KAISER FOUNDATION HEALTH PLAN, INC., KAISER FOUNDATION HOSPITALS AND EACH OF THEIR SUBSIDIARIES AND AFFILIATES

Combined Financial Statements

December 31, 2025 and 2024

(With Independent Auditors' Reports Thereon)

KAISER FOUNDATION HEALTH PLAN, INC.,
KAISER FOUNDATION HOSPITALS AND
EACH OF THEIR SUBSIDIARIES AND AFFILIATES

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Kaiser Foundation Health Plan, Inc., Kaiser Foundation Hospitals and each of their Subsidiaries and Affiliates:	
Combined Balance Sheets	3
Combined Statements of Operations and Changes in Net Worth	4
Combined Statements of Cash Flows	5
Notes to Combined Financial Statements	6

KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report

The Boards of Directors
Kaiser Foundation Health Plan, Inc.,
Kaiser Foundation Hospitals and Subsidiaries and Affiliates:

Opinion

We have audited the combined financial statements of Kaiser Foundation Health Plan, Inc., Kaiser Foundation Hospitals and each of their Subsidiaries and Affiliates (Health Plans and Hospitals), which comprise the combined balance sheets as of December 31, 2025 and 2024, and the related combined statements of operations and changes in net worth, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Health Plans and Hospitals as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Health Plans and Hospitals and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Health Plans' and Hospitals' ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a

KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Health Plans' and Hospitals' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Health Plans' and Hospitals' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

San Francisco, California
February 13, 2026

KAISER FOUNDATION HEALTH PLAN, INC.,
KAISER FOUNDATION HOSPITALS AND
EACH OF THEIR SUBSIDIARIES AND AFFILIATES

Combined Balance Sheets

December 31, 2025 and 2024

(In millions)

Assets	**2025**	**2024**
Current assets:		
Cash and cash equivalents	$ 2,456	$ 2,071
Current investments	9,318	9,859
Securities lending collateral	1,897	2,021
Broker receivables	702	163
Accounts receivable – net	6,159	6,458
Inventories – net and other current assets	2,942	2,759
Total current assets	23,474	23,331
Noncurrent investments	60,829	54,365
Land, buildings, equipment, and software – net	35,842	34,303
Pension and other retirement benefits asset	9,683	7,112
Operating lease right-of-use assets	1,279	1,272
Other long-term assets	2,221	2,646
Total assets	$ 133,328	$ 123,029
Liabilities and Net Worth		
Current liabilities:		
Accounts payable and accrued expenses	$ 6,415	$ 6,996
Medical claims payable	3,728	3,609
Due to associated medical groups	1,631	1,248
Payroll and related charges	3,816	3,441
Securities lending payable	1,897	2,021
Broker payables	1,148	418
Other current debt	57	413
Other current liabilities	4,216	4,053
Total current liabilities	22,908	22,199
Long-term debt	13,457	12,747
Physicians' retirement plan liability	9,388	8,814
Operating lease liabilities	1,037	1,035
Other long-term liabilities	4,202	4,174
Total liabilities	50,992	48,969
Net worth	82,336	74,060
Total liabilities and net worth	$ 133,328	$ 123,029

See accompanying notes to combined financial statements.

KAISER FOUNDATION HEALTH PLAN, INC.,
KAISER FOUNDATION HOSPITALS AND
EACH OF THEIR SUBSIDIARIES AND AFFILIATES

Combined Statements of Operations and Changes in Net Worth

Years ended December 31, 2025 and 2024

(In millions)

	2025	2024
Revenues:		
Members' dues	$ 79,331	$ 74,051
Medicare Advantage	30,834	28,422
Patient service revenue and other	17,521	13,277
Total operating revenues	127,686	115,750
Expenses:		
Medical services	57,423	54,606
Hospital services	35,615	31,415
Outpatient pharmacy and optical services	15,298	13,730
Other benefit costs	10,984	9,775
Total medical and hospital services	119,320	109,526
Health Plan administration	6,965	5,655
Total operating expenses	126,285	115,181
Operating income	1,401	569
Other income and expense:		
Investment income – net	6,633	4,044
Interest expense and other income (expense) – net	1,225	1,484
Gain from acquisitions	66	6,808
Total other income and expense	7,924	12,336
Net income	9,325	12,905
Change in pension and other retirement plans	(1,237)	1,834
Change in net unrealized gains on investments	208	(465)
Other	(20)	258
Change in net worth	8,276	14,532
Net worth at beginning of year	74,060	59,528
Net worth at end of year	$ 82,336	$ 74,060

See accompanying notes to combined financial statements.

KAISER FOUNDATION HEALTH PLAN, INC.,

KAISER FOUNDATION HOSPITALS AND

EACH OF THEIR SUBSIDIARIES AND AFFILIATES

Combined Statements of Cash Flows

Years ended December 31, 2025 and 2024

(In millions)

	2025	2024
Cash flows from operating activities:		
Net income	$ 9,325	$ 12,905
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and software amortization	3,301	3,099
Other amortization	146	106
Gain recognized on investments – net	(4,680)	(2,516)
Gain from acquisitions	(66)	(6,808)
Loss on land, buildings, equipment, and software – net	45	67
Releases of restricted donations	(19)	(28)
Changes in assets and liabilities:		
Accounts receivable – net	317	(524)
Other assets	(137)	13
Accounts payable and accrued expenses	(661)	294
Medical claims payable	119	90
Due to associated medical groups	343	190
Payroll and related charges	375	344
Pension and other retirement liabilities	(3,758)	(727)
Physicians' retirement plan liability	524	566
Other liabilities	250	387
Net cash provided by operating activities	5,424	7,458
Cash flows from investing activities:		
Additions to land, buildings, equipment, and software	(4,785)	(3,661)
Proceeds from investments	36,254	38,221
Investment purchases	(37,067)	(42,143)
Decrease (Increase) in securities lending collateral	124	(718)
Broker receivables / payables	191	198
Issuance of notes receivable	(5)	(5)
Prepayment and repayment of notes receivable	46	75
Cash from acquisitions	—	700
Other investing	4	(8)
Net cash used in investing activities	(5,238)	(7,341)
Cash flows from financing activities:		
Issuance of debt	920	626
Prepayment and repayment of debt	(525)	(647)
Increase (decrease) in securities lending payable	(124)	718
Other financing	(72)	10
Net cash provided by financing activities	199	707
Net change in cash and cash equivalents	385	824
Cash and cash equivalents at beginning of year	2,071	1,247
Cash and cash equivalents at end of period	$ 2,456	$ 2,071
Supplemental cash flows disclosure:		
Cash paid for interest – net of capitalized amounts	$ 419	$ 397
Noncash changes in accounts payable related to purchases of fixed assets	$ 80	$ —

See accompanying notes to combined financial statements.

(1) Description of Business

The accompanying combined financial statements include Kaiser Foundation Health Plan, Inc. and consolidated subsidiaries and affiliates (Health Plans) and Kaiser Foundation Hospitals and consolidated subsidiaries and affiliates (Hospitals) (collectively referred to herein as Health Plans and Hospitals). Health Plans and Hospitals is primarily comprised of not-for-profit corporations whose capital is available for charitable, educational, research, and related purposes.

Health Plans is primarily comprised of health maintenance organizations that are generally exempt from federal and state income taxes. At December 31, 2025 and 2024, membership was 12.5 million and 12.4 million, respectively. At December 31, 2025 and 2024, the percentage of enrolled membership in California was approximately 76% and 75%, respectively. The principal operating subsidiaries of Kaiser Foundation Health Plan, Inc. (Health Plan, Inc.) are:

Kaiser Foundation Health Plan of Colorado

Kaiser Foundation Health Plan of Georgia, Inc.

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.

Kaiser Foundation Health Plan of the Northwest

Kaiser Foundation Health Plan of Washington

Independent Medical Groups (Medical Groups) cooperate with Health Plans and Kaiser Foundation Hospitals in conducting the Kaiser Permanente Medical Care Program. Health Plans contracts with Kaiser Foundation Hospitals and the Medical Groups to provide or arrange hospital and medical services for members. Kaiser Foundation Hospitals also contracts with the Medical Groups for certain professional services. Contract payments to the Medical Groups represent a substantial portion of the expenses for medical services reported in these combined financial statements. Payments from Health Plans and Kaiser Foundation Hospitals constitute substantially all of the revenues for the Medical Groups. Because the Medical Groups are independent and not controlled by Health Plans and Kaiser Foundation Hospitals, their financial statements are not combined or consolidated with Health Plans and Hospitals.

Risant Health, Inc., a consolidated affiliate of Kaiser Foundation Hospitals, is a not-for-profit organization that exists to expand and accelerate the adoption of value-based care in diverse, multi-payer, multi-provider, and community-based health system environments. As described in the *Acquisitions and Joint Venture Agreement* footnote, on March 31, 2024, Geisinger Health and its subsidiaries (collectively Geisinger) became the first health system to join Risant Health, Inc. and on December 1, 2024, The Moses H. Cone Memorial Hospital and its affiliates (collectively Cone Health) became the second health system to join Risant Health, Inc. (all together referred to as Risant Health). At December 31, 2025, membership for health systems within Risant Health was 0.5 million.

At December 31, 2025 and 2024, the percentage of Health Plans and Kaiser Foundation Hospitals' total labor force covered under collective bargaining agreements was approximately 75% and 74%, respectively.

At December 31, 2025, approximately 16% of the workforce was covered under collective bargaining agreements that were scheduled to expire within one year. At December 31, 2025, approximately 23% of the workforce was under an expired agreement, and less than 1% of the workforce was organizing and negotiating an agreement.

In January 2026, labor unions representing approximately 14% of the workforce initiated an open-ended work stoppage primarily impacting Southern California hospital facilities. Management remains actively engaged with union representatives to reach agreements. While the outcome of the negotiations cannot be predicted with certainty, Health Plans and Kaiser Foundation Hospitals do not expect the resolution to result in retroactive adjustments impacting the year ended December 31, 2025.

Health Plans and Hospitals strives to improve the health and welfare of the communities it serves through its Community Benefit investment programs. Community Benefit expenditures provide funding for programs that serve communities through research, community-based health partnerships, the provision of charity care to low-income patients, direct health coverage for low-income families, and collaboration with community clinics, health departments, and public hospitals.

Cost-based methods are used to account for losses incurred under the care and coverage by members and patient types qualifying for treatment as Community Benefit. Assigned members and patients must first prove eligibility based upon family income relative to the Federal Poverty Guidelines. Certain Community Benefit costs are determined using the out-of-pocket costs directly billed to patients or a cost-to-charge ratio applied to uncompensated charges associated with care provided to these patients.

For the year ended December 31, 2025, Community Benefit expenditures (at cost, net of approximately $9.0 billion of related revenues) were $5.3 billion, representing 4.2% of operating revenues. In comparison, for the year ended December 31, 2024, Community Benefit expenditures (at cost, net of approximately $8.4 billion of related revenues) were $4.6 billion, representing 4.0% of operating revenues.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are presented on a combined basis due to the operational interdependence of Health Plan, Inc. and Kaiser Foundation Hospitals and because their governing boards and management consist of substantially the same individuals. These combined financial statements have been prepared in accordance with GAAP. All material intercompany balances and transactions have been eliminated. Management has evaluated subsequent events through February 13, 2026, which is the date that these combined financial statements were issued.

(b) Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing deposits purchased with an original or remaining maturity of three months or less. Cash and cash equivalents held by outside investment managers are classified as investments. Cash, cash equivalents, and investments that are restricted per contractual or regulatory requirements are classified as noncurrent investments.

(c) Investments

Investments including equity, U.S. Treasury, government agencies, money market funds, and other marketable debt securities are reported at fair value. Investments are categorized as current assets if they are designated to be available to satisfy current liabilities. Alternative investments are reported under the equity method. Certain investments are illiquid and are valued based on the most current information available. Impairment and recognized gains and losses, which are recorded on the specific identification basis, and interest, dividend income, and income from equity method alternative investments are included in investment income – net. Health Plans and Hospitals, excluding Risant Health, has designated a portion of its investments for the physicians' retirement plan liability related to defined retirement benefits provided for physicians associated with certain Medical Groups. These investments are unrestricted assets of Health Plans and Hospitals, excluding Risant Health. A portion of investment income that represents the expected return on the investments designated for the physicians' retirement plan has been recorded as a reduction in the provision for physicians' retirement plan benefits within interest expense and other income (expense) – net and is excluded from investment income – net, as described in the *Physicians' Retirement Plan* note.

Investments are regularly reviewed for impairment and a charge is recognized when the fair value is below cost basis. In its review of assets for impairment, management generally follows these guidelines:

- Substantially all investments are managed by outside investment managers who do not need Health Plans and Hospitals management preapproval for sales; therefore, substantially all declines in value below cost are recognized as impairment. Changes in estimated value for equity method alternative investments and equity investments that do not result in consolidation, are recognized in investment income – net. Therefore, these investments do not typically require impairment.
- For other securities, losses are recognized for known matters, such as bankruptcies, regardless of ownership period, and investments that have been continuously below book value for an extended period of time are evaluated for impairment.

All other unrealized losses and all unrealized gains on fixed income securities are included as changes in net worth.

Interest income is calculated under the effective interest method and included in investment income – net. Dividends are included in investment income – net on the ex-dividend date, which immediately follows the record date.

Health Plans and Hospitals investment transactions are recorded on a trade date basis.

(d) Securities Lending Collateral and Payable

Health Plans and Hospitals enters into securities lending agreements whereby certain securities from its portfolios are loaned to other institutions. Securities lent under such agreements remain in the portfolios of Health Plans and Hospitals. Health Plans and Hospitals receives a fee from the borrower under these agreements, which is recognized ratably over the period that the securities are lent.

Collateral, primarily cash, is required at a rate of 102% of the fair value of securities lent and is carried as securities lending collateral. The obligation of Health Plans and Hospitals to return the cash collateral is carried as securities lending payable. The fair value of securities lending collateral is determined using level 1 or 2 inputs as appropriate, as defined in the *Summary of Significant Accounting Policies – Fair Value Estimates* note. The fair value of the loaned securities is monitored on a daily basis, with additional collateral obtained or refunded as the fair value of the loaned securities fluctuates.

(e) Broker Receivables and Payables

Broker receivables and payables represent current amounts for unsettled securities sales or purchases.

(f) Accounts Receivable – Net

Accounts receivable – net are comprised of members' dues, Medicare receivables, patient receivables, pharmacy receivables, and other receivables.

(g) Inventories – Net

Inventories – net are carried at the lower of cost (generally first-in, first-out, or average price) or net realizable value.

(h) Land, Buildings, Equipment, and Software – Net

Land, buildings, equipment, and software – net are stated at cost less accumulated depreciation and amortization. Software, which includes internal and external costs incurred in developing or obtaining computer software for internal use, is capitalized. Qualifying costs incurred during the application development stage are capitalized. Interest is capitalized on facilities construction and internally developed software work in progress and is added to the cost of the underlying asset.

Depreciation and amortization begin when the project is substantially complete and ready for its intended use. Software is amortized on a straight-line basis over the estimated useful lives, generally ranging from three to seven years. Buildings and equipment are depreciated on a straight-line basis over the estimated useful lives of the various classes of assets, generally ranging from 3 to 40 years.

Management evaluates alternatives for delivering services that may affect the current and future utilization of existing and planned assets and could result in an adjustment to the carrying values or remaining lives of such land, buildings, equipment, and software in the future. Management evaluates and records impairment losses or adjusts remaining lives, where applicable, based on expected utilization, projected cash flows, and recoverable values.

Maintenance and repairs are expensed as incurred. Major improvements that increase the estimated useful life of an asset are capitalized. Upon the sale or retirement of assets, recorded cost and related accumulated depreciation are removed from the accounts, and any gain or loss on disposal is reflected in operations.

Management estimates the fair value of asset retirement obligations that are conditional on a future event if the amount can be reasonably estimated. Estimates are developed through the identification of applicable legal requirements, identification of specific conditions requiring incremental cost at time of asset disposal, estimation of costs to remediate conditions, and estimation of remaining useful lives or date of asset disposal.

(i) Medical Claims Payable

The cost of health care services is recognized in the period in which services are incurred. Medical claims payable consists of unpaid health care expenses to third party providers, which include an estimate of the cost of services provided to Health Plans' and Risant Health's members by the third party providers that have been incurred but not reported. The estimate for incurred but not reported claims is based on actuarial projections of costs using historical paid claims and other relevant data. Estimates are monitored and reviewed and, as claim payments are received, adjudicated, and paid, estimates are revised and are reflected in current operations. Such estimates are subject to actual utilization of medical services, changes in membership and product mix, claim submission and processing patterns, medical inflation, and other relevant factors. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided.

(j) Due to Associated Medical Groups

Due to associated medical groups consists primarily of unpaid medical expenses owed to the Medical Groups for medical services provided to members under medical services agreements with Health Plans. The cost of medical services is recognized by Health Plans in the period in which services are provided and is reflected as a component of medical and hospital services expenses.

(k) Self-Insured Risks

Costs associated with self-insured risks, primarily for professional, general, and workers' compensation liabilities, are charged to operations based upon actual and estimated claims. The portion estimated to be paid during the next year is included in current liabilities. The estimate for incurred but not reported self-insured claims is based on actuarial projections of costs using historical claims and other relevant data. Estimates are monitored and reviewed and, as settlements are made or estimates are revised, adjustments are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate payments for self-insured claims are dependent on future developments, management is of the opinion that the reserve for self-insured risks is adequate. Insurance coverage, in excess of the per occurrence self-insured retention, has been secured with insurers or reinsurers for specified amounts for professional, general, and workers' compensation liabilities. The limit and scope of the self-insured layer and the amounts of excess insurance purchased are reviewed each year, subject to management's analysis of actuarial loss projections and the price and availability of acceptable commercial insurance.

(l) Premium Deficiency Reserves

Premium deficiency reserves and the related expense are recognized when it is probable that expected future health care and maintenance costs under a group of existing contracts will exceed anticipated future premiums over the contract period. If applicable, premium deficiency reserves extending beyond one year are shown as a long-term liability. Expected investment income and interest expense are included in the calculation of premium deficiency reserves, as appropriate. The level at which contracts are grouped for evaluation purposes is generally by geographic region. The methods for making such estimates and for establishing the resulting reserves are reviewed and estimates are periodically updated, and any resulting adjustments are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ from the calculated amount. At December 31, 2025 and 2024, premium deficiency reserves were not material.

(m) Derivative Financial Instruments

Derivative financial instruments are utilized primarily to manage the interest costs and the risk associated with changing interest rates. Health Plans and Hospitals enters into interest rate swaps with investment or commercial banks with significant experience with such instruments. The changes in the fair value of these derivative instruments are included in investment income – net and settlement costs are recorded as interest expense or investment income – net.

Derivative financial instruments are utilized by Health Plans and Hospitals' investment portfolio managers. These instruments include futures, forwards, options, and swaps. The changes in fair value for these derivative financial instruments are included in investment income – net.

(n) Revenue Recognition

Revenues from contracts with customers include revenues from members' dues, Medicare Advantage, patient services, and other revenues. Health Plans and Hospitals recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Health Plans and Hospitals expects to be entitled in exchange for those goods or services. At contract inception, Health Plans and Hospitals assesses the promised goods or services in the contract and identifies the performance obligation for each promise to transfer a good or service (or bundle of goods or services) that is distinct. Revenue is recognized when performance obligations are satisfied by transferring control of the good or service provided. For the majority of Health Plans and Hospitals operations, the primary performance obligation is to provide access to health care services over time. A time-elapsed output method is used for revenue recognition to measure progress because Health Plans and Hospitals transfers promised services by providing access to health care services over the period that the member is entitled to the services.

Determining a measure of progress requires management to make judgments that affect the timing of revenue recognized. Health Plans and Hospitals has determined that the above method provides a faithful depiction of the transfer of goods or services to the customer. Health Plans and Hospitals stands ready to provide coverage for health care services as needed and efforts are expended evenly throughout the period.

The consideration received for goods and services may include variable components. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For the majority of operations, Health Plans and Hospitals generally collects payments for contracts with customers in advance of the services provided or in the month due, thus a collectibility assessment is typically not required.

Members' Dues

Members' dues generally include amounts received from employer groups, individuals, and government entities other than Medicare. The service promised is access to health care services for a typical term of one year. Members' dues are generally based on a prepaid fee and billed on a monthly, fixed, per member per month basis.

Significant variable consideration includes the Affordable Care Act (ACA) Risk Adjustment Program. The ACA Risk Adjustment Program provides for retrospective adjustment of revenue for non-grandfathered individual and small group market plans, whether inside or outside ACA exchanges. The ACA Risk Adjustment Program is designed such that payments to plans with higher relative risk are funded by transfers from plans with lower relative risk. For the years ended December 31, 2025 and 2024, net revenue reductions to members' dues related to the ACA Risk Adjustment Program were $819 million and $889 million, respectively. At December 31, 2025 and 2024, net payables for Risk Adjustment settlements were $891 million and $883 million, respectively. Receivables are recorded in accounts receivable – net and payables are recorded in accounts payable and accrued expenses on the combined financial statements.

Medicare Advantage

Medicare Advantage revenues include amounts received from government entities for coverage of Health Plans and Hospitals' Medicare members under Medicare Advantage programs. Medicare products, including the Medicare Advantage Program (Part C) plans with and without prescription drug coverage and Medicare supplemental products are provided to members. The majority of Medicare revenue is received from Part C. Medicare revenues are based on contracts to provide access to health care services to enrolled Medicare recipients.

Revenues for Part C plans include monthly capitated payments made from the Centers for Medicare & Medicaid Services (CMS), which vary based on member health status, demographic status, and other factors.

Revenues for Medicare also include a voluntary prescription drug benefit (Part D). Revenues for Part D include monthly capitated payments made from CMS, which are adjusted for health risk factor scores. Revenues for Part D also include amounts to reflect a portion of the health care costs for low-income Medicare beneficiaries and a risk-sharing arrangement to limit the exposure to unexpected expenses.

Medicare Part C and D revenue is subject to governmental audits and potential payment adjustments. CMS audit methodologies continue to evolve, creating uncertainty in audit results for payment years 2019 and after.

Significant variable consideration includes Medicare Part C and D adjustments related to annual settlements from CMS, changes in members risk scores, member demographics, and data reconciliations.

For the year ended December 31, 2024, $1.6 billion of Medicare fee-for-service related revenues have been reclassified from Medicare Advantage to patient service revenue and other on the combined statements of operations and changes in net worth to conform to the 2025 presentation.

Patient Service Revenue and Other

These revenues primarily include services provided to members and non-members that are reimbursed to Health Plans and Hospitals on a fee-for-service basis. Services are generally provided upfront and subsequently billed to outside payors including government entities (Medicare and Medicaid), insurance companies, employer groups, and individuals. Some amounts are collected at the point of service for copays and deductibles as part of members' contractual cost share and may be fixed per unit/service or vary based on venue of care, coverage, and/or whether certain maximum out of pocket or deductible thresholds have been met.

Patient services provided to members and non-members include medical (hospital and professional), pharmacy, optical and other services. These revenues are generally based on standard gross charges for services provided, reduced by explicit contractual adjustments and implicit price concessions. Estimates of explicit and implicit price concessions are determined based on historical data which considers experience, market conditions, and other factors. If actual amounts of consideration ultimately received differ from the estimates, these estimates are adjusted, which would affect revenues in the period such variances become known.

Disaggregation of Revenue

For the years ended December 31, revenue disaggregated by Health Plans and Hospitals' geographical markets outside of Risant Health, and Risant Health were as follows (in millions):

	2025	2024
Geographical Markets:		
Northern California	$ 45,788	$ 43,206
Southern California	42,422	39,953
Colorado	4,608	4,419
Georgia	2,643	2,548
Hawaii	2,337	2,217
Mid-Atlantic	6,072	5,956
Northwest	5,681	5,510
Washington	4,972	4,907
Other	557	627
Total geographical markets	115,080	109,343
Risant Health[1]	12,606	6,407
Total operating revenues	$ 127,686	$ 115,750

[1]Risant Health has operations in Pennsylvania and North Carolina. For the years ended December 31, 2025 and 2024, approximately 72% and 96% of Risant Health's operating revenues, respectively, were attributable to Pennsylvania, with the remainder attributable to North Carolina.

Health Plans and Hospitals earns substantially all of its revenues from contracts with customers.

Contract Asset / Liability Balances

Health Plans and Hospitals generally satisfies its performance obligation when it provides access to health care services in exchange for consideration from its customers. The timing of Health Plans and Hospitals performance may differ from the timing of the customer's payment, which may result in the recognition of a contract asset or a contract liability. At both December 31, 2025 and 2024, there were no material contract assets with customers.

At December 31, Health Plans and Hospitals contract liabilities, recorded in other current liabilities, were as follows (in millions):

	2025	2024
Opening (January 1)	$ 1,216	$ 1,029
Closing balance	1,401	1,216
Increase	$ 185	$ 187

For the years ended December 31, 2025 and 2024, the majority of both contract liability balances at January 1, 2025 and 2024 of $1.2 billion and $1.0 billion, respectively, were recognized.

Practical Expedients

Health Plans and Hospitals has elected the following significant practical expedient:

- *Incremental costs of obtaining a contract:* Health Plans and Hospitals has elected to recognize the incremental costs of obtaining a contract (primarily brokerage commissions) as an expense when incurred as the time period of most contracts with customers is one year or less and renewal commission rates are commensurate with new commission rates.

Remaining Performance Obligations

The remaining performance obligations greater than one year relate to contracts with customers in which the transaction price is not yet determinable for future years as the members' dues rate has not yet been negotiated and is also dependent on membership volume. For the years ended December 31, 2025 and 2024, the amount of revenues from contracts with customers with performance obligations greater than one year was $4.7 billion and $4.5 billion, respectively.

(o) Pension and Other Postretirement Benefits

Defined benefit pension and other postretirement benefit plans are actuarially evaluated and involve various assumptions. Critical assumptions include the discount rate and the expected rate of return on plan assets, and the rate of increase for health care costs (for postretirement benefit plans other than pension), which are important elements of expense and/or liability measurement. Other assumptions involve demographic factors such as retirement age, mortality, turnover, and the rate of compensation increases. Assumptions are evaluated annually, or when significant plan amendments occur, and modified as appropriate. Pension and other postretirement costs are allocated over the service period of the employees in the plans. The non-service cost components of net benefit expense for pension, other postretirement benefits, and the physicians' retirement plan are included in interest expense and other income (expense) – net.

A discount rate is used to determine the present value of the future benefit obligations. The discount rate is established based on the development of a sample bond portfolio consisting of high quality corporate bonds. From this portfolio, a spot rate curve is interpolated and used to derive a single discount rate.

Differences between actual and expected plan experience and changes in actuarial assumptions, in excess of a 10% corridor around the larger of plan assets or plan liabilities, are recognized into benefits expense over the expected average future service of active participants. Prior service costs and credits that arise from plan amendments are amortized into postretirement benefits expense over the expected average future service to full eligibility of active participants and pension benefits expense over the expected future service of active participants.

(p) Donations and Grants Made or Received

Donations and grants made or received, that are contributions, are recognized at fair value in the period in which a commitment is made unconditionally, or in the period that conditions placed on the donations or grants are met. A condition is present if there is a barrier that the recipient must overcome to be entitled to the assets, and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists.

(q) Income Taxes

Health Plans and Hospitals is primarily comprised of not-for-profit corporations exempt from income taxes under Internal Revenue Code Section 501(a) as organizations described in section 501(c)(3) and the laws of the states in which they operate. Accordingly, Health Plans and Hospitals is generally not subject to federal or state income taxes. Health Plans and Hospitals is subject to income taxes on unrelated business income. A limited number of Health Plans and Hospitals' affiliates are for profit entities and are subject to income taxes. For the years ended December 31, 2025 and 2024, no significant income tax provision has been recorded.

(r) Use of Estimates

The preparation of these combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts. Estimated fair value and impairment of investments; fair value of assets acquired and liabilities assumed via acquisition; Medicare revenue accruals; incurred but not reported medical claims payable; physicians' retirement plan liabilities; pension and other retirement plans; self-insured professional liabilities; self-insured general and workers' compensation liabilities; land, buildings, equipment, and software impairment and useful lives; and certain amounts accrued related to the ACA Risk Adjustment Program represent significant estimates. Actual results could differ materially from those estimates.

(s) Fair Value Estimates

The carrying amounts reported in the combined balance sheets for cash and cash equivalents, securities lending collateral, broker receivables, accounts receivable – net, accounts payable and accrued expenses, medical claims payable, due to associated medical groups, payroll and related charges, securities lending payable, and broker payables approximate fair value.

Investments, other than alternative investments, as discussed in the *Investments* note, are reported at fair value. The fair values of investments are based on quoted market prices, if available, or estimated using quoted market prices for similar investments. If listed prices or quotes are not available, fair value is based upon other observable inputs or models that primarily use market-based or independently sourced market parameters as inputs. In addition to market information, models incorporate transaction details such as timing of cash flows, including maturity. Fair value adjustments, including credit, liquidity, and other factors, are included, as appropriate, to arrive at a fair value measurement.

Health Plans and Hospitals utilizes a three-level valuation hierarchy for fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. For instruments classified in level 1 of the hierarchy, valuation inputs are quoted prices for identical instruments in active markets at the measurement date. For instruments classified in level 2 of the hierarchy, valuation inputs are directly observable but do not qualify as level 1 inputs. Examples of level 2 inputs include: quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; other observable inputs such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates; and market-correlated inputs that are derived principally from or corroborated by observable market data. For instruments classified in level 3 of the hierarchy, valuation inputs are unobservable inputs for the instrument. Level 3 inputs incorporate assumptions about the factors that market participants would use in pricing the instrument.

At December 31, 2025 and 2024, Health Plans and Hospitals held derivative financial instruments including interest rate swaps, as well as futures, forwards, options, and swaps within investment portfolios. The estimated fair values of derivative instruments were determined using level 2 inputs, including available market information and valuation methodologies, primarily discounted cash flows. Additional description and the fair value of derivative instruments are contained in the *Derivative Instruments* note.

(t) Natural Classification of Expenses

For the years ended December 31, operating expenses classified by function in the combined statements of operations and changes in net worth are presented by their natural classifications as follows (in millions):

	2025					
	Salaries, wages, and benefits	Outside medical costs	Depreciation and software amortization	Pharmacy and supplies costs	Other operating expenses	Total operating expenses
Medical services	$ 7,495	$ 40,005	$ 1,166	$ 6,009	$ 2,748	$ 57,423
Hospital services	15,880	8,937	1,916	4,078	4,804	35,615
Outpatient pharmacy and optical services	2,507	742	97	11,513	439	15,298
Other benefit costs	913	9,456	22	256	337	10,984
Health Plan administration	2,258	—	100	130	4,477	6,965
Total operating expenses	$ 29,053	$ 59,140	$ 3,301	$ 21,986	$ 12,805	$ 126,285

	2024					
	Salaries, wages, and benefits	Outside medical costs	Depreciation and software amortization	Pharmacy and supplies costs	Other operating expenses	Total operating expenses
Medical services	$ 7,013	$ 37,947	$ 1,147	$ 5,704	$ 2,795	$ 54,606
Hospital services	13,887	8,490	1,736	3,162	4,140	31,415
Outpatient pharmacy and optical services	2,348	505	95	10,255	527	13,730
Other benefit costs	910	8,261	20	262	322	9,775
Health Plan administration	1,834	—	101	109	3,611	5,655
Total operating expenses	$ 25,992	$ 55,203	$ 3,099	$ 19,492	$ 11,395	$ 115,181

Some categories of natural class expenses are attributable to more than one function and require allocation, applied on a consistent basis. Outside medical costs include Medical Group costs and other outside medical costs. Property costs including depreciation are allocated on the basis of square footage. Indirect salaries and benefits are allocated on the basis of budgeted full time equivalent employees. Other expenses are assigned directly to specific functions as expenditures are made.

(u) Liquidity and Availability of Resources

Cash and cash equivalents, current investments, and accounts receivable – net, as reported on the combined balance sheets at December 31, 2025 and 2024, are the primary liquid resources used by Health Plans and Hospitals to meet general expenditure needs within the next year. As part of liquidity management, Health Plans and Hospitals' policy is to structure and manage its financial assets to be available to meet its general expenditure needs. Health Plans and Hospitals invests cash in excess of daily requirements in current investments. To help manage unanticipated liquidity needs, Hospitals has both a credit facility and commercial paper program, as described in the *Debt* note. Additionally, although intended to satisfy long-term obligations, 48% of noncurrent investments at December 31, 2025, could be utilized within the next year if necessary.

(v) Leases

Transactions give rise to leases when Health Plans and Hospitals receives substantially all the economic benefits from and has the ability to direct the use of specified property, plant, and equipment. Health Plans and Hospitals primarily has lessee activity that is classified as operating leases. Operating leases are included in operating lease right-of-use assets, other current liabilities, and operating lease liabilities in the combined balance sheets. Finance leases are included in land, buildings, equipment, and software – net, other current debt, and long-term debt in the combined balance sheets.

Right-of-use assets represent the right to use underlying assets for the lease term and lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, Health Plans and Hospitals uses the applicable incremental borrowing rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Health Plans and Hospitals has agreements with lease and non-lease components (such as common area maintenance), and generally has elected to account for the lease and non-lease components as a single lease component. For certain leases, such as service contracts with real estate and supply contracts with equipment leases, the lease and non-lease components are accounted for separately. Health Plans and Hospitals elected not to recognize right-of-use assets and lease liabilities that arise from short-term leases (i.e. leases with terms of 12 months or less).

(w) Reclassifications

Certain reclassifications have been made in these combined financial statements to conform 2024 information to the 2025 presentation.

(3) Acquisitions and Joint Venture Agreement

(a) Acquisitions of Geisinger and Cone Health

On March 31, 2024, and December 1, 2024, Risant Health, Inc. acquired and became the sole corporate member of Geisinger Health (the “Geisinger Transaction”) and The Moses H. Cone Memorial Hospital (the parent organization for the Cone Health system) (the “Cone Health Transaction”), respectively, through separate member substitution transactions. Both transactions were designed to accelerate value-based care with leading community-based health systems to deliver high-quality, equitable health outcomes.

Acquisition of Geisinger

Geisinger comprises a physician-led, integrated health services organization that has as its main components: (i) an array of health services providers, including seven wholly-controlled acute-care hospitals with multiple campuses, joint venture facilities, and a drug and alcohol treatment facility; (ii) multispecialty physician group practices; (iii) insurance operations, including a licensed health maintenance organization and a non-licensed, risk assuming Preferred Provider Organization; and (iv)

a community-based medical college and degree-granting institution. Geisinger operates across Pennsylvania, with the most concentrated presence in central and northeastern Pennsylvania, outside the major metropolitan areas.

Under the acquisition method of accounting, the Geisinger Transaction did not involve the payment of consideration and resulted in an excess of assets contributed over liabilities assumed and was recorded at fair value. The valuation of the assets contributed and liabilities assumed was based on estimated fair values at the date of the acquisition. The determination of the final fair values of assets contributed and liabilities assumed was complete as of June 30, 2024. Measurement period adjustments recorded after the acquisition date to reflect refinements in fair value estimates were not material. The final contributed fair value of net assets of $4.8 billion was recognized in the combined statements of operations and changes in net worth for the year ended December 31, 2024, and included a gain from acquisition of $4.6 billion within other income and expense and a donor restricted gain of $177 million within other changes in net worth.

The results of operations of Geisinger from the acquisition date of March 31, 2024 through December 31, 2024 are included in the combined statements of operations and changes in net worth for the year ended December 31, 2024, and include $6.1 billion of operating revenues, $47 million of net income, and $77 million of an increase in net worth.

Acquisition of Cone Health

Cone Health is a not-for-profit health care system serving the Piedmont Triad of North Carolina. Cone Health operates as an integrated network of health services and includes four acute care hospitals, a behavioral health facility, a doctor-led accountable care organization, and a Medicare Advantage plan.

Under the acquisition method of accounting, the Cone Health Transaction did not involve the payment of consideration and resulted in an excess of assets contributed over liabilities assumed and was recorded at fair value. The valuation of the assets contributed and liabilities assumed was based on estimated fair values at the date of the acquisition. The determination of the final fair values of assets contributed and liabilities assumed was complete as of March 31, 2025. The preliminary contributed fair value of net assets of $2.2 billion was recognized in the combined statements of operations and changes in net worth for the year ended December 31, 2024, and included a gain from acquisition of $2.2 billion within other income and expense and a donor restricted gain of $31 million within other changes in net worth. Measurement period adjustments recorded after the acquisition date to reflect refinements in fair value estimates were not material and were recognized in the combined statements of operations and changes in net worth for the year ended December 31, 2025 within gain from acquisition in other income and expense, and other changes in net worth.

The results of operations of Cone Health from the acquisition date of December 1, 2024 through December 31, 2024 are not material.

Acquired Assets, Assumed Liabilities, and Pro Forma Information

The following table presents the fair value of Geisinger and Cone Health assets acquired and liabilities assumed on March 31, 2024 and December 1, 2024, respectively (in millions):

Assets Acquired and Liabilities Assumed[1]	Geisinger Final Valuation	Cone Health Final Valuation
Cash and cash equivalents	$ 587	$ 113
Current investments	420	42
Accounts receivable	976	557
Other current assets	271	108
Noncurrent investments	3,045	1,434
Land, buildings, equipment, and software	1,960	1,091
Operating lease right-of-use assets	67	53
Other long-term assets	902	273
Accounts payable and accrued expenses	(327)	(136)
Medical claims payable	(314)	(21)
Payroll and related charges	(339)	(167)
Other current debt	(14)	(15)
Other current liabilities	(233)	(121)
Long-term debt	(1,511)	(694)
Operating lease liabilities	(52)	(44)
Other long-term liabilities	(632)	(161)
Total contributed net assets	$ 4,806	$ 2,312

[1]For purposes of the combined statements of cash flows, other than cash acquired, the acquisitions have been accounted for as non-cash transactions.

Acquired intangible assets, primarily comprised of member relationships and trade name, are recorded in other long-term assets on the combined balance sheets as of December 31, 2025 and 2024. Intangible assets acquired in the Geisinger Transaction were $403 million, of which $223 million is subject to amortization up to a period of 11 years. Intangible assets acquired in the Cone Health Transaction were $83 million, of which $23 million is subject to amortization up to a period of 10 years.

The unaudited pro forma financial information shown below summarizes the combined results of operations for Health Plans and Hospitals as if the closing of both the Geisinger Transaction and Cone Health Transaction had been reported as of January 1, 2023 (in millions):

	Year ended December 31, 2024
Operating revenues	$ 120,768
Net income	6,705
Change in net worth	8,098

The unaudited pro forma results include adjustments for the gains on acquisitions, amortization of acquired intangible assets, depreciation of the adjusted fair value of buildings, equipment, and software, other nonrecurring costs related to the transactions, and the change in interest expense from the fair value adjustments related to debt assumed. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been realized if the transactions had taken place on January 1, 2023.

(b) Joint Venture Agreement with Renown Health

On February 1, 2026, Health Plan, Inc. and Renown Health ("Renown") formed a joint venture that establishes a presence for Health Plans in northern Nevada. Health Plan, Inc. holds a controlling interest in and consolidates the joint venture with Renown that owns and operates Hometown Health (the health plan formerly operated by Renown) and a new outpatient care delivery system. Hometown Health provides a range of coverage options including commercial, Medicare Advantage, and individual and family plans for the northern Nevada community.

(4) Investments

Management's methods for estimating fair value of financial instruments are discussed in the *Summary of Significant Accounting Policies – Fair Value Estimates* note.

At December 31, 2025, the estimated fair value of current investments by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
U.S. equity securities	$ 942	$ —	$ —	$ 942
Foreign equity securities	24	—	—	24
Debt securities issued by the U.S. government	—	2,031	—	2,031
Debt securities issued by U.S. government agencies and corporations	—	17	—	17
Debt securities issued by U.S. states and political subdivisions of states	—	53	—	53
Foreign government debt securities	—	38	—	38
U.S. corporate debt securities	—	1,916	—	1,916
Foreign corporate debt securities	—	708	—	708
U.S. agency mortgage-backed securities	—	2,344	—	2,344
Non-U.S. agency mortgage-backed securities	—	252	—	252
Other asset-backed securities	—	805	—	805
Short-term investment funds	—	183	—	183
Other	—	5	—	5
Total	$ 966	$ 8,352	$ —	$ 9,318

At December 31, 2025, the estimated fair value of noncurrent investments by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
U.S. equity securities	$ 2,998	$ 1,946	$ —	$ 4,944
Foreign equity securities	1,596	16	—	1,612
Global equity funds	—	6,010	—	6,010
Debt securities issued by the U.S. government	—	7,935	—	7,935
Debt securities issued by U.S. government agencies and corporations	—	324	—	324
Debt securities issued by U.S. states and political subdivisions of states	—	13	—	13
Foreign government debt securities	—	6	—	6
U.S. corporate debt securities	—	430	—	430
Foreign corporate debt securities	—	31	—	31
U.S. agency mortgage-backed securities	—	1,159	—	1,159
Non-U.S. agency mortgage-backed securities	—	82	—	82
Other asset-backed securities	—	146	—	146
Short-term investment funds	—	2,230	—	2,230
Other	—	305	40	345
	$ 4,594	$ 20,633	$ 40	25,267
Alternative investments:				
Absolute return				5,537
Private equity				24,579
Real assets				5,446
Total				$ 60,829

At December 31, 2024, the estimated fair value of current investments by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
U.S. equity securities	$ 909	$ —	$ —	$ 909
Foreign equity securities	3	—	—	3
Debt securities issued by the U.S. government	—	2,618	—	2,618
Debt securities issued by U.S. government agencies and corporations	—	42	—	42
Debt securities issued by U.S. states and political subdivisions of states	—	43	—	43
Foreign government debt securities	—	33	—	33
U.S. corporate debt securities	—	2,043	—	2,043
Foreign corporate debt securities	—	705	—	705
U.S. agency mortgage-backed securities	—	2,117	—	2,117
Non-U.S. agency mortgage-backed securities	—	277	—	277
Other asset-backed securities	—	861	—	861
Short-term investment funds	—	202	—	202
Other	—	6	—	6
Total	$ 912	$ 8,947	$ —	$ 9,859

At December 31, 2024, the estimated fair value of noncurrent investments by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
U.S. equity securities	$ 3,212	$ 1,103	$ —	$ 4,315
Foreign equity securities	1,507	15	—	1,522
Global equity funds	—	4,712	—	4,712
Debt securities issued by the U.S. government	—	7,070	—	7,070
Debt securities issued by U.S. government agencies and corporations	—	335	—	335
Debt securities issued by U.S. states and political subdivisions of states	—	17	—	17
Foreign government debt securities	—	198	—	198
U.S. corporate debt securities	—	394	—	394
Foreign corporate debt securities	—	185	—	185
U.S. agency mortgage-backed securities	—	936	—	936
Non-U.S. agency mortgage-backed securities	—	11	—	11
Other asset-backed securities	—	133	—	133
Short-term investment funds	—	1,914	—	1,914
Other	—	497	35	532
	$ 4,719	$ 17,520	$ 35	22,274
Alternative investments:				
Absolute return				4,275
Private equity				22,553
Real assets				5,263
Total				$ 54,365

At December 31, 2025, available-for-sale debt and other securities were as follows (in millions):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Debt securities issued by the U.S. government	$ 9,821	$ 145	$ —	$ 9,966
Debt securities issued by U.S. government agencies and corporations	325	16	—	341
Debt securities issued by U.S. states and political subdivisions of states	64	2	—	66
Foreign government debt securities	43	1	—	44
U.S. corporate debt securities	2,280	66	—	2,346
Foreign corporate debt securities	708	31	—	739
U.S. agency mortgage-backed securities	3,395	108	—	3,503
Non-U.S. agency mortgage-backed securities	328	6	—	334
Other asset-backed securities	942	9	—	951
Short-term investment funds	2,413	—	—	2,413
Other	294	16	—	310
Total	$ 20,613	$ 400	$ —	$ 21,013

At December 31, 2024, available-for-sale debt and other securities were as follows (in millions):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Debt securities issued by the U.S. government	$ 9,649	$ 39	$ —	$ 9,688
Debt securities issued by U.S. government agencies and corporations	373	4	—	377
Debt securities issued by U.S. states and political subdivisions of states	59	1	—	60
Foreign government debt securities	221	10	—	231
U.S. corporate debt securities	2,384	53	—	2,437
Foreign corporate debt securities	862	28	—	890
U.S. agency mortgage-backed securities	3,017	36	—	3,053
Non-U.S. agency mortgage-backed securities	282	6	—	288
Other asset-backed securities	983	11	—	994
Short-term investment funds	2,116	—	—	2,116
Other	499	4	—	503
Total	$ 20,445	$ 192	$ —	$ 20,637

At December 31, available-for-sale debt and other securities by contractual maturity and mortgage-backed and other asset-backed debt securities were as follows (in millions):

	2025		2024	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$ 3,635	$ 3,655	$ 3,178	$ 3,190
Due after one year through five years	5,925	6,031	7,124	7,180
Due after five years through ten years	2,747	2,826	2,682	2,710
Due after ten years	3,641	3,713	3,179	3,222
U.S. agency mortgage-backed securities	3,395	3,503	3,017	3,053
Non-U.S. agency mortgage-backed securities	328	334	282	288
Other asset-backed securities	942	951	983	994
Total	$ 20,613	$ 21,013	$ 20,445	$ 20,637

The carrying value of alternative investments, which may include absolute return, real assets, and private equity, is reported under the equity method. The carrying value of alternative investments have been determined by management based on available data, including information provided by fund managers or

the general partners. The underlying securities within absolute return investments are typically valued using quoted prices for identical or similar instruments within active and inactive markets. The underlying holdings within private equity and real asset investments are valued based on recent transactions, operating results, and industry and other general market conditions. Certain investments are illiquid and are valued based on the most current information available, which may be less current than the date of these combined financial statements.

Absolute return investments use advanced investment strategies, including derivatives, to generate positive long-term risk adjusted returns. Real assets are defined as any economic resources that are directly used to create value, including investments within real estate, infrastructure, natural resources, and other tangible or intangible assets. Private equity investments consist of funds that make direct investments in private companies. Management meets with alternative investment fund managers periodically to assess portfolio performance and reporting and exercises oversight over fund managers. At December 31, 2025, Health Plans and Hospitals had original commitments related to alternative investments of $33.1 billion, of which $25.7 billion was invested, leaving $7.4 billion of remaining commitments. At December 31, 2024, Health Plans and Hospitals had original commitments related to alternative investments of $33.3 billion, of which $24.6 billion was invested, leaving $8.7 billion of remaining commitments.

For the years ended December 31, investment income – net was comprised of the following (in millions):

	2025	2024
Impairments	$ (78)	$ (274)
Recognized gains	1,019	1,648
Recognized losses	(180)	(181)
Income from equity method alternative investments	3,887	2,126
Change in fair value from equity investments	1,342	254
Interest, dividends, and other income – net	1,335	1,154
Derivative gain	3	26
Total investment income – net	7,328	4,753
Less investment income included in interest expense and other income (expense) – net	(695)	(709)
Investment income – net	$ 6,633	$ 4,044

Absolute return, real assets, and private equity investments include redemption restrictions. Absolute return investments require 10 to 90 day written notice of intent to withdraw and are often subject to the approval and capital requirements of the fund manager. At December 31, 2025, absolute return investments of $2.8 billion were subject to lock-up periods of up to four years. Real assets and private equity investments do not include provisions for redemption. Distributions will be received as the underlying investments of the funds are liquidated, which is expected over the next 11 years.

The majority of debt and equity securities or funds can be redeemed within 10 days. At December 31, 2025, equity investment funds of $4.2 billion were redeemable between 10 and 30 days. At December 31,

2025, equity investment funds of $1.3 billion were redeemable between 30 days and one year. At December 31, 2025, equity investment funds of $558 million require a redemption period of greater than one year.

(5) Derivative Instruments

(a) Interest Rate Swaps

At both December 31, 2025 and 2024, Health Plans and Hospitals had 23 agreements to manage interest rate fluctuations (Interest Rate Swaps) with a total notional amount of $1.8 billion and $1.9 billion, respectively. At December 31, 2025 and 2024, the fair values of these agreements were $(62) million and $(74) million, respectively, and were recorded in other long-term liabilities. For the years ended December 31, 2025 and 2024, Health Plans and Hospitals recorded $7 million and $0 million, respectively, in interest expense relating to the Interest Rate Swaps. For the years ended December 31, 2025 and 2024, net changes in fair values totaled $12 million and $2 million, respectively, and were recorded in investment income – net.

These derivatives contain reciprocal provisions whereby if Health Plans and Hospitals' or the counterparties' credit rating was to decline to certain levels, provisions would be triggered requiring Health Plans and Hospitals or the counterparties to provide certain collateral. At December 31, 2025 and 2024, no collateral was required to be posted by either Health Plans and Hospitals or the counterparties.

(b) Derivatives Held in Investment Portfolios

At December 31, 2025 and 2024, Health Plans and Hospitals' portfolio managers held $(18) million and $7 million, respectively, of futures, forwards, options, and swaps to attempt to protect certain investments against volatility. For the years ended December 31, 2025 and 2024, net changes in fair values totaled $(51) million and $(8) million, respectively, and were recorded in investment income – net. For the years ended December 31, 2025 and 2024, gains resulting from derivative settlements totaled $42 million and $32 million, respectively, and were recorded in investment income – net.

(c) Information on Derivative Gain (Loss) and Fair Value

Management's methods for estimating fair value of financial instruments are discussed in the *Summary of Significant Accounting Policies – Fair Value Estimates* note.

Information on Derivative Gain (Loss) Mark-to-Market Valuation Recognized in Income

(In millions)

Derivatives not designated as hedging instruments	Statement of operations category	Gain (loss) recognized in income on derivatives for the years ended December 31, 2025	2024
Interest rate swaps – related to debt	Investment income – net	$ 12	$ 2
Interest rate swaps – other	Investment income – net	(11)	6
Futures and forwards	Investment income – net	(40)	(14)
Options, rights, and warrants	Investment income – net	—	—
		$ (39)	$ (6)

Information on Derivative Settlement Costs Recognized in Income

(In millions)

Derivatives not designated as hedging instruments	Statement of operations category	Gain (loss) recognized in income on derivatives for the years ended December 31, 2025	2024
Interest rate swaps – related to debt	Interest expense and other income (expense) – net	$ (7)	$ —
Interest rate swaps – other	Investment income – net	23	21
Futures and forwards	Investment income – net	16	9
Options, rights, and warrants	Investment income – net	3	2
		$ 35	$ 32

Information on Fair Value of Derivative Instruments – Assets

(In millions)

Derivatives not designated as hedging instruments	Balance sheet category	Fair value at December 31, 2025	Fair value at December 31, 2024
Interest rate swaps – other	Noncurrent investments	$ 19	$ 20
Futures and forwards	Noncurrent investments	4	8
Options, rights, and warrants	Noncurrent investments	—	—
		$ 23	$ 28

Information on Fair Value of Derivative Instruments – Liabilities

(In millions)

Derivatives not designated as hedging instruments	Balance sheet category	Fair value at December 31, 2025	Fair value at December 31, 2024
Interest rate swaps – related to debt	Other long-term liabilities	$ 62	$ 74
Interest rate swaps – other	Other long-term liabilities	18	11
Futures and forwards	Other long-term liabilities	23	10
Options, rights, and warrants	Other long-term liabilities	—	—
		$ 103	$ 95

(6) Accounts Receivable – Net

At December 31, accounts receivable – net were as follows (in millions):

	2025	2024
Members' dues	$ 2,183	$ 2,226
Patient services	1,267	1,243
Medicare Advantage	394	748
Pharmacy receivables	635	323
Other	1,680	1,918
Total	$ 6,159	$ 6,458

At both December 31, 2025 and 2024, the allowances for bad debt were not material.

(7) Inventories – Net and Other Current Assets

At December 31, inventories – net and other current assets were as follows (in millions):

	2025	2024
Inventories – net	$ 1,809	$ 1,791
Prepaid expenses	968	748
Other	165	220
Total	$ 2,942	$ 2,759

Inventories – net consist primarily of pharmaceuticals and supplies.

(8) Land, Buildings, Equipment, and Software – Net

At December 31, land, buildings, equipment, and software – net were as follows (in millions):

	2025	2024
Land	$ 3,034	$ 3,026
Buildings and improvements	52,262	49,545
Furniture, equipment, and software	16,118	15,635
Construction and software development in progress	4,789	4,077
	76,203	72,283
Accumulated depreciation and amortization	(40,361)	(37,980)
Total	$ 35,842	$ 34,303

Health Plans and Hospitals capitalizes interest costs on borrowings incurred during the construction, upgrade, or development of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is depreciated or amortized over the useful lives of the assets. During the years ended December 31, 2025 and 2024, Health Plans and Hospitals capitalized $105 million and $79 million, respectively, of interest in connection with various capital projects.

(9) Medical Claims Payable

For the years ended December 31, activity in the liability for medical claims payable was as follows (in millions):

	2025	2024
Balances at January 1	$ 3,609	$ 3,184
Acquired business	—	335
Incurred related to:		
Current year	23,719	21,228
Prior years	(131)	(28)
Total incurred	23,588	21,200
Paid related to:		
Current year	20,490	18,352
Prior years	2,979	2,758
Total paid	23,469	21,110
Balances at December 31	$ 3,728	$ 3,609

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately adjudicated and paid. Liabilities are reviewed and revised as information regarding actual claims payments becomes known. Negative amounts reported for incurred related to prior years result from claims being adjudicated and paid for amounts less than originally estimated.

(10) Other Liabilities

At December 31, other current liabilities were as follows (in millions):

	2025	2024
Self-insured risks	$ 635	$ 710
Dues collected in advance	1,377	1,176
Physicians' retirement plan liability	362	336
Current portion of operating lease liabilities	338	348
Other	1,504	1,483
Total	$ 4,216	$ 4,053

At December 31, other long-term liabilities were as follows (in millions):

	2025	2024
Self-insured risks	$ 2,798	$ 2,652
Due to associated medical groups	309	349
Derivatives liability	103	95
Other	992	1,078
Total	$ 4,202	$ 4,174

(11) Debt

At December 31, debt was as follows (in millions):

	2025	2024
Tax-exempt revenue bonds and taxable bonds and notes:		
2.42% to 4.70% variable rate due through 2055	$ 1,824	$ 2,204
1.66% to 5.00% fixed rate due through 2052	11,577	10,839
Others at various rates due through 2047	113	117
Total	$ 13,514	$ 13,160
Other current debt:		
Commercial paper	$ —	$ 369
Current portion of long-term debt	57	44
Long-term debt classified as a long-term liability	13,457	12,747
Total	$ 13,514	$ 13,160

In August 2025, Hospitals received proceeds from the issuance of privately placed $740 million par value fixed rate debt. Total proceeds from issuance, which includes $60 million of bond premium, were $800 million.

At December 31, 2025 and 2024, the carrying amount of long-term debt (including the current portion of long-term debt) totaled $13.5 billion and $12.8 billion, respectively. At December 31, 2025 and 2024, the estimated fair value of long-term debt (including the current portion of long-term debt) was approximately $12.0 billion and $11.2 billion, respectively. The fair value of long-term debt is based on level 2 inputs for debt with similar risk, terms, and remaining maturities.

At both December 31, 2025 and 2024, repurchase of variable rate bonds totaling $1.7 billion may be required at earlier than stated maturity. These bonds may be remarketed rather than repurchased. Health Plans and Hospitals has provided self liquidity for the variable rate bonds, with $251 million backed by a bank letter of credit. Additionally, at both December 31, 2025 and 2024, Hospitals had the ability to finance the acquisition of up to $3.0 billion, of any unremarketed bonds that are put using an available long-term credit facility. At both December 31, 2025 and 2024, none of these variable rate demand bonds were classified in current liabilities.

At December 31, 2025 and 2024, $238 million and $221 million, respectively, of the above tax-exempt fixed-rate revenue bonds and taxable fixed-rate bonds represented a net unamortized premium balance. At December 31, 2025 and 2024, $(37) million and $(38) million, respectively, of unamortized debt issuance cost was presented within long-term debt.

Scheduled principal payments remaining for each of the next five years and thereafter considering obligations subject to short-term remarketing as due according to their long-term amortization schedule were as follows (in millions):

2026	$	57
2027		1,167
2028		327
2029		795
2030		150
Thereafter		10,817
Total	$	13,313

Credit Facility

Hospitals' credit facility of $3.0 billion terminates in September 2028. Various interest rate options are available under this facility. Any revolving borrowings mature on the termination date. Hospitals pays facility fees, which range from 0.03% to 0.13% per annum, depending upon Hospitals' long-term senior unsecured debt rating. At December 31, 2025, the facility fee was at an annual rate of 0.04%. At both December 31, 2025 and 2024, no amounts were outstanding under this credit facility.

Hospitals' revolving credit facility contains a financial covenant. Under the terms of this facility, Hospitals is required to maintain a ratio of total debt to capital, as defined.

Effective January 29, 2026, Hospitals' revolving credit facility increased to $4.0 billion.

Taxable Commercial Paper Program

Hospitals maintains a commercial paper program providing for the issuance of up to $3.0 billion in aggregate maturity value of short-term indebtedness. The commercial paper is issued at a minimum principal amount of $100,000 and additional increments of $1,000 in excess thereof. The commercial paper will be sold at a discount from their face amounts, and may be issued with varying maturities up to a maximum of 270 days from the date of issuance. At December 31, 2025 and 2024, commercial paper of $0 and $369 million, respectively, was outstanding under this program and is included within other current debt.

(12) Pension Plans

(a) Defined Benefit Plan

Health Plans and Hospitals, excluding Risant Health, has a defined benefit pension plan (Plan) covering substantially all their employees. Benefits are based on age at retirement, years of credited service, and average compensation for a specified period prior to retirement. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

For financial reporting purposes, the projected unit credit method is used. At December 31, 2025 and 2024, pension fund assets were held in a group trust. At December 31, 2025 and 2024, trust assets were invested in fixed-income and equity securities, with approximately 64% and 66%, respectively, of trust assets, net of liabilities, invested in alternative investments.

At December 31, the funded status of the Plan was as follows (in millions):

	2025	2024
Change in projected benefit obligation (PBO):		
Benefit obligation at beginning of year	$ 27,340	$ 28,388
Service cost	1,361	1,473
Interest cost	1,451	1,371
Net actuarial loss (gain)	2,814	(2,729)
Benefits paid	(1,204)	(1,163)
Benefit obligation at end of year	$ 31,762	$ 27,340
Accumulated benefit obligation at end of year	$ 23,565	$ 21,494
Change in Health Plans and Hospitals' share of trust assets:		
Fair value of plan assets at beginning of year	$ 33,648	$ 32,870
Actual return on plan assets	3,929	1,368
Contributions	3,693	573
Benefits paid	(1,204)	(1,163)
Fair value of plan assets at end of year	$ 40,066	$ 33,648
Funded status	$ 8,304	$ 6,308
Amounts recognized in the combined balance sheets consist of:		
Pension and other retirement benefits asset	$ 8,304	$ 6,308
	$ 8,304	$ 6,308
Amounts recognized in net worth:		
Net actuarial loss	$ 3,523	$ 1,821
Prior service cost	54	68
	$ 3,577	$ 1,889

The measurement date used to determine pension valuations was December 31.

For the years ended December 31, pension expense (income) was as follows (in millions):

	2025	2024
Service cost	$ 1,361	$ 1,473
Interest cost	1,451	1,371
Expected return on plan assets	(2,817)	(2,788)
Amortization of net actuarial loss (gain)	—	1
Amortization of prior service cost	14	13
Net pension expense	9	70
Other changes in plan assets and PBO recognized in net worth:		
Net actuarial loss (gain)	1,702	(1,309)
Prior service cost	—	—
Amortization of net actuarial gain (loss)	—	(1)
Amortization of prior service cost	(14)	(13)
Total recognized in net worth	1,688	(1,323)
Total recognized in net periodic benefit cost and net worth	$ 1,697	$ (1,253)

For the year ended December 31, 2025, the benefit obligation included a net actuarial loss of $2.8 billion, primarily due to changes in economic and demographic assumptions used to determine benefit obligation. For the year ended December 31, 2024, the benefit obligation included a net actuarial gain of $2.7 billion, primarily due to the increase in the discount rate used to determine the benefit obligation from 5.05% in 2023 to 5.75% in 2024.

Actuarial assumptions used were as follows:

	2025	2024
Discount rate at January 1 for calculating service cost	5.88%	5.15%
Discount rate at January 1 for calculating interest cost	5.49%	4.95%
Discount rate for calculating December 31 PBO	5.75%	5.75%
Salary scale for calculating pension expense	4.10%	4.20%
Salary scale for calculating December 31 PBO	4.70%	4.10%
Expected long-term rate of return on plan assets for calculating pension expense	7.50%	7.50%

During 2026, management expects to contribute approximately $935 million to the Plan.

The following benefit payments, which reflect expected future service, are expected to be paid (in millions):

2026	$	1,442
2027		1,510
2028		1,636
2029		1,767
2030		1,909
2031–2035		11,876

Explanation of Investment Strategies and Policies

A total return investment approach is employed for the Plan whereby the Plan invests in a mix of equity, fixed-income, and alternative asset classes to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio will consist over time of a varying but diversified blend of equity, fixed-income, and alternative investments. Diversification includes such factors as geographic location, equity capitalization size and style, placement in the capital structure, and security type. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews. The Plan's investment policy has restrictions relating to credit quality, industry/sector concentration, duration, concentration of ownership, and use of derivatives.

Capital Market Assumption Methodology

To determine the long-term rate of return assumption for plan assets, management incorporates historical relationships among the various asset classes and subclasses to be accessed over the investment horizon. Management's intent is to maximize portfolio efficiency. This will be accomplished by seeking the highest returns prudently available among the available asset classes. Overall portfolio volatility is managed through diversification among asset classes. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. From time to time, management reviews its long-term investment strategy and reconciles that strategy with the long-term liabilities of the Plan. This asset-liability study produces a range of expected returns over medium and long-term time periods. Those intermediate and long-term investment projections form the basis for the expected long-term rate of return on assets.

At December 31, 2025, the estimated fair value of total pension trust assets – net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Total
Assets:			
Cash and cash equivalents	$ 538	$ 3,864	$ 4,402
Broker receivables	—	1,749	1,749
Securities lending collateral	—	408	408
U.S. equity securities	6,840	14	6,854
Foreign equity securities	1,701	—	1,701
Global equity funds	—	5,366	5,366
Debt securities issued by the U.S. government	—	11,607	11,607
Debt securities issued by U.S. government agencies and corporations	—	—	—
Foreign government debt securities	—	69	69
U.S. corporate debt securities	—	—	—
Foreign corporate debt securities	—	—	—
U.S. agency mortgage-backed securities	—	894	894
Other	—	416	416
Total assets	9,079	24,387	33,466
Liabilities:			
Broker payables	—	3,149	3,149
Securities lending payable	—	408	408
Repurchase agreements	—	3,592	3,592
Other liabilities	19	276	295
Total liabilities	19	7,425	7,444
Fair value of pension trust assets – net	$ 9,060	$ 16,962	26,022
Investments measured at net asset value (NAV):			
Alternative investments:			
Absolute return			4,376
Private equity			35,041
Real assets			6,187
Total pension trust assets – net			$ 71,626

At December 31, 2025, Health Plans and Hospitals', excluding Risant Health, share of pension trust assets was 55.9%, or $40.1 billion. The remaining share of pension trust assets is for Medical Groups and a related party associated with Medical Groups.

At December 31, 2024, the estimated fair value of total pension trust assets – net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Total
Assets:			
Cash and cash equivalents	$ 373	$ 2,310	$ 2,683
Broker receivables	—	376	376
Securities lending collateral	—	372	372
U.S. equity securities	5,444	31	5,475
Foreign equity securities	1,603	—	1,603
Global equity funds	—	4,561	4,561
Debt securities issued by the U.S. government	—	10,260	10,260
Debt securities issued by U.S. government agencies and corporations	—	1	1
Foreign government debt securities	—	42	42
U.S. agency mortgage-backed securities	—	347	347
Other	—	160	160
Total assets	7,420	18,460	25,880
Liabilities:			
Broker payables	—	698	698
Securities lending payable	—	372	372
Repurchase agreements	—	3,386	3,386
Other liabilities	—	262	262
Total liabilities	—	4,718	4,718
Fair value of pension trust assets – net	$ 7,420	$ 13,742	21,162
Investments measured at net asset value (NAV):			
Alternative investments:			
Absolute return			3,224
Private equity			31,675
Real assets			5,870
Total pension trust assets – net			$ 61,931

At December 31, 2024, Health Plans and Hospitals', excluding Risant Health, share of pension trust assets was 54.3%, or $33.6 billion. The remaining share of pension trust assets is for Medical Groups and a related party associated with Medical Groups.

The change in fair value of pension trust assets for the year ended December 31, 2025 was reflected in the funded status at December 31, 2025, the measurement date of the pension benefit obligation.

The target asset allocations for calculating pension expense were as follows:

	2025 target	2024 target
Equity securities	25%	18%
Debt securities	20%	30%
Alternative investments	55%	52%
Total	100%	100%

Alternative investments, which include absolute return, real assets, and private equity, held in the pension trust are reported at NAV as a practical expedient for fair value. These investments are typically valued on a monthly or quarterly basis based on information provided by fund managers or general partners with an annual audit performed by an independent third party, but often have a lag in the availability of data. Management solicits valuation updates from fund managers and corroborating data from public markets to determine any needed fair value adjustments. Absolute return investments use advanced investment strategies, including derivatives, to generate positive long-term risk adjusted returns. Real assets are defined as any economic resources that are directly used to create value, including investments within real estate, infrastructure, natural resources, and other tangible or intangible assets. Private equity investments consist of funds that make direct investments in private companies. At December 31, 2025, the pension trust had original commitments related to alternative investments of $45.0 billion, of which $35.1 billion was invested, leaving $9.9 billion of remaining commitments. At December 31, 2024, the pension trust had original commitments related to alternative investments of $46.1 billion, of which $33.2 billion was invested, leaving $12.9 billion of remaining commitments.

Absolute return, real assets, and private equity investments include redemption restrictions. Absolute return investments require 10 to 90 day written notice of intent to withdraw and are often subject to the approval and capital requirements of the fund manager. At December 31, 2025, absolute return investments of $2.4 billion were subject to lock-up periods of up to six years. Private equity and real asset agreements do not include provisions for redemption. Distributions will be received as the underlying investments of the funds are liquidated, which is expected over the next 11 years.

At December 31, 2025 and 2024, pension trust assets included repurchase agreements with an investment manager of $3.6 billion and $3.4 billion, respectively, whereby the trust received cash with an obligation to repay the amount plus interest. At December 31, 2025, the pension trust had received $3.6 billion in cash, while providing $3.6 billion of assets as collateral related to these repurchase

agreements. At December 31, 2024, the pension trust had received $3.4 billion in cash, while providing $3.4 billion of assets as collateral related to these repurchase agreements.

The majority of debt and equity securities can be redeemed within 10 days. At December 31, 2025, equity investment funds of $4.0 billion were redeemable between 10 and 30 days. At December 31, 2025, equity investment funds of $897 million were redeemable between 30 days and one year. At December 31, 2025, equity investment funds of $485 million require a redemption period of greater than one year.

(b) Defined Contribution Plans

Health Plans and Hospitals has defined contribution plans for eligible employees. Employer contributions and costs are typically based on a percentage of covered employees' eligible compensation. For the years ended December 31, 2025 and 2024, plan expense was $689 million and $588 million, respectively.

(c) Multi-Employer Plans

Health Plans and Hospitals participates in a number of multi-employer defined benefit pension plans under the terms of collective bargaining agreements that cover some union-represented employees. Some risks of participating in these multi-employer plans that differ from single-employer plans include:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- Employers that choose to stop participating in a multi-employer plan may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

For the years ended December 31, 2025 and 2024, Health Plans and Hospitals' participation in these plans is outlined in the table below. The "EIN/PN" column provides the Employer Identification Number (EIN) and the three-digit plan number (PN), if applicable. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2025 and 2024 is for the plan's year-end in 2024 and 2023, respectively. The zone status is based on information that Health Plans and Hospitals obtained from publicly available information provided by the United States Department of Labor. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are between 65% and 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP status pending/implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The "Health Plans and Hospitals' contributions to plan exceeded more than 5% of total contributions" columns represent those plans where Health Plans and Hospitals was listed in the plans' Forms 5500 as providing more than 5% of the total contributions for the plan years listed. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject. There have been no significant changes that affect the comparability of 2025 and 2024 employer expense.

Pension fund	EIN-PN	Pension Protection Act zone status 2025	Pension Protection Act zone status 2024	FIP/RP status pending / implemented	(in millions) Health Plans and Hospitals' contributions December 31, 2025	(in millions) Health Plans and Hospitals' contributions December 31, 2024	Surcharge imposed	Health Plans and Hospitals' contributions to plan exceeded more than 5% of total contributions [1] 2025	Health Plans and Hospitals' contributions to plan exceeded more than 5% of total contributions [1] 2024	Expiration date of collective bargaining agreement
Southern California United Food and Commercial Workers Unions and Drug Employers Pension Fund [3]	516029925	Red	Red	Implemented	$ 8	$ 7	No	Yes	Yes	11/1/2025
Oregon Retail Employees Pension Trust [4]	936074377	Green	Red	N/A	4	4	N/A	Yes	Yes	9/30/2027 (pharmacy techs) 10/31/2027 (radiologists)
IUOE Stationary Engineers Local 39 Pension Fund	946118939	Green	Green	N/A	19	16	N/A	Yes	Yes	9/17/2027
Construction Laborers Pension Trust Fund for Southern California [5]	436159056	Green	Green	N/A	3	3	N/A	No	Yes	6/30/2015 - Extended (evergreen ext. - open terms)
Southwest Carpenters Pension Trust	956042875	Green	Green	N/A	7	7	N/A	Yes	Yes	12/31/2020 - Extended (evergreen ext. - open terms)
Bay Area Painters & Tapers Non Bargaining Employees Retirement Plan and International Union of Painters and Allied trades (IUPAT Local 294 & 1237)	946276501	Green	Green	N/A	1	1	N/A	Yes	Yes	6/30/2026 (Master) 8/31/2026 (Fresno Addendum)
IBEW Local 684 Pension Trust	946442909	Green	Green	N/A	—	—	N/A	Yes	Yes	5/31/2027
Sound Retirement Trust [3]	916069306	Green	Green	N/A	1	2	N/A	Yes	Yes	10/01/2025 (optical) 7/31/2026 (pharmacists)
Carpenters Pension Trust Fund for Northern California[2]	946050970	Red	Red	Implemented	10	10	No	Yes	No	6/30/2027
International Painters and Allied Trades Industry Pension Fund (IUPAT Industry Pension Fund)	526073909	Red	Red	Implemented	2	2	No	No	No	6/30/2028
Other[3]	Various	Green	Green	N/A	14	11	N/A	No	No	3/07/2025 - 7/31/2028
Total expense					$ 69	$ 63				

(1) The majority of plans have a plan year end of December 31st and information is available via form 5500.

(2) Health Plans and Hospitals' contributions to the plan exceeds more than 5% of total contributions changes: Carpenters Pension Trust Fund for Northern California changed from "No" to "Yes" status in Q2 2025.

(3) Expired Agreements: Central Pension Fund of the International Union of Operating Engineers and Participating Employers (Local 99); Southern California United Food and Commercial Workers Unions and Drug Employees Pension Fund; Sound Retirement Trust / United Food and Commercial Workers L 3000 (Optical); Hotel Employees and Restaurant Employees Union - HI - Local 5.

(4) Oregon Retail Employees Pension Trust changed from Red status to Green in Q4 2025.

(5) Health Plans and Hospitals' contributions to the plan exceeds more than 5% of total contributions changes: Construction Laborers Pension Trust Fund for Southern California changed from "Yes" to "No" status in Q4 2025.

(13) Postretirement Benefits Other than Pensions

(a) Defined Benefit Plan

Certain employees may become eligible for postretirement health care and life insurance benefits while working for Health Plans and Hospitals, excluding Risant Health. Benefits available to retirees, through both affiliated and unaffiliated provider networks, vary by employee group. Postretirement health care benefits available to retirees include subsidized Medicare premiums, medical and prescription drug benefits, dental benefits, vision benefits, and contributions to health care savings accounts.

At December 31, the funded status of postretirement benefits was as follows (in millions):

	2025	2024
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 4,512	$ 4,106
Service cost	81	93
Interest cost	235	194
Plan amendments	—	4
Benefits paid or provided	(196)	(187)
Net actuarial (gain) loss	(396)	302
Benefit obligation at end of year	$ 4,236	$ 4,512
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 5,313	$ 5,336
Actual return on plan assets	439	90
Contributions	59	74
Benefits paid or provided	(196)	(187)
Fair value of plan assets at end of year	$ 5,615	$ 5,313
Funded status	$ 1,379	$ 801
Amounts recognized in the combined balance sheets consist of:		
Pension and other retirement benefits asset	$ 1,379	$ 801
	$ 1,379	$ 801
Amounts recognized in net worth:		
Net actuarial loss (gain)	$ (187)	$ 298
Prior service cost	125	142
	$ (62)	$ 440

The measurement date used to determine postretirement benefits valuations was December 31.

For the years ended December 31, postretirement benefits expense (income) was as follows (in millions):

	2025	2024
Service cost	$ 81	$ 93
Interest cost	235	194
Expected return on plan assets	(338)	(375)
Amortization of net actuarial gain	(12)	(33)
Amortization of prior service cost (credit)	17	(26)
Postretirement benefits income	(17)	(147)
Other changes in plan assets and benefit obligations recognized in net worth:		
Net actuarial loss (gain)	(497)	587
Prior service cost	—	4
Amortization of net actuarial gain	12	33
Amortization of prior service credit (cost)	(17)	26
Total recognized in net worth	(502)	650
Total recognized in net periodic benefit cost and net worth	$ (519)	$ 503

During the year ended December 31, 2025, employer contributions and benefits paid or provided were $59 million and $196 million, respectively. During the year ended December 31, 2024, employer contributions and benefits paid or provided were $74 million and $187 million, respectively. During 2025 and 2024, there were no participant contributions from active employees.

For the year ended December 31, 2025, the benefit obligation included a net actuarial gain of $396 million, primarily due to decreases in the assumed healthcare cost trend rates. For the year ended December 31, 2024, the benefit obligation included a net actuarial loss of $302 million, primarily due to increases in the assumed healthcare cost trend rates, partially offset by the increase in discount rates used to determine the benefit obligation from 5.05% in 2023 to 5.70% in 2024.

Actuarial assumptions used were as follows:

	2025	2024
Discount rates at January 1 for calculating service cost	5.97%	5.23%
Discount rates at January 1 for calculating interest cost	5.46%	4.95%
Discount rate for calculating December 31 accumulated postretirement benefit obligation	5.65%	5.70%
Expected long-term rate of return on plan assets for calculating benefits expense	5.75%	6.25%

The following were the assumed health care cost trend rates used to determine the December 31, 2025 and 2024 benefit obligation and postretirement benefits expense for the years ended December 31, 2025 and 2024:

	Basic medical pre-65/post-65	Prescription drug pre-65/post-65	Medicare Part D	Dental	Medicare Part A&B	Medicare Part C	Supplemental medical pre-65/post-65
Initial trends:							
Benefit obligation – 2024	6.00% / 5.20%	9.50%	7.50%	4.50%	5.90%	0.00%	6.00% / 5.20%
Benefit expense – 2024	6.00% / 5.20%	6.70%	3.60%	4.50%	8.00%	3.10%	6.00% / 5.20%
Benefit obligation – 2025	6.00% / 5.35%	10.00%	3.00%	4.50%	5.90%	7.50%	6.00% / 5.35%
Benefit expense – 2025	6.00% / 5.20%	9.50%	7.50%	4.50%	5.90%	0.00%	6.00% / 5.20%
Ultimate trend rate	4.50% / 4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50% / 4.50%
First year at ultimate trend rate	2039	2039	2030	n/a	2038	2030	2039

The following benefit payments, which reflect expected future service, are expected to be paid or provided (in millions):

2026	$ 241
2027	247
2028	218
2029	231
2030	244
2031-2035	1,442

Explanation of Investment Strategies and Policies

A total return investment approach is employed for the retirement benefit trust whereby the assets are invested in funds with underlying investments comprised of various asset classes to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio will consist over time of a varying but diversified blend of investments. Diversification includes such factors as geographic location, equity capitalization size and style, placement in the capital

structure, and security type. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews. The retirement benefit trust investment policy has restrictions relating to credit quality, industry/sector concentration, duration, concentration of ownership, and use of derivatives.

Capital Market Assumption Methodology

To determine the long-term rate of return assumption for plan assets, management incorporates historical relationships among the various asset classes and subclasses to be accessed over the investment horizon. Management's intent is to maximize portfolio efficiency. This will be accomplished by seeking the highest returns prudently available among the available asset classes. Overall portfolio volatility is managed through diversification among asset classes. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. From time to time, management reviews its long-term investment strategy and reconciles that strategy with the long-term liabilities of the benefit plan. This asset-liability study produces a range of expected returns over medium and long-term time periods. Those intermediate and long-term investment projections form the basis for the expected long-term rate of return on assets.

At December 31, 2025, the estimated fair value of retirement benefit trust assets – net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Total
Assets:			
Cash and cash equivalents	$ 4	$ 26	$ 30
Broker receivables	—	49	49
U.S. equity securities	—	1,533	1,533
Debt securities issued by the U.S. government	—	271	271
Debt securities issued by U.S. states	—	12	12
Foreign government debt securities	—	95	95
U.S. corporate debt securities	—	1,321	1,321
Foreign corporate debt securities	—	169	169
U.S. agency mortgage-backed securities	—	20	20
Other	—	51	51
Total assets	4	3,547	3,551
Liabilities:			
Broker payables	—	151	151
Other liabilities	—	33	33
Total liabilities	—	184	184
Total fair value of retirement benefit trust assets	$ 4	$ 3,363	3,367
Investments measured at NAV:			
Alternative investments:			
Risk parity			2,248
Total retirement benefit trust assets			$ 5,615

At December 31, 2024, the estimated fair value of retirement benefit trust assets – net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Total
Assets:			
Cash and cash equivalents	$ —	$ 18	$ 18
Broker receivables	—	21	21
U.S. equity securities	—	1,413	1,413
Debt securities issued by the U.S. government	—	322	322
Debt securities issued by U.S. states	—	13	13
Foreign government debt securities	—	64	64
U.S. corporate debt securities	—	1,193	1,193
Foreign corporate debt securities	—	134	134
U.S. agency mortgage-backed securities	—	13	13
Other	—	37	37
Total assets	—	3,228	3,228
Liabilities:			
Broker payables	—	72	72
Other liabilities	—	13	13
Total liabilities	—	85	85
Total fair value of retirement benefit trust assets	$ —	$ 3,143	3,143
Investments measured at NAV:			
Alternative investments:			
Risk parity			2,170
Total retirement benefit trust assets			$ 5,313

The change in fair value of postretirement benefit trust assets for the year ended December 31, 2025 was reflected in the funded status at December 31, 2025, the measurement date of the postretirement benefit obligation.

The target asset allocations for calculating postretirement benefits expense were as follows:

	2025 and 2024 target
Equity securities	0%
Debt securities	60%
Alternative investments	40%
Total	100%

Alternative investments, which include risk parity, held in the retirement benefit trust are reported at NAV as a practical expedient for fair value. These investments are typically valued on a monthly or quarterly basis based on information provided by fund managers or general partners with an annual audit performed by an independent third party, but often have a lag in the availability of data. Management solicits valuation updates from fund managers and corroborating data from public markets to determine any needed fair value adjustments. Risk parity funds use risk as the primary factor to allocate investments among asset classes.

(b) Multi-Employer Plans

Health Plans and Hospitals participates in multi-employer union-administered retiree medical health and welfare plans that provide benefits to some union employees. Benefits for retirees under these plans are negotiated as part of the collective bargaining process. For the years ended December 31, 2025 and 2024, Health Plans and Hospitals' employer expense for current and retiree benefits was $133 million and $124 million, respectively.

(14) Physicians' Retirement Plan

Health Plan, Inc. provides defined retirement benefits for physicians associated with certain Medical Groups. Benefits are determined based on the length of service and level of compensation of each participant. The plan is unfunded and is not subject to the Employee Retirement Income Security Act.

At December 31, the accrued liability for physicians' retirement plan was as follows (in millions):

	2025	2024
Change in projected benefit obligation:		
Physicians' retirement plan liability at January 1	$ 9,150	$ 9,727
Service cost	380	417
Interest cost	505	470
Net actuarial loss (gain)	36	(1,165)
Benefits paid	(322)	(299)
Physicians' retirement plan liability at December 31	$ 9,749	$ 9,150
Accumulated benefit obligation at end of year	$ 8,086	$ 7,551
Change in plan assets:		
Fair value of plan assets at the beginning of year	$ —	$ —
Company contributions	322	299
Benefits paid	(322)	(299)
Fair value of plan assets at end of year	$ —	$ —
Funded status	$ 9,749	$ 9,150
Amounts recognized in the combined balance sheets consist of:		
Noncurrent assets	$ —	$ —
Other current liabilities	(361)	(336)
Physicians' retirement plan liability	(9,388)	(8,814)
	$ (9,749)	$ (9,150)
Amounts recognized in net worth:		
Net actuarial gain	$ (1,215)	$ (1,266)

The measurement date used to determine physicians' retirement valuation was December 31.

A portion of the investments of Health Plans and Hospitals, excluding Risant Health, has been designated by management for the liabilities of the physicians' retirement plan. These investments are not held in trust or otherwise legally segregated and are not restricted even though it has been intended that these assets be used to pay the obligations of the physicians' retirement plan.

For purposes of the physicians' retirement plan expense, the expected return on assets is the portion of investment income that represents the expected return on the investments designated for the physicians' retirement plan. This amount is recorded as a reduction in the expense for the physicians' retirement plan within interest expense and other income (expense) – net and is excluded from investment income – net, as described below and in the *Summary of Significant Accounting Policies – Investments* note.

For the years ended December 31, physicians' retirement plan provision was as follows (in millions):

	2025	2024
Service cost	$ 380	$ 417
Interest cost	505	470
Amortization of net actuarial gain	(15)	—
Total benefit expense	870	887
Expected return on assets – investment income included in interest expense and other income (expense)– net	(695)	(709)
Net benefit expense	175	178
Other changes in projected benefit obligations recognized in net worth:		
Net actuarial loss (gain)	36	(1,165)
Amortization of net actuarial gain	15	—
Total recognized in net worth	51	(1,165)
Total recognized in net periodic benefit cost and net worth	$ 226	$ (987)

For the year ended December 31, 2025, the benefit obligation included a net actuarial loss of $36 million, primarily due to unfavorable demographic experience. For the year ended December 31, 2024, the benefit obligation included a net actuarial gain of $1.2 billion, primarily due to the increase in the discount rate used to determine the benefit obligation from 5.10% in 2023 to 5.80% in 2024.

Actuarial assumptions used were as follows:

	2025	2024
Discount rate at January 1 for calculating service cost	5.99%	5.23%
Discount rate at January 1 for calculating interest cost	5.59%	4.98%
Discount rate for calculating December 31 PBO	5.80%	5.80%
Salary scale for calculating pension expense	3.80%	3.80%
Salary scale for calculating December 31 PBO	3.70%	3.80%
Expected long-term rate of return on designated investments for calculating benefit expense	7.50%	7.50%

The following benefit payments, which reflect expected future service, are expected to be paid (in millions):

2026	$ 361
2027	393
2028	426
2029	458
2030	484
2031–2035	2,915

(15) Leases

Health Plans and Hospitals leases land, medical office buildings, office space, data centers, and equipment, primarily under operating leases. The remaining lease term for leases primarily ranges from 1-14 years. Many leases contain renewal options. For those contracts where options are reasonably certain to be exercised, Health Plans and Hospitals recognizes renewal options as part of the right-of-use assets and lease liabilities.

At both December 31, 2025 and 2024, operating lease right-of-use assets totaled $1.3 billion. At December 31, 2025 and 2024, the current portion of operating lease liabilities, totaling $339 million and $348 million, respectively, is included in other current liabilities in the combined balance sheets. At both December 31, 2025 and 2024, the long-term portion of operating lease liabilities, totaling $1.0 billion, is included in operating lease liabilities in the combined balance sheets.

For the years ended December 31, the components of lease cost were as follows (in millions):

	2025	2024
Operating lease cost	$ 523	$ 509
Finance lease cost	17	12
Short-term lease cost	111	99
Variable lease cost	119	111
Total	$ 770	$ 731

For the years ended December 31, other supplemental quantitative disclosures for operating leases were as follows (in millions):

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	$ (538)	$ (522)
Additions to right-of-use assets obtained in the period from operating leases	$ 182	$ 272
Weighted-average remaining lease term for operating leases (years):	5.79	5.30
Weighted-average discount rate for operating leases:	4.51%	4.13%

At December 31, 2025, the undiscounted future lease payments under non-cancelable operating leases, along with a reconciliation of the undiscounted cash flows to operating lease liabilities were as follows (in millions):

Lease Maturity	Operating leases
2026	$ 392
2027	280
2028	254
2029	184
2030	128
Thereafter	381
Total lease payments	1,619
Less amount representing interest	(243)
Present value of undiscounted future cash flows	$ 1,376

(16) Commitments and Contingencies

(a) Purchase Commitments

At December 31, 2025, minimum purchase commitments extending beyond one year were as follows (in millions):

2026	$ 682
2027	463
2028	354
2029	253
2030	188
Thereafter	8
Total	$ 1,948

During the years ended December 31, 2025 and 2024, Health Plans and Hospitals' total purchases under contracts with minimum purchase commitments were $623 million and $540 million, respectively.

(b) Regulatory

Health plans are required to periodically file financial statements with regulatory agencies in accordance with statutory accounting and reporting practices. Health plans must comply with the various states' minimum regulatory net worth requirements generally under the regulation of the California Department of Managed Health Care and various state departments of insurance. Such requirements are generally based on tangible net equity or risk-based capital, and for California are calculated on the basis of combined net worth of Health Plans and Hospitals. At December 31, 2025 and 2024, the regulatory net worth, so defined, exceeded the aggregate regulatory minimum requirements by approximately $77.7 billion and $69.7 billion, respectively.

Health Plans and Hospitals is subject to numerous and complex laws and regulations of federal, state, and local governments, and accreditation requirements. Compliance with such laws, regulations, and accreditation requirements can be subject to retrospective review and interpretation, as well as regulatory actions. These laws and regulations include, but are not necessarily limited to, requirements of tax exemption, government reimbursement, government program participation, privacy and security, false claims, anti-kickback, accreditation, health care reform, controlled substances, facilities, and professional licensure. In recent years, government activity has increased with respect to compliance and enforcement actions.

In the ordinary course of business operations, Health Plans and Hospitals is subject to periodic reviews, investigations, and audits by various federal, state, and local regulatory agencies and accreditation agencies, including, without limitation, CMS, Department of Managed Health Care, U.S. Office of Personnel Management, Occupational Safety and Health Administration, Drug Enforcement Administration, State Boards of Pharmacy, Food and Drug Administration, Internal Revenue Service, National Committee for Quality Assurance, and state departments of insurance.

Health Plans and Hospitals' compliance with the wide variety of rules and regulations and accreditation requirements applicable to their business may result in certain remediation activities and regulatory fines and penalties, which could be substantial. Where appropriate, reserves have been established for such sanctions. While management believes these reserves are adequate, the outcome of legal and regulatory matters is inherently uncertain, and it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material adverse effect on the combined financial position or results of operations.

(c) Litigation

Health Plans and Hospitals is involved in lawsuits and various governmental investigations, audits, reviews, and administrative proceedings arising, for the most part, in the ordinary course of business operations. Lawsuits have been brought under a wide range of laws and include, but are not limited to, business disputes, employment and retaliation claims, claims alleging professional liability, improper disclosure of personal information, labor disputes, administrative regulations, the False Claims Act,

information privacy and Health Insurance Portability and Accountability Act laws, mental health parity laws, and consumer protection laws. In addition, Health Plans indemnifies the Medical Groups against various claims, including professional liability claims.

Health Plans and Hospitals records reserves for legal proceedings and regulatory matters where available information indicates that at the date of the combined financial statements a loss is probable and the amount can be reasonably estimated. While such reserves reflect management's best estimate of the probable loss for such matters, Health Plans and Hospitals' recorded amounts may differ materially from the actual amount of any such losses.

In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the combined financial position or combined results of operations of Health Plans and Hospitals. The outcome of litigation and other legal and regulatory matters is inherently uncertain, however, and it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material adverse effect on the combined financial position or combined results of operations of Health Plans and Hospitals.

Pursuant to civil subpoenas, Health Plans and Hospitals has provided documents and information to the U.S. Department of Justice (DOJ) and Department of Health and Human Services – Office of Inspector General relating to Medicare Part C risk adjustment practices, policies, and programs. On July 27, 2021, the Civil Division of the DOJ filed a notice indicating its intervention in certain aspects of lawsuits previously filed under seal against several Kaiser Permanente Medical Care Program entities. On October 25, 2021, the DOJ filed its complaint in intervention against those entities. The settlement of this case was executed in January 2026. Pursuant to that settlement, Health Plan, Inc. paid $556 million. A provision has been recognized within operating income for the year ended December 31, 2025. The settlement includes no admission of liability.