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Bernstein University US 2025

US Healthcare Services

October 16th, 2025

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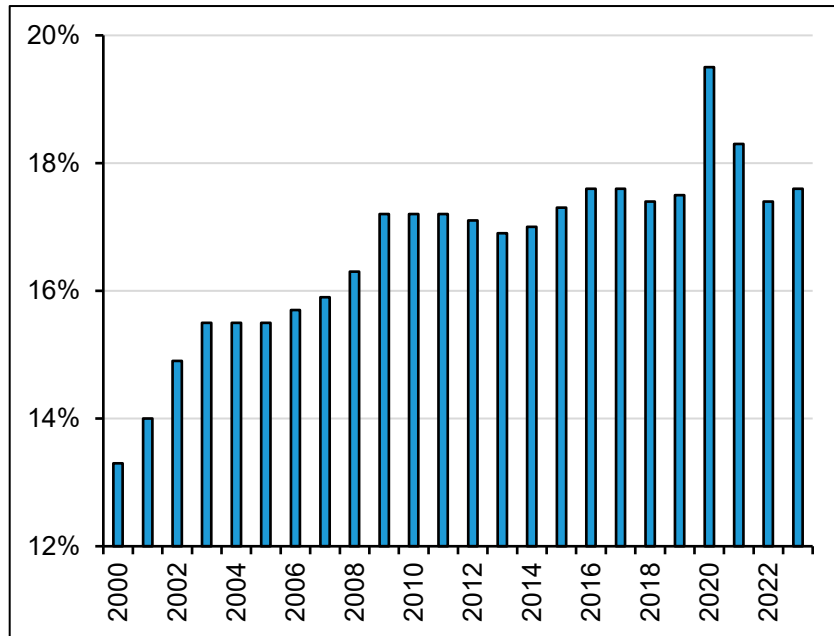
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First Published: 14 Oct 2025 06:00 UTC Completion Date: 14 Oct 2025 06:00 UTC

How big is the healthcare system?

Healthcare represents 17% of GDP, up from 13% in 2000

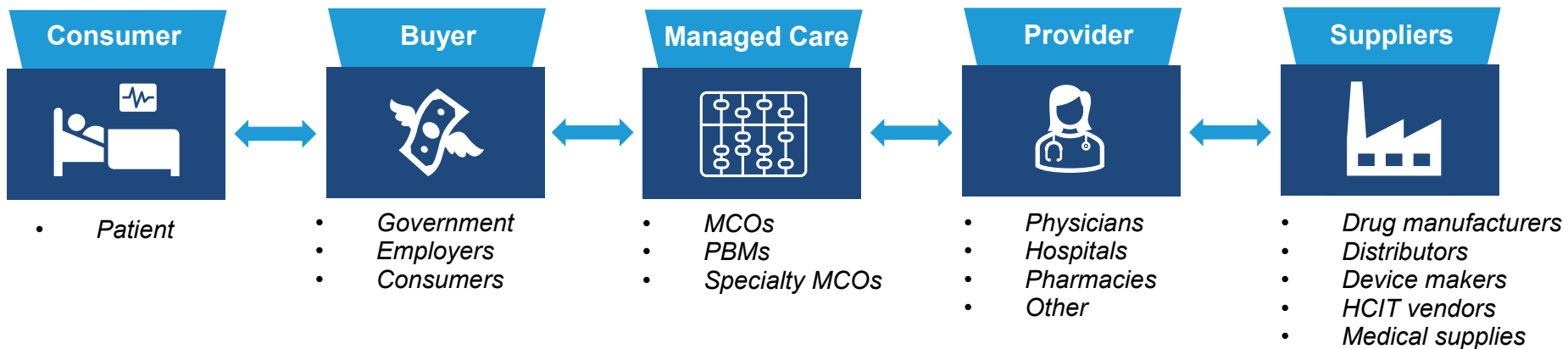


Majority of spend is in managed care, but ~\$1 trillion has yet to be transferred

- **Employer** nearly 100% of spend in managed care
- **Medicare Advantage** >50% of spend in managed care
- **Medicaid** ~55% of spend in managed care

Source: CMS, Bernstein analysis

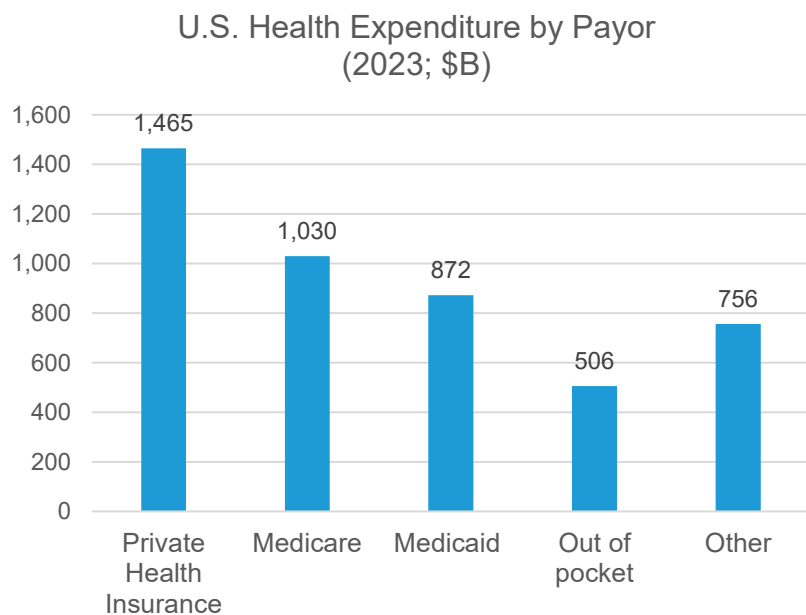
Who Are the Players in the US Healthcare System?



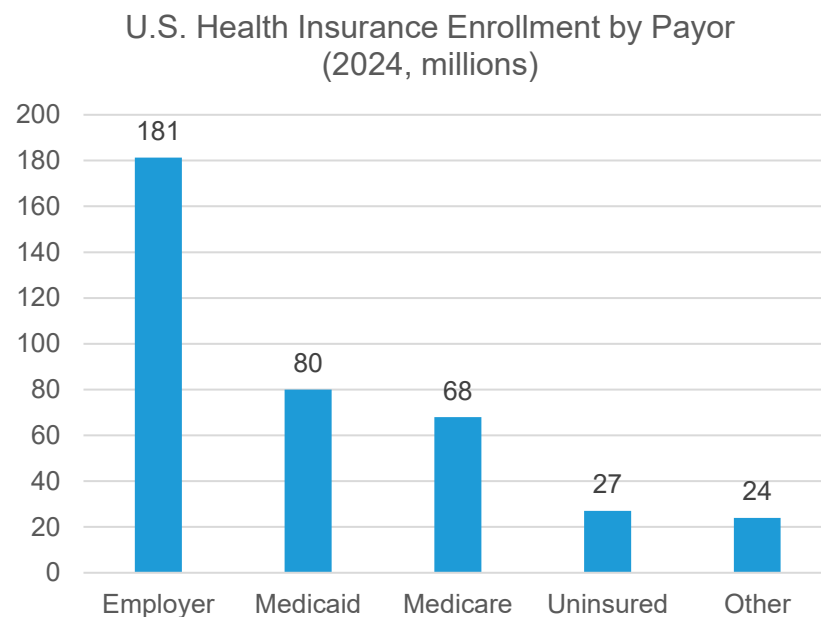
Source: Bernstein analysis

What Are the Major Insurance Program Types?

Who are the payers...



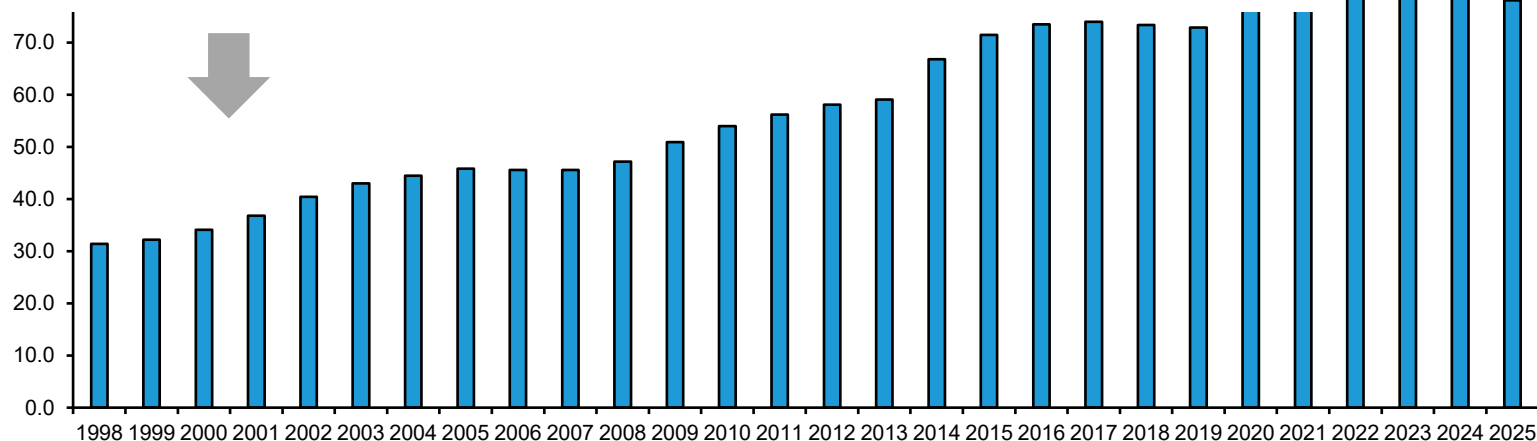
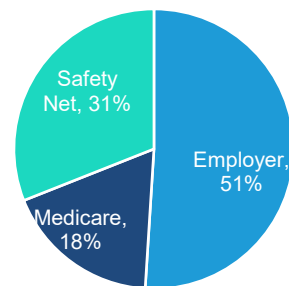
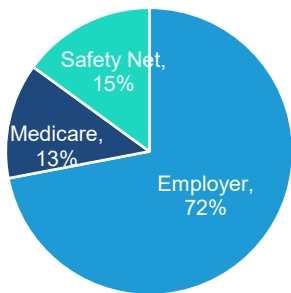
And where the enrollment is.



Source: CMS, KFF, and Bernstein analysis

Growth in Medicaid and safety net

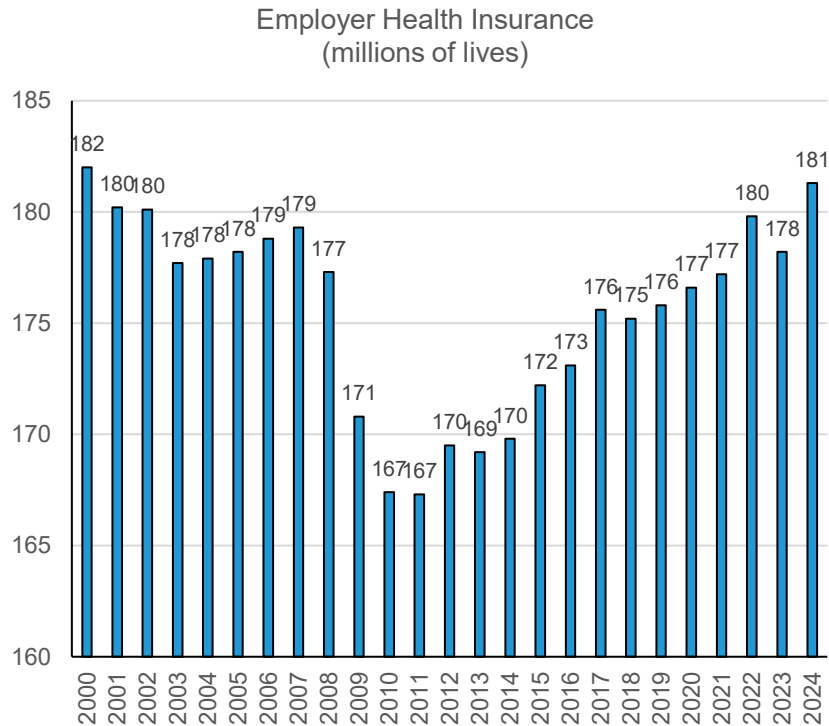
Government has grown from less than 1/4 to nearly 1/2 of health insurance, driven by Medicaid growth



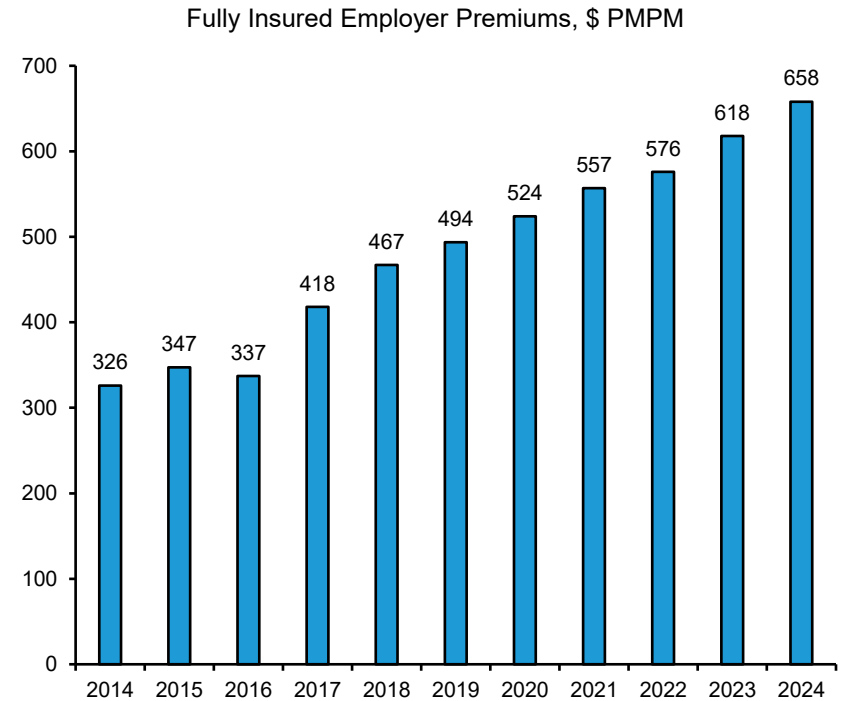
Source: CMS, NHE, and Bernstein analysis

Employer Health Insurance

Enrollment has remained flat for the past 25 years



While premiums have been growing



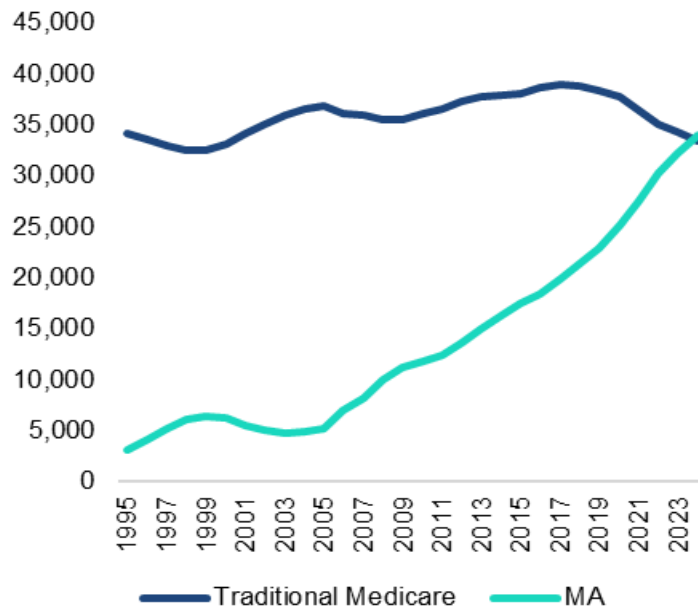
Source: CMS, Bernstein analysis

Medicare health insurance and Medicare Advantage

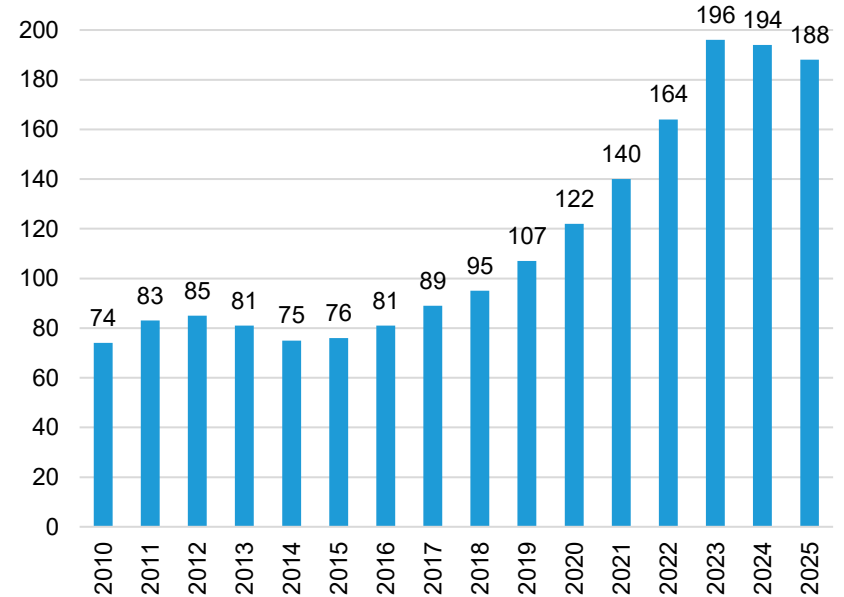
Most of the growth in Medicare has been in MA over the past decades

Over the past 15 years, penetration has increased from ~20% to 50%, driven by extra benefits vs. FFS

Enrollment in Traditional Medicare vs MA (K lives)



MA rebates PMPM (\$)



Source: CMS and Bernstein analysis

Medicaid health insurance

1965 Medicaid established – focus on low income children and care taker adults, aged, blind disabled

1981 Omnibus Budget Reconciliation Act – increased flexibility through waivers

1986-89 – Expansion for children and pregnant women

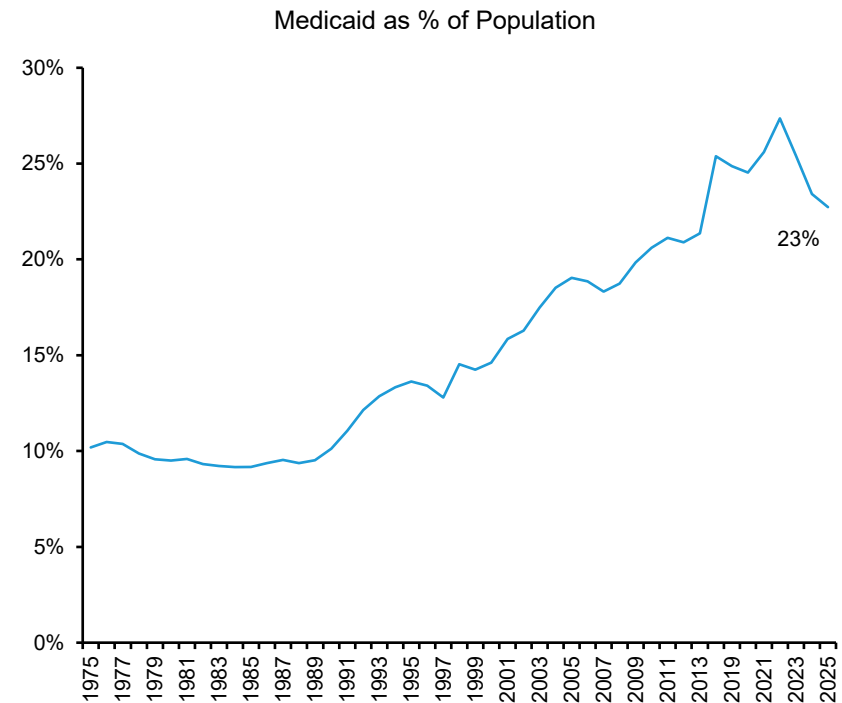
1996 – TANF reform, separating Medicaid from welfare

1997 – BBA; Childrens Health Insurance Program

2010 – ACA – creation of Medicaid Expansion, and creation of federal subsidy for public exchange

2020 – COVID response

Chart of Medicaid enrollment since 1965



Source: CMS, Bernstein analysis

Long-term trends in health care services

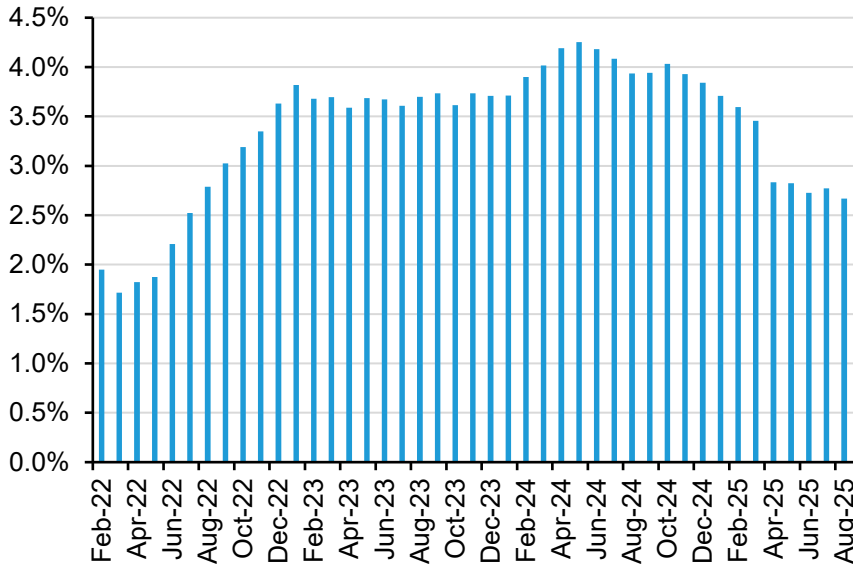
Major strategic disruptions drive outsized growth

- Employer health insurance is disrupted by HMOs and managed care
 - Managed care grew from 27% of market in 1988 to 92% in 2000
- Government programs growth
 - Government programs grew from $\frac{1}{4}$ of insureds in 2000 to $\frac{1}{2}$ by 2023
 - MA grew from 15% in early 2000s to 50+% by 2024
- Value based care is an emerging disruption
 - VBC represents less than 15% of payments today

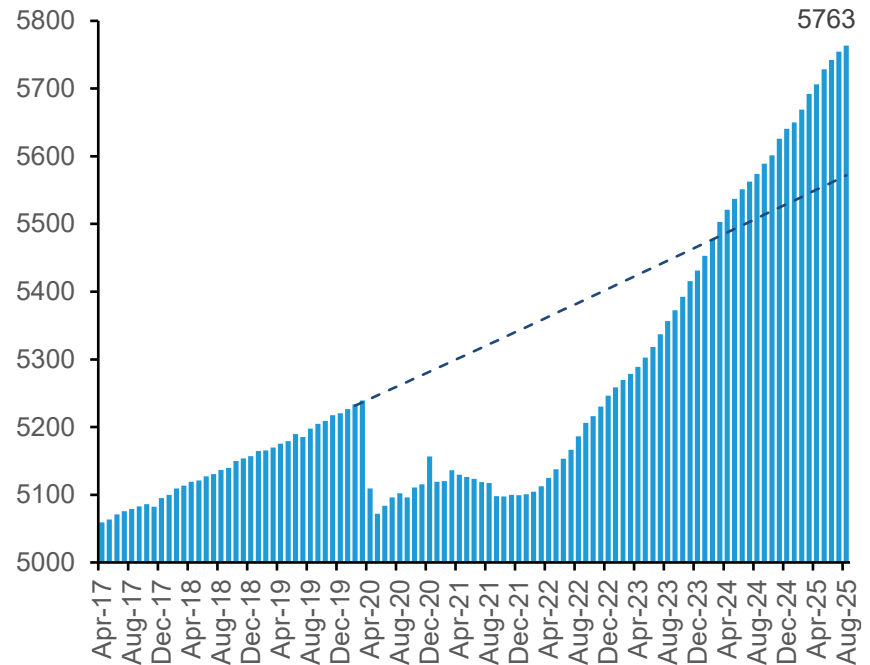
Source: Bernstein estimates and analysis

Supply shock caused utilization spike which now seems to be normalizing

Hospital and Ambulatory Employees
(YoY % Chg.)



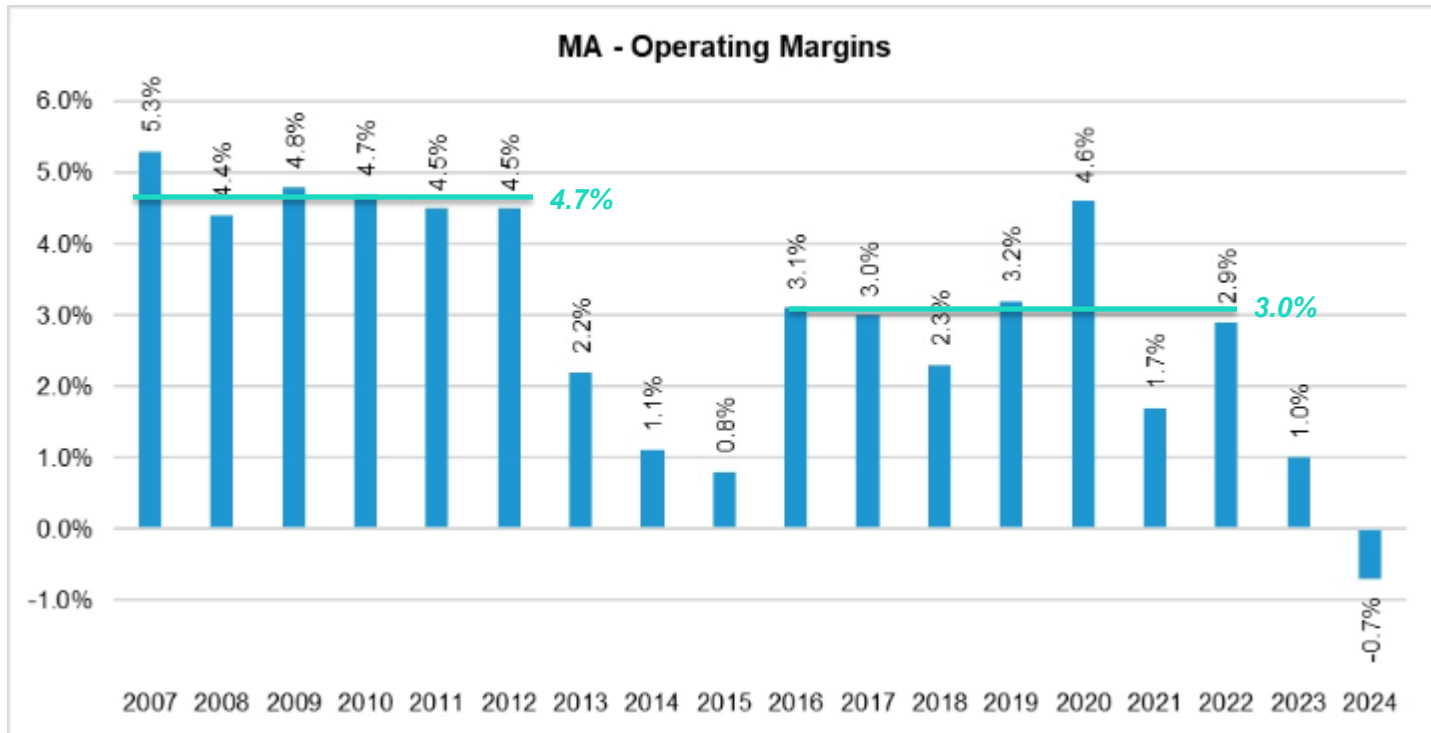
Hospital Employees (k)



Source: BLS, Bernstein analysis

Insurance cycle becomes a tailwind

MA margins are set to recover

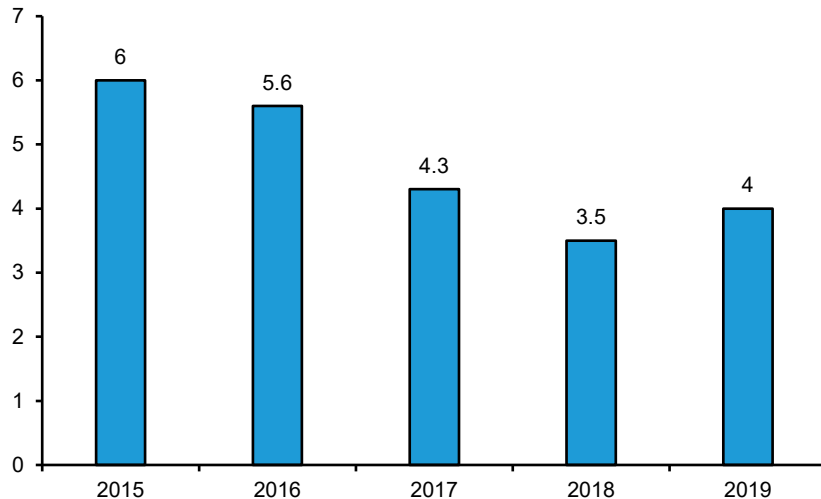


Source: CMS, NAIC, and Bernstein analysis

Insurance cycle becomes a tailwind

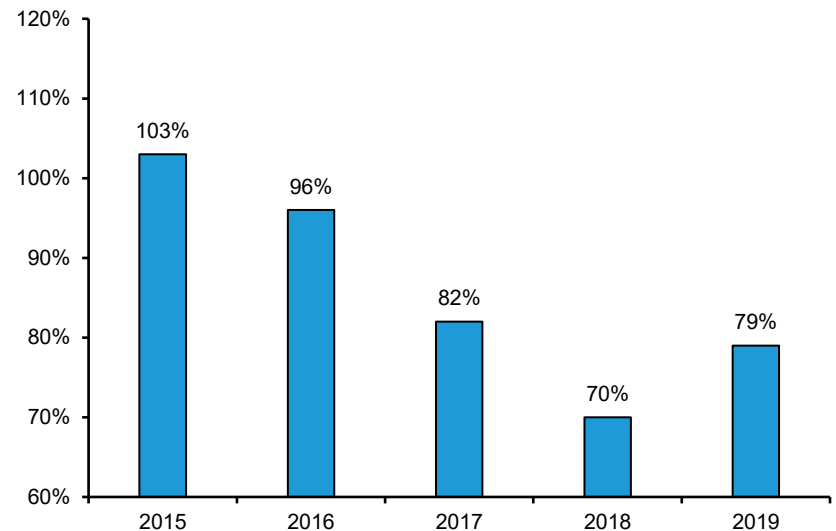
Illustration of 2017/2018 cycle

ACA Marketplace
No of Insurers per state



- + 2017 – Premiums increase by 22%; Trump Admin ceases cost sharing subsidies, reduced marketing spend; Aetna and UNH exit many states
- + 2018 – Premiums increases of 34%; acuity stats suggest stabilized risk pool; Humana and Aetna completely exit Marketplace

Avg. Individual Market MLR, %



- + MLRs recovered rapidly

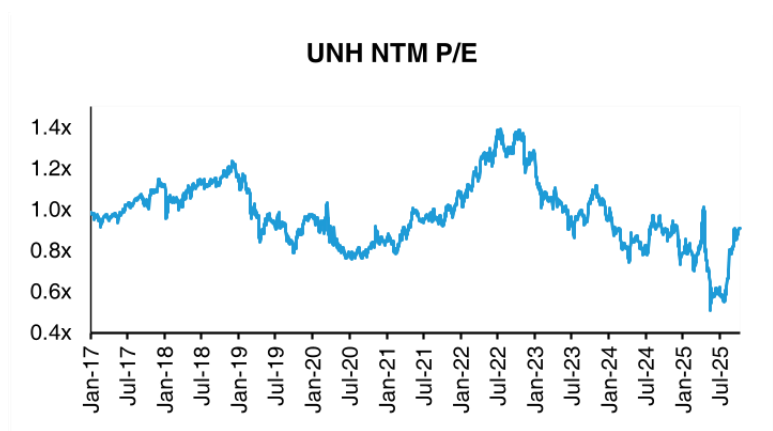
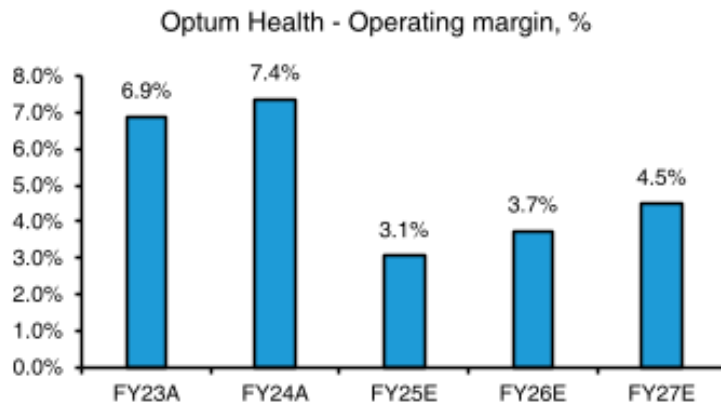
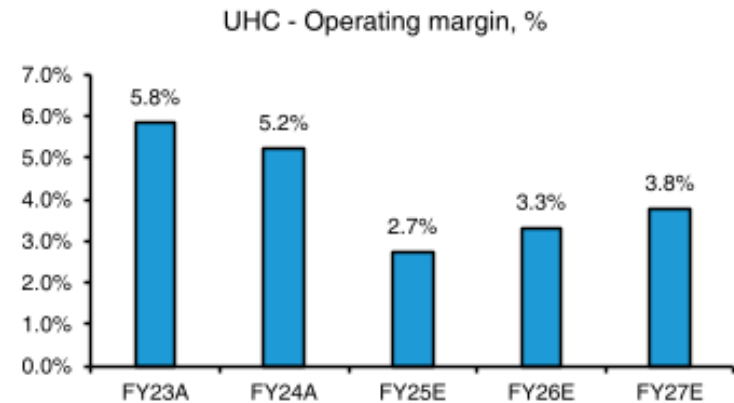
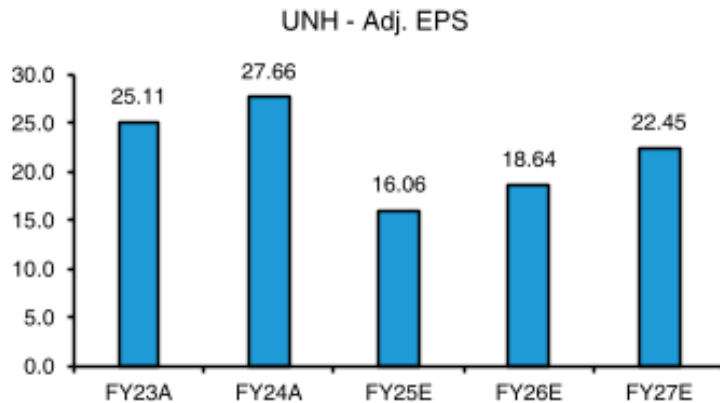
Source: CMS, NAIC, and Bernstein analysis

Coverage Companies - Overview

Company	Bernstein Rating	Current Stock Price (\$)	Target Price (\$)	Implied Upside %	Market Cap (\$B)	Description
CI	M	295	346	17%	79	Largest PBM in the US with 50% of op earnings from this business and rest from MCO space mostly in commercial
CNC	O	36	36	-1%	18	Largest private MCO in the Medicaid space
CVS	M	78	77	-2%	99	Leading pharmacy retailer with ~60% op earnings from Pharmacy and Consumer Wellness, rest from Aetna/MCO, and growing portfolio of VBC (OSH+SGFY)
ELV	O	351	445	27%	79	Diversified MCO with large presence in Comm. and Medicaid and growing services business (Carelon)
HCA	M	411	417	2%	96	Largest publicly traded hospital in the US
HUM	O	271	341	26%	33	Top MA payer with growing services business (CenterWell)
MOH	O	194	220	13%	11	4th largest Medicaid payer -- membership is 83% Medicaid enrollees as a percent of total enrollment (i.e., Medicaid+MA+HIX)
AGL	M	0.89	1.4	57%	0.4	VBC enablement and provider network
UNH	O	359	433	21%	324	Largest private MCO with diversified presence. Leading VBC provider with Optum Health. OptumRx is 3rd largest PBM in the US. OptumInsight leading software and analytics company.

Source: Company data, Bloomberg, and Bernstein estimates and analysis
As of 10/13/2024

UNH = Top Pick; \$433 TP; 21% Implied Upside



Source: Bloomberg, Company data and Bernstein analysis

U.S. Healthcare Services Teach-in Series

Healthcare Disruption	Oct 3, 2025	REPLAY , SLIDES
Hospital and Surgery Centers	Sept 5, 2025	REPLAY , SLIDES
History and Future of U.S. healthcare	Aug 21, 2025	REPLAY , SLIDES
Pharmacy, PBM, Drug Supply Chain	July 24, 2025	REPLAY , SLIDES
Employer	July 10, 2025	REPLAY , SLIDES
Medicare Advantage	June 20, 2025	REPLAY , SLIDES
Medicaid	June 6, 2025	REPLAY , SLIDES
Optum Health	May 16, 2025	REPLAY , SLIDES
ELV and the Blues	Dec 17, 2024	REPLAY , SLIDES
UNH	Sept 13, 2024	REPLAY , SLIDES
Medicaid & Individual	Aug 29, 2024	REPLAY , SLIDES
Medicare Advantage	Aug 22, 2024	REPLAY , SLIDES
Value Based Care	July 25, 2024	REPLAY , SLIDES
PBM	July 11, 2024	REPLAY , SLIDES
Managed Care	June 27, 2024	REPLAY , SLIDES

Source: Bernstein analysis

Ticker Table

Ticker	Rating	13 Oct 2025		Price Target	TTM Rel. Perf.	Adjusted EPS				Adjusted P/E (x)		
		Cur	Closing Price			Cur	2024A	2025E	2026E	2024A	2025E	2026E
AGL	M	USD	0.89	1.40	(86.8)%	USD	(0.62)	(0.56)	(0.38)	(1.4)	(1.6)	(2.4)
CNC	O	USD	36.36	36.00	(64.2)%	USD	7.17	1.76	3.11	5.1	20.6	11.7
CI	M	USD	295.41	346.00	(30.1)%	USD	27.33	29.64	32.16	10.8	10.0	9.2
CVS	M	USD	78.44	77.00	3.3%	USD	5.42	6.22	6.61	14.5	12.6	11.9
ELV	O	USD	351.42	445.00	(44.4)%	USD	33.04	30.04	34.13	10.6	11.7	10.3
HCA	M	USD	410.68	417.00	(10.3)%	USD	21.96	25.63	29.52	18.7	16.0	13.9
HUM	O	USD	271.00	341.00	(9.4)%	USD	16.22	17.05	13.20	16.7	15.9	20.5
MOH	O	USD	194.27	220.00	(55.6)%	USD	22.65	18.92	21.09	8.6	10.3	9.2
UNH	O	USD	358.66	433.00	(54.5)%	USD	27.66	16.06	18.64	13.0	22.3	19.2
SPX			6,654.72									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

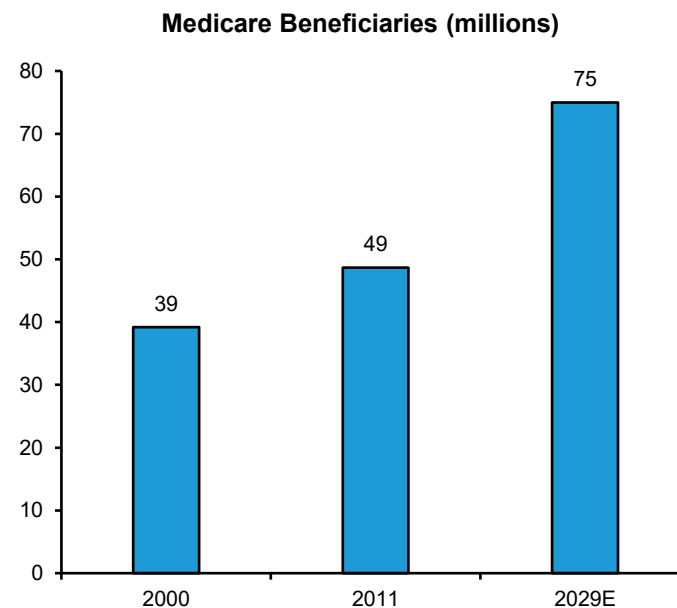
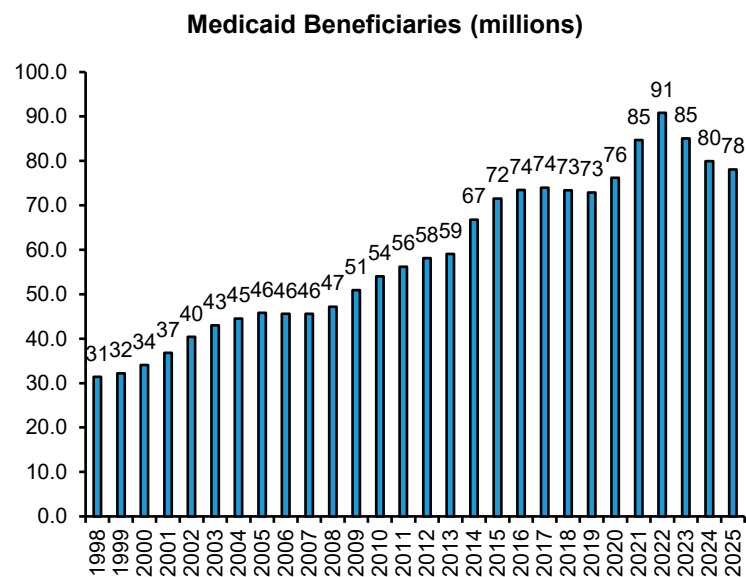
Source: Bloomberg, Bernstein estimates and analysis.

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Appendix: Growth in government programs

Government has grown from less than ¼ to nearly ½ of health insurance, driven by Medicaid growth



Source: CMS, NHE, and Bernstein analysis

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Neutral (Autonomous Brand)					
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