

2026 MIDYEAR HEALTH PLAN FINANCIAL REPORT

Improved Margins and Mixed Growth



Overview

Health plan financial results improved materially in the first half of 2026, indicating that the industry has made measurable progress in restoring underwriting performance.

The following report highlights our findings across profitability, earnings composition, performance by plan category, and capital strength to highlight overall performance, as well as how these measures interact to provide a more complete view of the industry. In particular, the combination of higher margins, lower membership, and uneven surplus growth show a sector navigating the transition from growth-driven performance to margin-driven performance.

Across the 481 entities included in the analysis:¹

- **Aggregate net income increased from \$12.2 billion to \$25.8 billion.**
- **Net underwriting gains increased from \$8.2 billion to \$20.2 billion.**
- **Median medical cost ratio declined from 90.8% to 88.7%.**

The improvement was evident across most affiliate groups and plan categories ▶

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REPORT

The results also show a contraction in business volume. Member months declined 4.3%, and net earned premium declined 3.7%. At the same time, premium per member per month increased. Taken together, the data indicates that stronger financial performance was achieved through repricing, changes in membership mix, and

lower enrollment. The midyear results, therefore, show a meaningful recovery in underwriting performance but not a return to top-line growth.

Midyear 2026 results show a broad improvement in underwriting performance, accompanied by lower membership and earned premium.

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The Recovery at a Glance

The principal measures of profitability and capital improved year over year, while the principal measures of volume declined. As shown in table 1, net income and underwriting gains more than doubled, while member months and net earned premium declined. ▶

TABLE 1 • Industry Performance Summary

METRIC	JUNE 2025 YTD	JUNE 2026 YTD	CHANGE
Net Income	\$12.2 billion	\$25.8 billion	+111%
Net Underwriting Gains	\$8.2 billion	\$20.2 billion	+2.5x
Median Medical Loss Ratio	90.80%	88.70%	-2.1 pts.
Plans with Positive Operating Margin	71%	72%	+1 pt.
Percentage of Plans Now Profitable	NA	61%	Turnaround
Aggregate Policyholder Surplus	\$216.9 billion	\$229.5 billion	5.80%
Member Months	972.9 million	931.2 million	-4.30%
Net Earned Premium	\$517.7 billion	\$498.7 billion	-3.70%

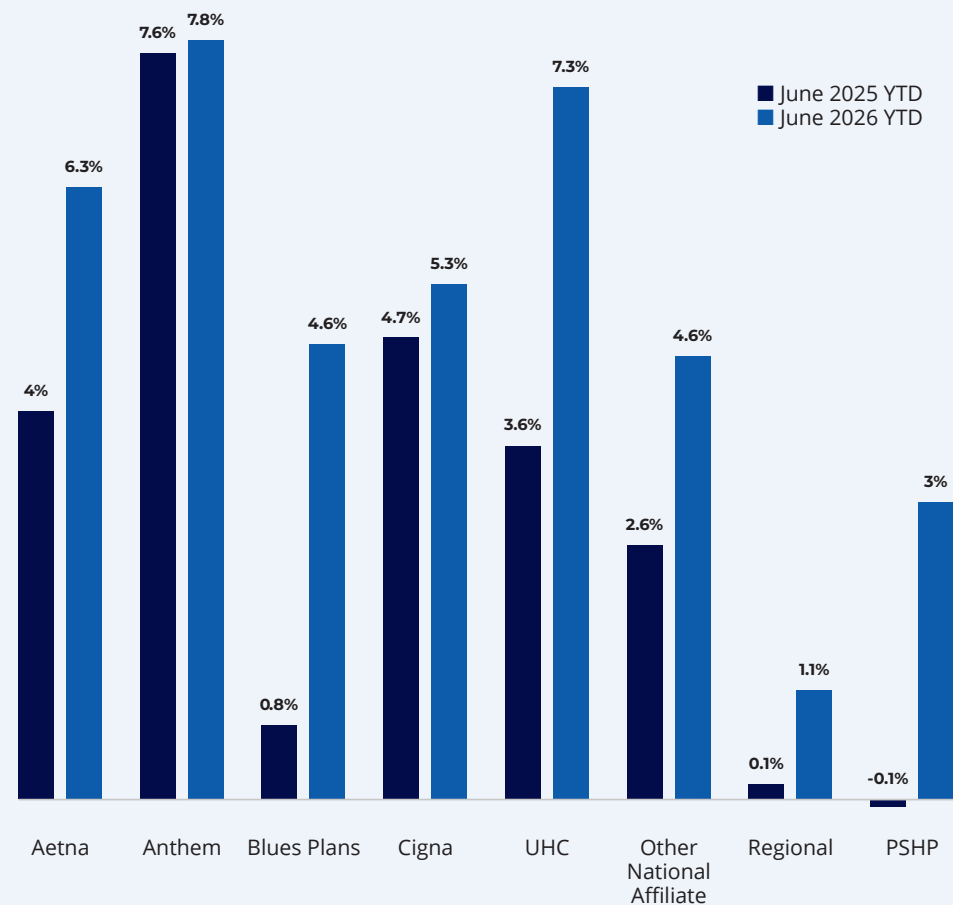
FINDING ONE

Profitability Improved Across Most Affiliate Groups

Pretax operating margins increased across seven of the eight affiliate groups included in the analysis. United-Healthcare (UHC)-affiliated plans increased from 3.6% to 7.3%, Blues plans increased from 0.8% to 4.7%, and Aetna-affiliated plans increased from 4.0% to 6.3%. Anthem-affiliated plans remained near 7.8%. Provider-sponsored health plans (PSHPs) recorded a notable turnaround, with weighted operating margin increasing from approximately -0.1% to 3.0%.

At the entity level, 56% of plans improved their operating margin year over year. Among plans that reported a loss in the first half of 2025, 61% reported a positive operating margin in the first half of 2026. These results indicate that the improvement extended beyond a small number of large organizations, although the proportion of all plans with a positive margin increased only modestly, from 71% to 72%.

FIGURE 1 • Pretax Operating Margin by Health Plan Category



The results also illustrate the importance of distinguishing among profitability measures. Cigna-affiliated plans reported a calculated pretax operating margin of 5.3%; however, once other items were reflected, the weighted pretax margin dropped to -3.4%. Operating margin is useful for evaluating the performance of the insurance business, while all-in profitability provides a broader view of the entity. Both measures should be considered when comparing plans. ▶

FINDING TWO

Underwriting Gains Accounted for Most of the Earnings Improvement

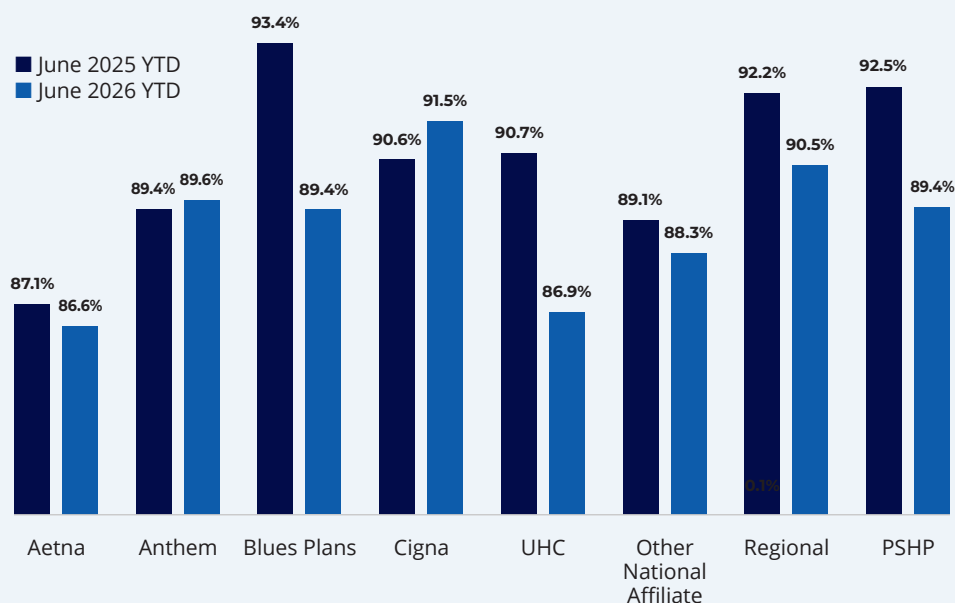
The composition of earnings changed materially. Net underwriting gains increased from \$8.2 billion in the first half of 2025 to \$20.2 billion in the first half of 2026. Net investment income increased more modestly, from \$6.6 billion to \$7.6 billion. As a result, investment income declined from 45% to 27% of the combined total of underwriting gains and investment income.

This distinction is relevant because it identifies the primary source of the year-over-year improvement. The increase was concentrated in the insurance business rather than investment performance. The reduction in medical loss ratios across all three plan categories is consistent with that result. The industry median declined 2.1 percentage points, including the following reductions: 90.6% to 88.5% among national affiliates, 92.2% to 90.5% among regional plans, and 92.3% to 89.4% among PSHPs.

FIGURE 2 • Underwriting Gains Versus Investment Income



FIGURE 3 • Medical Cost Ratios by Health Plan Category



Statutory data does not isolate the contribution of pricing, utilization, unit cost, benefit changes, or risk mix. The results nevertheless show that claims and related expenses consumed a lower share of premium across each plan category. That change was sufficient to materially improve underwriting income even as aggregate earned premium declined. ►

FINDING THREE

PSHPs Recorded the Largest Turnaround

PSHPs showed the most significant change in profitability. While these plans saw a positive pretax operating margin increase from 46% to 68%, national affiliates and regional plans saw declines from 76% to 73% and 67% to 64%, respectively. The weighted operating margin for PSHPs increased from approximately -0.1% to 3.0%.

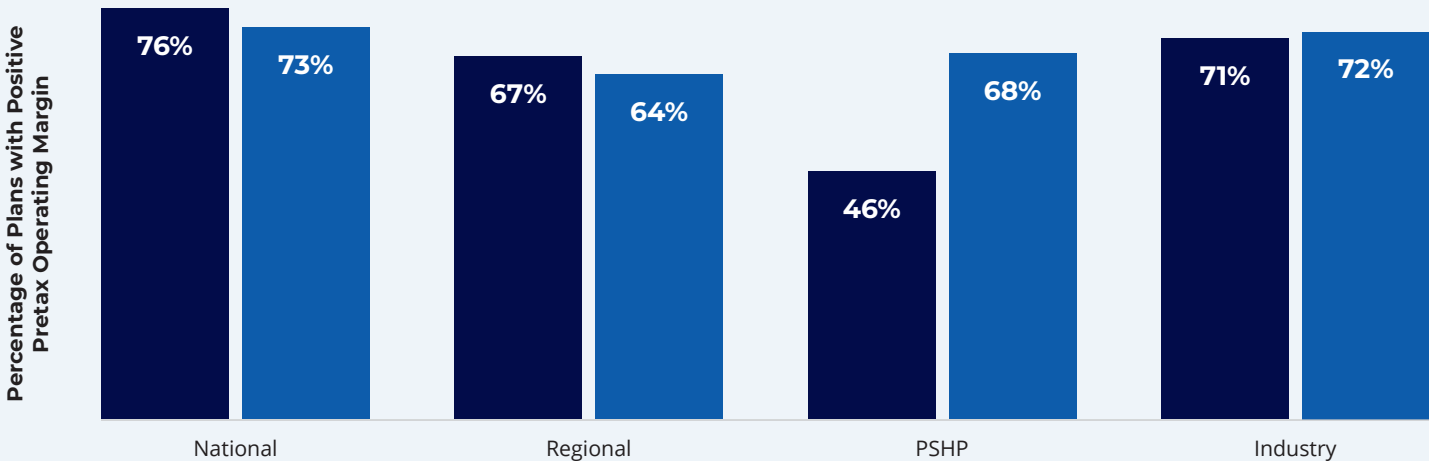
The improvement was also reflected in the medical cost ratio, which declined from 92.3% to 89.4%. In addition, 73% of PSHPs increased policyholder surplus, the highest proportion among the three categories. The stronger results should be considered alongside declines in scale. Earned premiums for PSHPs

fell approximately 2%, and member months declined approximately 16%. This improvement does not appear to be explained by unprofitable PSHPs exiting the dataset, as only three of the six PSHPs that shut down were unprofitable. The data therefore supports the conclusion that PSHPs improved their margin position but does not

establish that the improvement was accompanied by growth. The next challenge for these plans will be to maintain the improved loss ratio and operating margin on a stable membership base. ▶

FIGURE 4 • Percentage of Plans with Positive Pretax Operating Margin

■ June 2025 YTD
■ June 2026 YTD



FINDING FOUR

Capital Trends Differed by Plan Category

Aggregate policyholder surplus increased 5.8%, from \$216.9 billion to \$229.5 billion, and 66% of plans increased surplus year over year. The change varied materially by category. Surplus increased 6.5% among national affiliates and 1.7% among PSHPs, while it declined 4.7% among regional plans.

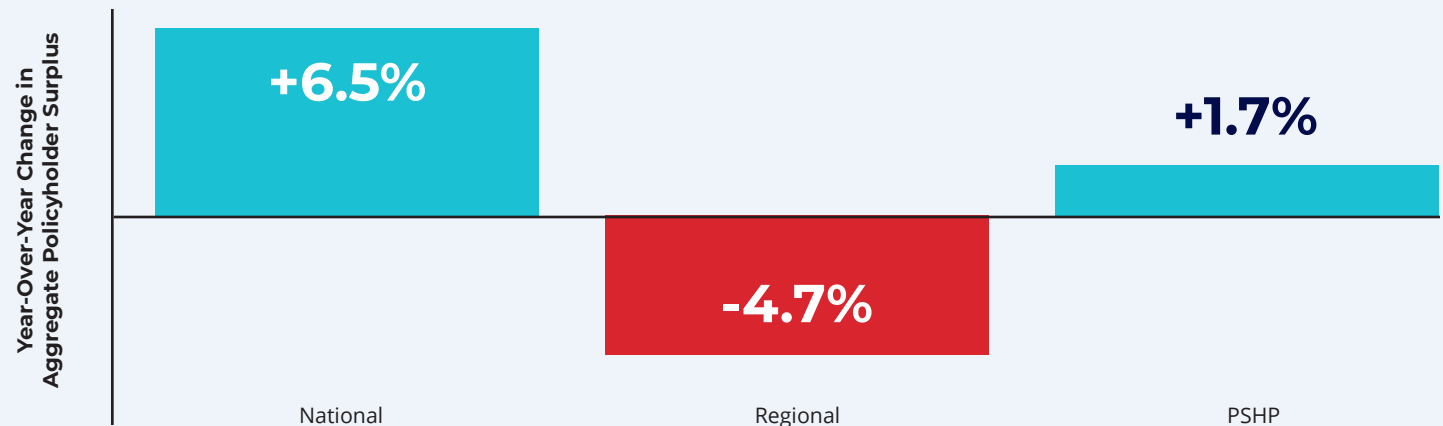
Premium-to-surplus ratios also declined for several national affiliate groups. The ratio for UHC-affiliated plans, for example, decreased from 833% to 625%. Lower premium relative to surplus generally provides more capacity to absorb adverse experience relative to premium volume. However, premium-to-surplus ratios should be reviewed together with risk-based capital,

liquidity, reserve adequacy, and the composition of invested assets before drawing conclusions about an individual plan's capital position.

The decline in aggregate surplus among regional plans warrants attention because it occurred despite an improvement in operating margin. This suggests that operating results alone do not fully

explain the change in capital. The underlying statutory data includes additional measures, such as capital and surplus as a percentage of assets, cash and short-term investments relative to liabilities, reserve strength, and risk-based capital ratios, that can be used to assess the drivers at the entity level. ►

FIGURE 5 • Year-Over-Year Percentage Change in Aggregate Policyholder Surplus



FINDING FIVE

Higher Margins Coincided with Lower Membership

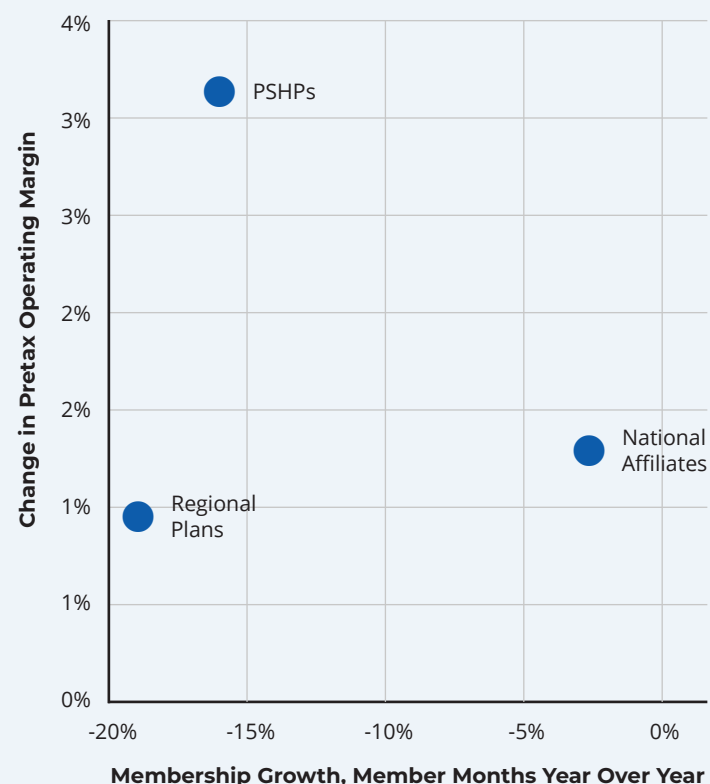
Member months decreased 4.3% across the full dataset. When looking at the categories individually, the reduction was 2.6% among national affiliates, 19.3% among regional plans, and 15.6% among PSHPs. Net earned premium declined 3.7% overall. At the same time, weighted premium per member per month increased, including an increase from approximately \$704 to \$796 among national affiliates.

These measures are consistent with a combination of premium increases and changes in the volume or composition of membership. The statutory data does not establish how much of the enrollment decline was intentional, nor does it identify the specific contribution

of product exits, eligibility changes, competitive losses, or other factors. The results, therefore, should not be interpreted as proof that plans deliberately exited unprofitable membership. They do show that the improvement in profitability did not depend on enrollment growth. Figure 6 illustrates this tradeoff across plan categories, comparing changes in pretax operating margin with changes in member months.

The central mid-year pattern is stronger margins on a smaller membership base.

FIGURE 6 • Margin Improvement Versus Membership Loss



The combination of stronger margins and lower membership creates a different strategic question for 2027. As the immediate concern of restoring margins appears to have eased for many plans, the next challenge will be to maintain the improved economics while stabilizing or expanding membership. Plans that continue to rely on premium increases without corresponding improvements in affordability, utilization management, provider economics, or product design may struggle to sustain both margin and market share. ▶

Overall Industry Outlook

Our findings from the first half of 2026 indicate that the industry has made measurable progress in restoring underwriting performance. They also show that the recovery is incomplete. Profitability improved, but enrollment and earned premium declined, and capital trends varied by segment. For 2027, the strongest performers are likely to be those that preserve the underwriting improvements reported at midyear while returning to disciplined membership and premium growth.

\$25.8B

in aggregate net income,
up ↑ from \$12.2 billion

\$20.2B

in net underwriting gains,
up ↑ from \$8.2 billion

88.7%

median medical cost ratio,
down ↓ from 90.8%

IMPLICATIONS FOR 2027 BY PLAN TYPE

NATIONAL AFFILIATES entered the second half of 2026 with the strongest combination of operating margin improvement and surplus growth. Their larger capital cushion gives them more capacity to absorb unexpected losses and invest in future growth than organizations with weaker capital trends. The priority is to convert that flexibility into sustainable medical cost performance and selective growth, rather than relying primarily on continued repricing.

PSHPs demonstrated the greatest improvement in the share of profitable entities. Their principal issue is the relationship between margin and scale. Maintaining loss ratio improvements while stabilizing membership will be important, as continued contraction could strain administrative efficiency and the plans' strategic value to their sponsoring systems.

REGIONAL PLANS improved operating margins but reported lower aggregate surplus and the largest decline in member months. These organizations should evaluate capital requirements, product and market performance, and the causes of enrollment decline together. The combination of lower scale and weaker capital trends may limit the range of available strategic investments if it persists. ■

ENDNOTE

- Findings are based on statutory financial data from the first half of 2026 (June 2026 YTD) compared with the same period in 2025, sourced from S&P Global and covering 481 matched health plan entities across three categories and eight affiliate groups. Aggregate dollar figures are summed across entities; margins, loss ratios, and profitability shares are computed at the plan level and then aggregated or reported as segment medians.

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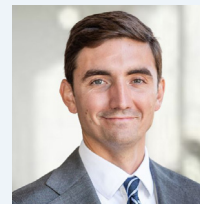
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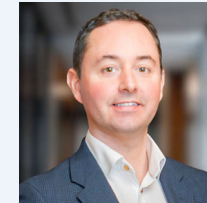
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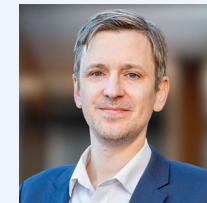
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