



**Investments and Finance Sub-Committee**

Thursday, June 20, 2024 at 8:30 a.m.

124 West Capitol Avenue, Suite 400, Little Rock 72201

*Hybrid Meeting: Arkansas Public Employees' Retirement System Board Room and Video Conference*

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**AGENDA**

1. Call to Order – Chair Bassett
2. Consideration of Securities Litigation Request
3. New Business
4. Old Business



## **HUMANA, INC. SECURITIES LITIGATION SUMMARY**

Based in Louisville, Kentucky, Humana is an American health insurance company. Most of its revenue is generated through Medicare. APERS incurred a loss of approximately \$2.6 – 3M (LIFO) on its investments in Humana stock during the period covered in the complaint.

The complaint alleges that Humana misled investors by lowballing the number of insurance claims they would have to pay for elective procedures and healthcare following Covid, thereby reducing the impact insurance claims would have on the company's profitability. Industry-wide, insurers were experiencing a spike in insurance claims for elective procedures after Covid. When Humana announced that the actual claims filed were higher than its projections and more in line with other insurance companies' numbers, Humana's stock dropped over thirty percent (30%).

One factor that initially affected Humana's lower utilization rates was the use of AI software that routinely denied patients' insurance claims. Ninety percent (90%) of those denied claims were ultimately paid by Humana. As a global insurance company, there likely will be plaintiffs with larger losses than APERS.

Below are the securities litigation firms' recommendations for lead plaintiff status.

### **Claim Review Form Submitted**

- Rosen Law Firm
- Labaton Keller Sucharow

### **Declined**

- BLBG
- Cohen Milstein Sellers & Toll
- Lief Cabraser
- Berger Montague, Scott Freda
- Kaplan Fox, Fred Fox
- Bleichmar, Fonti and Auld
- Saxena White

REPORT DATE	SECURITIES ACTION CLAIM	PREPARED BY
6/6/2024	Humana, Inc.	Rosen Law Firm

**CLAIM SUMMARY**

Briefly state the claim basis (Securities Act of 1933 or 1934 or other) and strength of the claim.

The claims arise under Sections 10(b) and 120(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), and SEC Rule 10b-5 promulgated thereunder. Humana, headquartered in Louisville, Kentucky, is a health insurance company that provides medical benefit plans to approximately 17 million members, including Medicare and group Medicare plans accounting for almost 80% of revenue. Throughout the Class Period, Defendants continued to assure investors—and analysts who repeatedly inquired about potential pent-up demand for healthcare services that built-up under COVID restrictions—that “in-patient unit costs and trends [were] coming in lower than [the Company] initially estimated” and that **“there really isn’t pent-up demand that [the Company has] to be concerned about”** negatively impacting utilization rates and profitability. In June of 2023 investors learned the truth when Humana’s main competitor United Health disclosed higher utilization rates and costs due to pent up COVID demand, and a strong increase in surgeries. Given the similarities in their businesses, it wasn’t long before Humana was revealing their own previously undisclosed **cost pressures and the stock subsequently declined over 30%**.

Filing deadline for lead plaintiff status:

8/2/2024

**JUSTIFICATION**

Briefly explain how APERS can increase recoveries for the class through lead plaintiff status.

Drawing on APERS' deep experience and reputation, securities class actions will aid in increasing potential recovery in this action. Moreover, APERS' involvement in this action will send a message that large and sophisticated institutional investors will not tolerate corporate misconduct-- particularly conduct resulting in large financial losses or leading to inadequate corporate governance,

What expertise of your firm is specifically suited to the nature of the claim?

The Rosen Law Firm has been ranked in the Top 4 by ISS every year since 2013 in number of securities class action settlements. In 2023, the firm was ranked 3<sup>rd</sup> in the nation. The firm is looking forward to aggressively prosecuting this action on behalf of APERS, if it so chooses to seek lead plaintiff status.

Will APERS have the ability in this case to negotiate a favorable contingency fee with your firm?

Yes       No

**INVESTMENT PROJECTED LOSS/CLASS PERIOD**

CUSIP number:

Issuer:

444859102

Humana, Inc.

Name of Investment Manager(s) who purchased the security for APERS during the class action period:

LAZARD ASSET MGMT  
WELLINGTON MGMT  
INTECH

Projected class period start:

Projected class period end:

7/27/2022

1/24/2024

APERS loss for the class period - include calculated LIFO loss and loss using weighted average:

Straight through calculation: \$1,839,404.

Because there are several partial corrective disclosures, DURA with partial correctives beginning 6/13/23 brings the loss to: \$2,638,888.

Number of shares purchased by APERS during the class action period:

38,426

Number of shares sold by APERS during the class action period:

11,639

**CONCLUSIONS/RECOMMENDATIONS - APERS USE ONLY - DO NOT COMPLETE SECTION BELOW**

REPORT DATE

SECURITIES ACTION CLAIM

PREPARED BY

**CLAIM SUMMARY**

Briefly state the claim basis (Securities Act of 1933 or 1934 or other) and strength of the claim.

Filing deadline for lead plaintiff status:

**JUSTIFICATION**

Briefly explain how APERS can increase recoveries for the class through lead plaintiff status.

What expertise of your firm is specifically suited to the nature of the claim?

Will APERS have the ability in this case to negotiate a favorable contingency fee with your firm?

Yes

No

**INVESTMENT PROJECTED LOSS/CLASS PERIOD**

CUSIP number:                      Issuer:

Name of Investment Manager(s) who purchased the security for APERS during the class action period:

Projected class period start:      Projected class period end:

APERS loss for the class period - include calculated LIFO loss and loss using weighted average:

Number of shares purchased by APERS during the class action period:

Number of shares sold by APERS during the class action period:

**CONCLUSIONS/RECOMMENDATIONS - APERS USE ONLY - DO NOT COMPLETE SECTION BELOW**