



Humana Reports Fourth Quarter and Year 2001 Results

February 4, 2002

*** Fourth quarter net income of \$35.1 million, or \$.21 per diluted share, a 32 percent increase over last year's fourth quarter net income. * Full year 2001 net income of \$117.2 million, or \$.70 per diluted share, a 30 percent increase over 2000.**

LOUISVILLE, Ky., Feb 4, 2002 /PRNewswire-FirstCall via COMTEX/ --- Humana Inc. (NYSE: HUM) today reported earnings of \$.21 per diluted share for the fourth quarter ended December 31, 2001 versus \$.16 per diluted share for the fourth quarter of 2000. Earnings per diluted share for the year ended December 31, 2001 were \$.70 compared to \$.54 for the prior year.

Net income for the fourth quarter of 2001 was \$35.1 million compared to net income of \$26.5 million for the same period in the prior year, a 32 percent increase. Net income for the year ended December 31, 2001 of \$117.2 million compares with \$90.1 million in the year ended December 31, 2000, a 30 percent increase. Income before income taxes for the fourth quarter was up 63 percent to \$54.9 million versus \$33.6 million a year ago. Comparable results for the years ended December 31, 2001 and 2000 were \$183.1 million and \$114.0 million, respectively, a 61 percent improvement.

"The associates of Humana are dedicated to ensuring we consistently deliver not only quality products and services to our customers, but innovation that adds value both today and in the future for those customers," said Michael B. McCallister, Humana's president and chief executive officer. "We're pleased that our financial results are clearly demonstrating how the commitment to adding value for our customers also can translate into improved value for our shareholders."

Revenue and Membership

Revenue in the fourth quarter was \$2.62 billion versus \$2.58 billion in the fourth quarter of 2000. Fourth quarter revenues increased sequentially from \$2.61 billion in the third quarter of 2001. Total medical membership at December 31, 2001 was 6,435,800 versus 5,298,700 a year ago and 6,428,600 at September 30, 2001.

Fourth quarter premium revenues for the Commercial segment totaled \$1.34 billion consistent with the same period in 2000 and an increase over \$1.31 billion in the third quarter 2001. Medical membership for the Commercial segment decreased by 16,700 members to 2,893,800 at December 31, 2001 from 2,910,500 at September 30, 2001. Fully insured medical business within the segment averaged premium yields of 10 to 11 percent for the fourth quarter of 2001 compared to 13 to 14 percent for the fourth quarter of 2000 and 11 to 12 percent in the third quarter of 2001. Premium yields for the fourth quarter of 2001 include the effect of the year-over-year comparison to premiums during the fourth quarter of 2000 when significant focal rate increases were implemented, primarily in Colorado and Texas.

Government segment premium revenues totaled \$1.21 billion in the fourth quarter of 2001 versus \$1.19 billion for the prior year's quarter and \$1.23 billion in the third quarter of 2001. The company's Medicare+Choice line averaged premium yields of 10 to 11 percent during the fourth quarter versus 6 to 7 percent in the prior year's quarter and 10 to 11 percent in the third quarter of 2001. Medicare+Choice membership at December 31, 2001 was 393,900 versus 406,100 at September 30, 2001, a decline of 12,200 members. TRICARE premium revenues increased to \$405.3 million in the fourth quarter of 2001 versus \$221.7 million in the prior year's quarter. TRICARE premium revenues for the third quarter of 2001 approximated \$398.7 million. The year over year increase in TRICARE premium revenues is primarily attributable to the company's acquisition of the TRICARE regions 2 and 5 business on May 31, 2001.

Medical and SG&A Expenses and Taxes

The company's medical expense ratio (medical expenses as a percent of premium revenues) for the fourth quarter, was 82.9 percent versus a ratio of 83.7 percent for the same period in 2000 and a ratio of 83.3 percent in the third quarter of 2001.

Medical cost trends for the commercial fully insured medical line of business were in the 10 to 12 percent range for the fourth quarter of 2001. Medicare+Choice medical cost trends for the fourth quarter 2001 ranged from 5 to 7 percent.

An increase in the percentage of revenues from administrative services fees resulted in a sequential increase of 50 basis points in the company's selling, general and administrative ("SG&A") expense ratio (SG&A expenses as a percent of premiums and administrative services fees) to 15.9 percent. This compares to 15.4 percent in the third quarter of 2001 and a ratio of 15.0 percent in the year-ago quarter.

The company's effective tax rate of 36 percent for the fourth quarter of 2001 is unchanged from the first three quarters of 2001 and compares to 21 percent for each of the 2000 quarters. The lower effective tax rate for 2000 related primarily to the disposition of the company's workers' compensation business.

Days in claims payable

Days in claims payable for the fourth quarter of 2001 of 47.4 includes the effects of the timing of payments made to the company's pharmacy benefits management vendor and adjustments related to the TRICARE regions 2 and 5 acquisition in May 2001. Excluding the impact of those items during the quarter, days in claims payable were slightly improved sequentially.

Cash flows

Excluding the timing of the receipt of the Medicare premium payment from the Centers for Medicare and Medicaid Services (CMS), cash flows provided by operations totaled \$100.2 million in the fourth quarter of 2001 and \$165.8 million for the year ended December 31, 2001 compared to \$45.4 million in the fourth quarter 2000 and \$87.2 million for the year ended December 31, 2000.

Guidance

The company continues to anticipate diluted earnings per share of \$1.15 to \$1.19 for 2002, including \$.31 per share from the implementation of the new goodwill accounting rules.

Commercial segment medical membership (fully-insured and ASO) for the first quarter of 2002 is now expected to increase by 55,000 to 75,000 members.

"Our sales efforts, service levels and pricing discipline are working together to deliver our innovative products to an expanding customer base, resulting in improved financial performance," said James H. Bloem, senior vice president and chief financial officer.

Conference Call

Humana will host a conference call, as well as a virtual slide presentation, at 9:00 a.m. EST today to discuss its financial results for the quarter and earnings guidance.

All parties interested in the audio only portion of the conference call are invited to dial 888-625-7430. No password is required. The company suggests participants dial in approximately ten minutes in advance of the call.

A live virtual presentation (audio with slides) will be available and may be accessed via Humana's Investor Relations page at www.humana.com. The company suggests web participants sign on approximately 15 minutes in advance of the call. The company also suggests web participants visit the site well in advance of the call to run a system test and to download any free software needed to view the presentation.

For those unable to participate in the live event, the virtual presentation archive will be available in the Presentations section of the Investor Relations page at www.humana.com, approximately two hours following the live web cast. An audio recording of the conference call will be available in the Audio Archives located on the Investor Relations page at www.humana.com approximately two hours after the live call.

This news release contains forward-looking statements. The forward-looking statements made in this news release are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be significantly impacted by certain risks and uncertainties described in the following documents, as filed by Humana with the Securities and Exchange Commission:

- * Form 10-K for the year ended December 31, 2000;
- * Form 10-Qs for the quarters ended March 31, 2001, June 30, 2001, and September 30, 2001.

Summary of operating results for the three months ended December 31:

	2001	2000
Revenues	\$2,622,716,000	\$2,577,691,000
Income before income taxes	\$54,856,000	\$33,602,000
Net income	\$35,108,000	\$26,546,000
Basic earnings per common share	\$.21	\$.16
Diluted earnings per common share	\$.21	\$.16
Medical expense ratio	82.9%	83.7%

Summary of operating results for the year ended December 31:

	2001	2000
Revenues	\$10,194,886,000	\$10,595,950,000
Income before income taxes	\$183,080,000	\$113,990,000
Net income	\$117,171,000	\$90,052,000
Basic earnings per common share	\$.71	\$.54
Diluted earnings per common share	\$.70	\$.54
Medical expense ratio	83.3%	84.5%

Humana Inc., headquartered in Louisville, Kentucky, is one of the nation's largest publicly traded health benefits companies, with approximately 6.4 million medical members located primarily in 18 states and Puerto Rico. Humana offers coordinated health insurance coverage and related services -- through traditional and Internet based plans -- to employer groups and government-sponsored plans.

More information regarding Humana is available via the Internet at www.humana.com, including on-line:

- * Copies of annual report to stockholders, Form 10-K, Form 10-Qs, and proxy statement;
- * Copy of most recent investor presentation;
- * Copies of quarterly earnings press releases;
- * Audio archive of the most recent earnings release conference call;
- * Calendar of events (includes upcoming earnings conference call dates, related conference call access number, and planned participation in

investor conferences).

Humana Inc.

In thousands

	December 31,		Percent	
Ending Medical Membership	2001	2000	Difference	Change

Commercial:

Fully insured	2,301.3	2,545.8	(244.5)	(9.6)
ASO	592.5	612.8	(20.3)	(3.3)
Total Commercial	2,893.8	3,158.6	(264.8)	(8.4)

Government:

Medicare+Choice	393.9	494.2	(100.3)	(20.3)
Medicaid	490.8	575.6	(84.8)	(14.7)
TRICARE	1,714.6	1,070.3	644.3	60.2
TRICARE ASO	942.7	-	942.7	100.0
Total Government	3,542.0	2,140.1	1,401.9	65.5
Total ending medical membership	6,435.8	5,298.7	1,137.1	21.5

	December 31,		Percent	
Ending Specialty Membership	2001	2000	Difference	Change

Commercial:

Dental	1,690.7	1,665.9	24.8	1.5
Group life	546.1	646.9	(100.8)	(15.6)
Short-term disability	25.2	32.0	(6.8)	(21.3)
Total ending specialty membership	2,262.0	2,344.8	(82.8)	(3.5)

	Three months ended		Year ended	
Premiums	December 31,		December 31,	
	2001	2000	2001	2000

Commercial:

Fully insured medical	\$1,258,530	\$1,271,422	\$4,941,888	\$5,234,340
Specialty	78,174	73,117	304,714	291,315
Medicare supplement	-	-	-	29,262
Total Commercial	1,336,704	1,344,539	5,246,602	5,554,917

Government:

Medicare+Choice	718,987	817,908	2,909,478	3,286,351
Medicaid	83,431	145,923	441,324	660,988
TRICARE	405,264	221,667	1,341,557	892,375
Total Government	1,207,682	1,185,498	4,692,359	4,839,714
Total premiums	\$2,544,386	\$2,530,037	\$9,938,961	\$10,394,631

Average Medical Membership

Commercial:

Fully insured	2,307.4	2,571.9	2,348.5	2,795.9
ASO	588.4	624.8	563.5	648.4
Medicare supplement	-	-	-	40.9
Total Commercial	2,895.8	3,196.7	2,912.0	3,485.2

Government:

Medicare+Choice	397.1	500.3	414.8	511.2
Medicaid	327.6	578.2	450.9	619.1
TRICARE	1,714.6	1,070.3	1,448.4	1,061.1
TRICARE ASO	942.7	-	607.0	-
Total Government	3,382.0	2,148.8	2,921.1	2,191.4
Total average medical membership	6,277.8	5,345.5	5,833.1	5,676.6

Humana Inc.

Dollars in thousands, except per share results

	Three months ended December 31,		Year ended December 31,	
Consolidated Statements of Operations	2001	2000	2001	2000
Revenues:				
Premiums	\$2,544,386	\$2,530,037	\$9,938,961	\$10,394,631
Administrative services fees	49,317	19,334	137,090	86,298
Investment and other income	29,013	28,320	118,835	115,021
Total revenues	2,622,716	2,577,691	10,194,886	10,595,950
Operating expenses:				
Medical	2,108,187	2,118,225	8,279,844	8,781,998
Selling, general and administrative	412,469	381,543	1,545,129	1,524,799
Depreciation	24,302	22,129	92,929	84,361
Goodwill amortization	13,949	12,444	55,065	51,934
Other intangible amortization	4,119	2,967	13,537	10,253
Total operating expenses	2,563,026	2,537,308	9,986,504	10,453,345
Income from operations	59,690	40,383	208,382	142,605
Interest expense	4,834	6,781	25,302	28,615
Income before income taxes	54,856	33,602	183,080	113,990
Provision for income taxes	19,748	7,056	65,909	23,938
Net income	\$35,108	\$26,546	\$117,171	\$90,052

Basic earnings per common share	\$0.21	\$0.16	\$0.71	\$0.54
Diluted earnings per common share	\$0.21	\$0.16	\$0.70	\$0.54

Shares used in basic earnings per common share computation (000)	164,020	164,026	164,071	166,224
Shares used in diluted earnings per common share computation (000)	167,396	166,445	167,308	166,932

Medical expense ratio	82.9%	83.7%	83.3%	84.5%
Selling, general and administrative expense ratio	15.9%	15.0%	15.3%	14.5%

EBITDA * \$102,060 \$77,923 \$369,913 \$289,153

* EBITDA is defined as earnings (including investment and other income) before interest expense, income taxes, depreciation and amortization.

Humana Inc.

Dollars in thousands, except per share results

Consolidated Balance Sheets	December 31, 2001	September 30, 2001	December 31, 2000
Assets			
Current assets:			
Cash and cash equivalents	\$651,420	\$591,833	\$657,562
Investment securities	1,389,596	1,391,654	1,408,522

Premium receivable, net	322,064	282,334	205,260
Deferred income taxes	64,221	37,077	67,205
Other	195,637	190,900	195,517
Total current assets	2,622,938	2,493,798	2,534,066

Property and equipment, net 461,761 453,443 434,620

Other assets:

Long-term investment securities	280,320	274,470	240,064
Goodwill	776,874	793,115	789,541
Deferred income taxes	36,582	82,900	102,767
Other	225,163	246,019	205,920
Total other assets	1,318,939	1,396,504	1,338,292
Total assets	\$4,403,638	\$4,343,745	\$4,306,978

Liabilities and Stockholders' Equity

Current liabilities:

Medical and other expenses payable	\$1,086,386	\$1,130,146	\$1,181,027
Trade accounts payable and accrued expenses	479,140	437,926	428,556
Book overdraft	152,757	140,934	148,563
Unearned premium revenues	325,040	282,946	333,305
Short-term debt	263,856	271,120	599,952
Total current liabilities	2,307,179	2,263,072	2,691,403
Debt	315,489	317,537	-
Professional liability and other obligations	273,021	299,237	255,154
Total liabilities	2,895,689	2,879,846	2,946,557

Commitments and contingencies

Stockholders' equity:

Preferred stock	-	-	-
Common stock	28,451	28,446	28,450
Capital in excess of par value	922,437	921,728	922,653
Retained earnings	578,122	543,014	460,951
Accumulated other comprehensive income (loss)	11,670	6,466	(8,509)
Unearned restricted stock compensation	(17,882)	(20,988)	(29,177)
Treasury stock, at cost	(14,849)	(14,767)	(13,947)
Total stockholders' equity	1,507,949	1,463,899	1,360,421

Total liabilities and stockholders'

equity \$4,403,638 \$4,343,745 \$4,306,978

Humana Inc.

Dollars in thousands

	Three months ended		Year ended	
	December 31,		December 31,	
Consolidated Statements of	2001	2000	2001	2000
Cash Flows	2001	2000	2001	2000
Cash flows from operating activities				
Net income	\$35,108	\$26,546	\$117,171	\$90,052
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	42,370	37,540	161,531	146,548
Provision for deferred income taxes	15,816	1,254	56,104	19,287
Payment for government audit settlement	-	-	(8,000)	(14,526)
Changes in operating				

assets and liabilities excluding effects of acquisitions and divestitures:					
Premiums receivable	(35,052)	2,399	(18,797)	9,933	
Other assets	(3,651)	4,261	8,184	(20,234)	
Medical and other expenses payable	(23,632)	(50,664)	(179,539)	(195,891)	
Workers' compensation run-out claims reduction	-	-	-	(18,064)	
Other liabilities	17,220	11,341	27,456	36,866	
Unearned premium revenues	42,094	243,226	(13,397)	(16,050)	
Other	(1,153)	2,967	(1,755)	2,483	
Net cash provided by operating activities	89,120	278,870	148,958	40,404	
Timing of Medicare+Choice premium payment from CMS	11,049	(233,444)	16,815	16,689	
Workers' compensation run- out claims reduction	-	-	-	30,064	
Pro forma net cash provided by operating activities	100,169	45,426	165,773	87,157	

Cash flows from investing activities					
Acquisitions, net of cash and cash equivalents acquired	3,341	(703)	(29,359)	(12,910)	
Divestitures, net of cash and cash equivalents disposed	420	(3,250)	1,470	28,517	
Purchases of property and equipment	(32,798)	(35,724)	(114,971)	(135,067)	
Proceeds from sale of property and equipment	-	7,343	-	21,163	
Purchases of marketable securities	(514,806)	(461,362)	(1,874,482)	(1,205,129)	
Proceeds from maturities of marketable securities	204,871	177,676	626,369	543,062	
Proceeds from sales of marketable securities	307,646	321,995	1,272,166	582,339	
Net cash (used in) provided by investing activities	(31,326)	5,975	(118,807)	(178,025)	

Cash flows from financing activities					
Revolving credit agreement (repayments) borrowings	(270,000)	520,000	(520,000)	520,000	
Net commercial paper conduit borrowings	263,000	-	263,000	-	
Net commercial paper repayments	-	(529,794)	(79,952)	(606,261)	
Proceeds from issuance of senior notes	-	-	299,277	-	
Debt issue costs	(3,876)	-	(7,116)	-	
Change in book overdraft	11,823	19,781	4,193	(66,618)	
Common stock repurchases	-	(82)	(1,867)	(26,431)	
Other	846	(1,068)	6,172	(3,794)	
Net cash provided by (used in) financing activities	1,793	8,837	(36,293)	(183,104)	

Increase/(decrease) in

cash and cash equivalents	59,587	293,682	(6,142)	(320,725)
Cash and cash equivalents				
at beginning of period	591,833	363,880	657,562	978,287
Cash and cash equivalents				
at end of period	\$651,420	\$657,562	\$651,420	\$657,562

SOURCE Humana Inc.

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