

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**Humana Inc.
CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2019	2018
	(in millions, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,054	\$ 2,343
Investment securities	10,972	10,026
Receivables, less allowance for doubtful accounts of \$69 in 2019 and \$79 in 2018	1,056	1,015
Other current assets	3,806	3,564
Total current assets	19,888	16,948
Property and equipment, net	1,955	1,735
Long-term investment securities	406	411
Goodwill	3,928	3,897
Equity method investment in Kindred at Home	1,063	1,047
Other long-term assets	1,834	1,375
Total assets	\$ 29,074	\$ 25,413
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Benefits payable	\$ 6,004	\$ 4,862
Trade accounts payable and accrued expenses	3,754	3,067
Book overdraft	225	171
Unearned revenues	247	283
Short-term debt	699	1,694
Total current liabilities	10,929	10,077
Long-term debt	4,967	4,375
Future policy benefits payable	206	219
Other long-term liabilities	935	581
Total liabilities	17,037	15,252
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, \$1 par; 10,000,000 shares authorized; none issued	—	—
Common stock, \$0.16 2/3 par; 300,000,000 shares authorized; 198,629,992 shares issued at December 31, 2019 and 198,594,841 shares issued at December 31, 2018	33	33
Capital in excess of par value	2,820	2,535
Retained earnings	17,483	15,072
Accumulated other comprehensive income (loss)	156	(159)
Treasury stock, at cost, 66,524,771 shares at December 31, 2019 and 63,028,169 shares at December 31, 2018	(8,455)	(7,320)
Total stockholders' equity	12,037	10,161
Total liabilities and stockholders' equity	\$ 29,074	\$ 25,413

The accompanying notes are an integral part of the consolidated financial statements.

Humana Inc.
CONSOLIDATED STATEMENTS OF INCOME

	For the year ended December 31,		
	2019	2018	2017
	(in millions, except per share results)		
Revenues:			
Premiums	\$ 62,948	\$ 54,941	\$ 52,380
Services	1,439	1,457	982
Investment income	501	514	405
Total revenues	64,888	56,912	53,767
Operating expenses:			
Benefits	53,857	45,882	43,496
Operating costs	7,381	7,525	6,567
Merger termination fee and related costs, net	—	—	(936)
Depreciation and amortization	458	405	378
Total operating expenses	61,696	53,812	49,505
Income from operations	3,192	3,100	4,262
Loss on sale of business	—	786	—
Interest expense	242	218	242
Other (income) expense, net	(506)	33	—
Income before income taxes and equity in net earnings	3,456	2,063	4,020
Provision for income taxes	763	391	1,572
Equity in net earnings of Kindred at Home	14	11	—
Net income	\$ 2,707	\$ 1,683	\$ 2,448
Basic earnings per common share	\$ 20.20	\$ 12.24	\$ 16.94
Diluted earnings per common share	\$ 20.10	\$ 12.16	\$ 16.81

The accompanying notes are an integral part of the consolidated financial statements.

Humana Inc.
CONSOLIDATED STATEMENTS OF CASH FLOW

	For the year ended December 31,		
	2019	2018	2017
	(in millions)		
Cash flows from operating activities			
Net income	\$ 2,707	\$ 1,683	\$ 2,448
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on sale of business	—	786	—
Net realized capital gains	(62)	(90)	(14)
Equity in net earnings of Kindred at Home	(14)	(11)	—
Stock compensation	163	137	157
Depreciation	505	444	410
Amortization	70	90	75
Provision for deferred income taxes	162	194	132
Changes in operating assets and liabilities, net of effect of businesses acquired and dispositions:			
Receivables	(32)	(164)	426
Other assets	118	(484)	(582)
Benefits payable	1,142	252	105
Other liabilities	471	(676)	641
Unearned revenues	(36)	(95)	98
Other	90	107	155
Net cash provided by operating activities	5,284	2,173	4,051
Cash flows from investing activities			
Acquisitions, net of cash acquired	—	(354)	(31)
Purchase of equity method investment in Kindred at Home	—	(1,095)	—
Cash transferred in sale of business	—	(805)	—
Purchases of property and equipment	(736)	(612)	(524)
Purchases of investment securities	(6,361)	(4,687)	(6,265)
Maturities of investment securities	1,733	972	1,111
Proceeds from sales of investment securities	4,086	3,494	2,768
Net cash used in investing activities	(1,278)	(3,087)	(2,941)
Cash flows from financing activities			
(Receipts) withdrawals from contract deposits, net	(623)	(640)	1,823
Proceeds from issuance of senior notes, net	987	—	1,779
(Repayments) proceeds from issuance of commercial paper, net	(360)	485	(153)
Proceeds from term loan	—	1,000	—
Repayment of term loan	(650)	(350)	—
Repayment of long-term debt	(400)	—	(800)
Common stock repurchases	(1,070)	(1,090)	(3,365)
Dividends paid	(291)	(265)	(220)
Change in book overdraft	54	30	(71)
Proceeds from stock option exercises & other	58	45	62
Net cash used in financing activities	(2,295)	(785)	(945)
Increase (decrease) in cash and cash equivalents	1,711	(1,699)	165
Cash and cash equivalents at beginning of period	2,343	4,042	3,877
Cash and cash equivalents at end of period	\$ 4,054	\$ 2,343	\$ 4,042