net Worth	Price to Tang. Book	
						Latest Year	Last 12 Mo.	Est. 2020								
Anthem, Inc.	ANTM	12/31/19	6/30/20	\$310.76	255,400	\$79,368,104	16.8	13.5	13.7	8.6	7.5	0.60	\$4,093	\$1,869	2.30	24.5
CIGNA Corporation	CI	12/31/19	6/30/20	\$184.49	370,697	\$68,389,890	11.7	12.3	10.0	25.5	NM	NM	NM	NM	1.44	(2.1)
Humana Inc.	HUM	12/31/19	6/30/20	\$444.31	133,023	\$59,103,449	19.6	30.8	22.8	21.6	18.2	0.77	\$9,410	\$4,387	4.10	5.9
Triple-S Mgmt. Corporation	GTS	12/31/19	6/30/20	\$19.86	23,271	\$462,168	5.0	10.5	7.1	NM	NM	NM	NM	NM	0.47	0.5
UnitedHealth Group	UNH	12/31/19	9/30/20	\$330.60	962,000	\$318,037,200	22.7	18.9	20.0	12.9	11.5	1.16	\$9,770	\$6,004	4.55	(57.3)
Average or Total Commercial		5				\$525,360,811	15.2 (b)	17.2 (b)	14.7 (b)	17.2 (b)	12.4	0.84	\$7,758 (b)	\$4,087	2.57	(5.7) (b)
Centene Corporation	CNC	12/31/19	6/30/20	\$67.42	587,498	\$39,609,115	21.7	21.7	13.8	15.1	11.2	0.45	\$2,435	\$2,082	1.57	(42.5)
Molina Healthcare, Inc.	MOH	12/31/19	6/30/20	\$212.55	59,400	\$12,625,470	18.3	16.3	17.9	10.3	9.6	0.63	\$3,131	\$3,131	6.33	6.9
Average or Total Medicaid		2				\$52,234,585	20.0	19.0	15.9	12.7	10.4	0.54	\$2,783 (b)	\$2,606	3.95	(17.8) (b)
Average or Total All		7				\$577,595,396	16.5 (b)	17.7 (b)	15.0 (b)	15.7 (b)	11.6	0.72	\$5,768 (b)	\$3,495	2.97	(9.2) (b)

Notes:

- (a) Price Includes long-term debt and excludes working capital, except Price/Earnings, Price to Tangible Book and Price to Net Worth
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(e) Pro forma.
(f) Previous quarter data.
(g) Annualized Data
(h) Sherlock Company Estimates

P • U • L • S • E
 Financial Statistics
 (000, Except Ratios)

	Revenue Trends					Price Trends				Membership Trends					
	Annual Trends		Quarterly Trends			PMPM		Fees		Insured		ASO		Total	
	Latest Year	Pct. Chg.	Last 12 Months	Interim Quarter	Percent Change	Interim Quarter	Percent Change	Interim Quarter	Percent Change	Interim Quarter	Percent Change	Interim Quarter	Percent Change	Interim Quarter	Percent Change
Anthem, Inc.	\$103,141,000	12.9%	\$112,202,000	\$29,178,000	15.9%	\$505 (h)	-0.6%	\$26.09 (h)	-9.3%	16,565	7.4%	19,717	1.5%	36,282	4.1%
CIGNA Corporation	\$36,041,000	11.5%	\$37,034,000	\$9,188,000	3.7%	\$471	3.1%	\$35.81	-11.8%	3,538	3.6%	11,877	-1.0%	15,415	0.0%
Humana Inc.	\$64,387,000	14.2%	\$69,822,000	\$19,006,000	17.8%	\$1,083	6.4%	\$51.36	6.2%	5,712	10.5%	6,540	1.1%	12,251	5.3%
Triple-S Mgmt. Corporation	\$3,001,846	10.8%	\$3,101,008	\$792,700	-0.6%	\$320	-2.0%	\$10.40	2.3%	823	1.4%	109	-7.7%	932	0.3%
UnitedHealth Group	\$240,269,000	34.9%	\$251,085,000	\$64,764,000	7.9%	\$569	10.2%	\$92.83	18.2%	29,790	-2.1%	18,400	-3.6%	48,475	-2.1%
Average or Total Commercial	\$446,839,846	16.9%		\$122,928,700	9.0%	\$589	3.4%	\$43.30 (b)	1.1%	56,428	4.2%	56,642	-1.9%	113,356	1.5%
Centene Corporation	\$74,639,000	24.2%	\$91,576,000	\$27,712,000	51.0%	\$527	6.4%	NA	NM	16,916	42.7%	2,865	0.3%	19,781	34.5%
Molina Healthcare, Inc.	\$16,697,000	-11.0%	\$17,568,000	\$4,600,000	10.6%	\$431	4.8%	NA	NM	3,555	5.5%	NA	NA	3,555	5.5%
Average or Total Medicaid	\$91,336,000	6.6%		\$32,312,000	30.8%	\$479	5.6%	NA (b)	NM	20,471	24.1%	2,865	0.3%	23,336	20.0%
Average or Total All	\$538,175,846	13.9%		\$155,240,700	15.2%	\$558	4.1%	\$43.30 (b)	1.1%	76,899	9.9%	59,507	-1.5%	136,691	6.8%

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 Financial Statistics
 (000, Except Ratios)

Earnings Trends

	Net Income			Operating Income				Op. Margin		Earnings per Share				
	Prev. Year	Latest Year	Pct. Chg.	Last 12 Months	Comp. Quarter	Interim Quarter	Pct. Chg.	Last 12 Months	Comp. Qtr.	Int. Qtr.	Prev. Year	Latest Year	Last 12 Mo.	Est. 2020
Anthem, Inc.	\$3,764,799	\$4,808,606	27.7%	\$5,917,449	\$1,362,000	\$3,267,000	139.9%	\$7,838,000	5.4%	11.2%	\$14.25	\$18.47	\$23.03	\$22.70
	(c)(h)	(c)(h)		(c)(h)	(h)	(c)(h)		(c)(h)			(c)(h)	(c)(h)	(c)(h)	
CIGNA Corporation	\$3,109,000	\$5,930,000	90.7%	\$5,641,000	\$882,250	\$1,468,000	66.4%	\$4,014,500	10.0%	16.0%	\$12.43	\$15.77	\$15.06	\$18.51
	(c)	(c)		(c)	(c)	(c)		(c)			(c)	(c)	(c)	
Humana Inc.	\$2,272,497	\$3,029,000	33.3%	\$2,082,497	\$1,085,000	\$2,358,000	117.3%	\$2,486,000	6.7%	12.4%	\$16.42	\$22.72	\$14.44	\$19.51
	(c)	(c)		(c)	(c)	(c)		(c)			(c)	(c)	(c)	
Triple-S Mgmt. Corporation	-\$63,306	\$92,910	-246.8%	\$44,713	\$23,800	24,600	3.4%	\$32,131	3.0%	3.1%	(\$2.83)	\$3.98	\$1.90	\$2.80
	(c)	(c)		(c)	(c)						(c)	(c)	(c)	
UnitedHealth Group	\$11,727,395	\$13,989,000	19.3%	\$16,769,500	\$3,959,500	\$4,300,000	8.6%	\$22,530,500	6.6%	6.6%	\$11.94	\$14.54	\$17.45	\$16.57
	(c)	(c)		(c)	(c)	(c)		(c)			(c)	(c)	(c)	
Average or Total Commercial			42.8%			\$11,417,600	67.1%		6.3%	9.9%				
Centene Corporation	\$1,188,079	\$1,309,000	10.2%	\$1,982,079	\$666,000	\$2,018,000	203.0%	\$2,731,000	3.6%	7.3%	\$5.96	\$3.11	\$3.11	\$4.88
	(c)	(c)		(c)	(c)	(c)		(c)			(c)	(c)	(c)	
Molina Healthcare, Inc.	\$750,170	\$741,549	-1.1%	\$802,648	\$233,000	\$408,000	75.1%	\$1,082,000	5.6%	8.9%	\$11.26	\$11.59	\$13.08	\$11.85
		(c)		(c)	(c)	(c)		(c)				(c)	(c)	
Average or Total Medicaid			4.5%			\$2,426,000	139.1%		4.6%	8.1%				
Average or Total All			30.0%			\$13,843,600	87.7%		5.8%	9.4%				

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P • U • L • S • E
 Operating Statistics
 (000, Except Ratios)

	Operating Ratios			Balance Sheet Data and Ratios (Interim)												
	Health Benefit Ratio		Admin to Prem. Int. Qtr.	Long Term Debt(d)	Debt to Capital Ratio	Net Worth	ROE, Last 12 Mo.	Intangi- bles	Tangible Book Value	Net Worth Per Share	Tang. Book Per Share	Med Exp Mos. of Tang. B.V.	Working Capital	Days of Claims Payable		
	Int. Qtr.	Pct. Chg.												Comp.	Int.	Chg.
Anthem, Inc.	74.7%	-8.2%	13.5%	19,873,000	20.0%	\$34,455,000	17.2%	\$31,218,000	\$3,237,000	\$134.91	\$12.67	0.52	\$31,447,100	41.0	48.1	7.1
CIGNA Corporation	70.5%	-10.8%	10.9%	\$31,774,000	31.7%	\$47,405,000	11.9%	\$80,381,000	(\$32,976,000)	\$127.88	(\$88.96)	NM	(\$2,025,000)	43.7	48.4	4.7
Humana Inc.	76.4%	-7.5%	7.7%	\$6,058,000	9.3%	\$14,416,000	14.4%	\$4,443,000	\$9,973,000	\$108.37	\$74.97	2.11	\$11,413,000	40.3	51.4	11.1
Triple-S Mgmt. Corporation	79.4%	-5.1%	17.4%	\$54,940	10.6%	\$979,535	4.6%	\$28,614	\$950,921	\$42.09	\$40.86	4.55	\$472,023	117.7	73.0	(44.8)
UnitedHealth Group	81.9%	-1.7%	11.3%	\$39,895,000	11.1%	\$69,951,000	24.0%	\$75,501,000	(\$5,550,000)	\$72.71	(\$5.77)	(0.40)	\$66,889,000	48.6	46.4	(2.2)
Average or Total Commercial	76.6%	-6.6%	12.2%		16.6%		14.4%					1.69		58.3	53.4	(4.8)
Centene Corporation	76.0%	-5.5%	17.0%	\$16,708,000	29.7%	\$25,205,000	7.9%	\$26,136,000	(\$931,000)	\$42.90	(\$1.58)	(0.14)	\$15,135,000	47.3	51.3	4.0
Molina Healthcare, Inc.	78.2%	-5.1%	12.9%	\$1,812,000	12.6%	\$1,996,000	40.2%	\$164,000	\$1,832,000	\$33.60	\$30.84	1.53	\$3,307,000	46.5	49.7	3.2
Average or Total Medicaid	77.1%	-5.3%	15.0%		21.1%		24.0%					0.69		46.9	50.5	3.6
Average or Total All	76.7%	-6.3%	13.0%		17.9%		17.2%					1.36		55.0	52.6	(2.4)

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