



Humana Reports First Quarter 2002 Results

April 29, 2002

First quarter net income of \$46.8 million, or \$.28 per diluted share

- Cash flows from operating activities of \$76.5 million (including the usual adjustment for the timing of the CMS premium payment)
- Commercial segment medical membership increases 60,400 members sequentially

* Total medical membership of 6,534,900 at March 31, 2002

LOUISVILLE, Ky., April 29 /PRNewswire-FirstCall/ -- Humana Inc. (NYSE: HUM) today reported earnings of \$.28 per diluted share for the first quarter ended March 31, 2002 versus \$.24 adjusted earnings per diluted share for the first quarter of 2001. (Adjusted earnings for 2001 exclude amortization expense for goodwill. New accounting rules require all companies to cease amortizing goodwill effective January 1, 2002.)

Net income for the first quarter of 2002 was \$46.8 million versus adjusted net income of \$39.6 million for the same period in the prior year. Income before income taxes for the first quarter increased to \$68.8 million versus adjusted income before income taxes of \$55.2 million a year ago.

"Steady increases in premium and administrative services fees revenues and medical membership, combined with a continued decline in our medical expense ratio resulted in a significant year-over-year improvement in net income, further evidencing the continuing success of our growth-through-innovation strategy," said Michael B. McCallister, Humana's president and chief executive officer. "We believe the combination of new products -- such as SmartSuite(SM), which we launched in the first quarter -- and our service and technology capabilities, further position our company for growth."

Pre-tax earnings increased to \$68.8 million versus adjusted pre-tax earnings of \$55.2 million for the first quarter of 2001. Pre-tax margin improved to 2.5 percent compared with 2.2 percent in the prior year's quarter, on an adjusted basis.

Revenue and Membership

Revenues in the first quarter were \$2.73 billion versus \$2.46 billion in the first quarter of 2001. First quarter revenues increased sequentially from \$2.62 billion in the fourth quarter of 2001. Total medical membership at March 31, 2002 was 6,534,900 versus 4,927,300 a year ago and 6,435,800 at December 31, 2001.

First quarter premium revenues and administrative services fees for the Commercial segment totaled \$1.45 billion, an increase over both the first and fourth quarters of 2001. Commercial segment premium revenues and administrative services fees for the first quarter 2001 were \$1.33 billion and \$1.36 billion in the fourth quarter 2001. Medical membership for the Commercial segment increased by 60,400 members to 2,954,200 at March 31, 2002 from 2,893,800 at December 31, 2001. Fully insured medical business within the segment averaged premium yields of 12 to 14 percent for the first quarter of 2002 compared to 10 to 11 percent in the fourth quarter of 2001.

Government segment premium revenues and administrative services fees totaled \$1.26 billion in the first quarter of 2002 versus \$1.10 billion for the prior year's quarter and \$1.24 billion in the fourth quarter of 2001. Medicare+Choice membership at March 31, 2002 was 363,700 versus 393,900 at December 31, 2001, a decline of 30,200 members. The company's Medicare+Choice line averaged premium yields of 6 to 8 percent during the first quarter versus 10 to 11 percent in the fourth quarter of 2001 as new Medicare+Choice benefit designs and related premiums became effective on January 1, 2002.

TRICARE premium revenues and administrative services fees increased to \$472.3 million in the first quarter of 2002 versus \$243.8 million in the prior year's quarter. TRICARE premium revenues and administrative services fees for the fourth quarter of 2001 were \$432.9 million. The year over year increase in TRICARE premium revenues and administrative service fees is primarily attributable to the company's acquisition of the TRICARE regions 2 and 5 business on May 31, 2001 and the implementation of the TRICARE for Life medical benefits program effective October 1, 2001. TRICARE risk-based membership increased sequentially by 27,700, totaling 1,742,300 at March 31, 2002 versus 1,714,600 at December 31, 2001 and 1,070,900 at March 31, 2001. TRICARE ASO membership also increased sequentially. As of March 31, 2002, 997,900 TRICARE members were in ASO programs compared to 942,700 at December 31, 2001 and none in the prior year's quarter.

Medical and SG&A Expenses

The company's medical expense ratio (medical expenses as a percent of premium revenues) for the first quarter of 2002 was 83.1 percent versus a ratio of 83.2 percent for the same period in 2001.

Medical cost trends for the commercial fully insured medical line of business were in the 11 to 13 percent range for the first quarter of 2002. Medicare+Choice medical cost trends for the first quarter 2002 ranged from 6 to 8 percent.

An increase in the percentage of revenues from administrative services fees resulted in a sequential increase of 20 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 16.1 percent. This compares to 15.9 percent in the fourth quarter of 2001 and a ratio of 15.2 percent in the year-ago quarter.

Days in Claims Payable

Days in claims payable for the first quarter of 2002 of 47.2 were essentially flat with days in claims payable for the fourth quarter of 2001.

Cash Flows

After giving effect to the usual adjustment for 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 \$76.5 million in the first quarter of 2002 compared to a use of cash in operations of \$75.1 million in the first quarter 2001, an improvement of \$151.6 million.

Guidance

The company continues to anticipate diluted earnings per share of \$1.15 to \$1.19 for 2002.

Conference Call

Humana will host a conference call, as well as a virtual slide presentation, at 9:00 a.m. EDT 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 <http://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 <http://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 <http://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 Humana's Form 10-K for the year ended December 31, 2001, as filed by Humana with the Securities and Exchange Commission.

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

	2002	Adjusted 2001
Revenues	\$2,732,582,000	\$2,463,998,000
Income before income taxes	\$68,779,000	\$55,152,000
Net income	\$46,770,000	\$39,556,000
Basic earnings per common share	\$.28	\$.24
Diluted earnings per common share	\$.28	\$.24
Medical expense ratio	83.1 %	83.2 %

Humana Inc., headquartered in Louisville, Kentucky, is one of the nation's largest publicly traded health benefits companies, with approximately 6.5 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 <http://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

	March 31,		Percent		Change
Ending Medical Membership	2002	2001	Difference		
Commercial:					
Fully insured	2,332.4	2,387.9	(55.5)	(2.3)	
ASO	621.8	547.2	74.6	13.6	
Total Commercial	2,954.2	2,935.1	19.1	0.7	
Government:					
Medicare+Choice	363.7	428.1	(64.4)	(15.0)	
Medicaid	476.8	493.2	(16.4)	(3.3)	
TRICARE	1,742.3	1,070.9	671.4	62.7	

TRICARE ASO	997.9	--	997.9	100.0
Total Government	3,580.7	1,992.2	1,588.5	79.7
Total ending medical membership	6,534.9	4,927.3	1,607.6	32.6

	March 31,	Percent			
Ending Specialty Membership	2002	2001	Difference	Change	

Commercial:

Dental	1,680.2	1,626.1	54.1	3.3
Group life	542.1	610.3	(68.2)	(11.2)
Short-term disability	23.9	30.2	(6.3)	(20.9)
Total ending specialty membership	2,246.2	2,266.6	(20.4)	(0.9)

	Three months ended March 31,	
Premiums	2002	2001

Commercial:

Fully insured medical	\$1,343,261	\$1,235,926
Specialty	82,727	74,741
Total Commercial	1,425,988	1,310,667

Government:

Medicare+Choice	672,186	734,469
Medicaid	111,253	123,803
TRICARE	432,385	243,845
Total Government	1,215,824	1,102,117
Total premiums	\$2,641,812	\$2,412,784

Average Medical Membership

Commercial:

Fully insured	2,341.0	2,411.7
ASO	620.3	550.2
Total Commercial	2,961.3	2,961.9

Government:

Medicare+Choice	366.2	431.2
Medicaid	476.4	520.9
TRICARE	1,730.6	1,070.7
TRICARE ASO	1,002.8	--
Total Government	3,576.0	2,022.8
Total average medical membership	6,537.3	4,984.7

Humana Inc.

Dollars in thousands, except per share results

	Three months ended March 31,	
Consolidated Statements of Operations	2002	2001
Revenues:		
Premiums	\$2,641,812	\$2,412,784
Administrative services fees	65,013	20,843
Investment and other income	25,757	30,371
Total revenues	2,732,582	2,463,998

Operating expenses:		
Medical	2,194,539	2,007,129
Selling, general and administrative	435,064	368,773
Depreciation	25,865	22,805
Goodwill amortization	--	13,510
Other intangible amortization	3,931	2,461
Total operating expenses	2,659,399	2,414,678
Income from operations	73,183	49,320
Interest expense	4,404	7,678
Income before income taxes	68,779	41,642
Provision for income taxes	22,009	14,991
Net income	\$46,770	\$26,651
Add back: Goodwill amortization expense, net of tax	--	12,905
Adjusted net income	\$46,770	\$39,556

Basic earnings per common share	\$0.28	\$0.16
Add back: Goodwill amortization expense, net of tax	--	0.08
Adjusted basic earnings per common share	\$0.28	\$0.24

Diluted earnings per common share	\$0.28	\$0.16
Add back: Goodwill amortization expense, net of tax	--	0.08
Adjusted diluted earnings per common share	\$0.28	\$0.24

Shares used in basic earnings per common share computation (000)	164,255	164,055
Shares used in diluted earnings per common share computation (000)	167,704	167,373

Pretax Results by Segment

Commercial, as reported	\$26,095	\$14,713
Add back: Goodwill amortization expense	--	8,657
Commercial, as adjusted	\$26,095	\$23,370
Government, as reported	\$42,684	\$26,929
Add back: Goodwill amortization expense	--	4,853
Government, as adjusted	\$42,684	\$31,782

Key Ratios

Medical expense ratio		
Commercial	81.9%	81.6%
Government	84.5%	85.0%
Total	83.1%	83.2%

Selling, general, and administrative expense ratio		
Commercial	17.6%	17.7%
Government	14.3%	12.0%
Total	16.1%	15.2%

EBITDA *		
Commercial	\$46,321	\$44,238
Government	56,658	43,858

Total EBITDA	\$102,979	\$88,096
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- 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

	March 31,	December 31,
Consolidated Balance Sheets	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	\$485,882	\$651,420
Investment securities	1,409,047	1,389,596
Receivables, net:		
Premiums	325,611	299,601
Administrative services fees	46,467	26,667
Deferred income taxes	68,603	64,221
Other	206,044	191,433
Total current assets	2,541,654	2,622,938
Property and equipment, net	467,954	461,761
Other assets:		
Long-term investment securities	281,132	280,320
Goodwill	776,874	776,874
Deferred income taxes	24,620	36,582
Other	211,673	225,163
Total other assets	1,294,299	1,318,939
Total assets	\$4,303,907	\$4,403,638
Liabilities and Stockholders' Equity		
Current liabilities:		
Medical and other expenses payable	\$1,150,363	\$1,086,386
Trade accounts payable and accrued expenses	500,049	479,996
Book overdraft	163,430	152,757
Unearned premium revenues	87,282	325,040
Short-term debt	263,000	263,000
Total current liabilities	2,164,124	2,307,179
Long-term debt	306,955	315,489
Professional liability risks	251,029	241,431
Other long-term liabilities	32,147	31,590
Total liabilities	2,754,255	2,895,689
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	--	--
Common stock	28,473	28,449
Capital in excess of par value	923,978	922,439
Retained earnings	624,893	578,122
Accumulated other comprehensive income	3,303	11,670
Unearned restricted stock compensation	(15,042)	(17,882)
Treasury stock, at cost	(15,953)	(14,849)
Total stockholders' equity	1,549,652	1,507,949
Total liabilities and stockholders' equity	\$4,303,907	\$4,403,638

Debt to total capitalization ratio	26.9%	27.8%
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Claims Data:

Number of claims on-hand	559,600	518,100
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Estimated value of claims on-hand	\$122,496	\$125,448
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Humana Inc.

Dollars in thousands

	Three months ended March 31,	
Consolidated Statements of Cash Flows	2002	2001
Cash flows from operating activities		
Net income	\$46,770	\$26,651
Adjustments to reconcile net income to net cash provided by (used in)		
operating activities:		
Depreciation and amortization	29,796	38,776
Provision for deferred income taxes	12,880	15,705
Changes in operating assets and liabilities excluding effects of acquisitions and divestitures:		
Receivables	(45,810)	(48,503)
Other assets	(2,398)	3,892
Medical and other expenses payable	63,977	(78,106)
Other liabilities	(10,804)	(26,544)
Unearned premium revenues	(237,758)	1,369
Other	3,210	(2,426)
Net cash used in operating activities	(140,137)	(69,186)
Timing of Medicare+Choice premium payment from CMS	216,628	(5,950)
Pro forma net cash provided by (used in) operating activities	76,491	(75,136)
Cash flows from investing activities		
Acquisitions, net of cash and cash equivalents acquired	--	(1,770)
Divestitures, net of cash and cash equivalents disposed	1,109	1,000
Purchases of property and equipment	(32,365)	(27,709)
Purchases of marketable securities	(425,135)	(478,580)
Proceeds from maturities of marketable securities	115,954	168,426
Proceeds from sales of marketable securities	303,896	351,450
Net cash (used in) provided by investing activities	(36,541)	12,817
Cash flows from financing activities		
Revolving credit agreement (repayments) borrowings	--	(10,000)
Net commercial paper conduit borrowings	--	--
Net commercial paper repayments	--	(417)
Debt issue costs	(559)	--
Change in book overdraft	10,673	(20,567)
Other	1,026	132
Net cash provided by (used in)		

financing activities	11,140	(30,852)
Decrease in cash and cash equivalents	(165,538)	(87,221)
Cash and cash equivalents at beginning of period	651,420	657,562
Cash and cash equivalents at end of period	\$485,882	\$570,341

SOURCE Humana Inc.

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