UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-5975

HUMANA INC.

(Exact name of registrant as specified in its charter)

Delaware	61-0647538
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

500 West Main Street, Louisville, Kentucky	40202
(Address of principal executive offices)	(Zip Code)

(502) 580-1000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at November 1, 1997
$.16 2/3 par value	163,841,313 shares

Humana Inc.
Condensed Consolidated Statement of Operations
For the quarters and nine months ended September 30, 1997 and 1996
Unaudited
(Dollars in millions except per share results)

	Quarter		Nine months	
	1997	1996	1997	1996
Revenues:				
Premiums	$ 1,935	$ 1,756	$ 5,543	$ 4,894
Interest	29	25	82	75
Other income	4	3	11	8
Total revenues	1,968	1,784	5,636	4,977
Operating expenses:				
Medical costs	1,596	1,460	4,567	4,149
Selling, general and administrative	274	249	793	680
Depreciation and amortization	26	25	75	74
Asset write-downs and other unusual charges				81
Total operating expenses	1,896	1,734	5,435	4,984
Income (loss) from operations	72	50	201	(7)
Interest expense	3	2	7	10
Income (loss) before income taxes	69	48	194	(17)
Income tax provision (benefit)	25	16	69	(7)
Net income (loss)	$ 44	$ 32	$ 125	$ (10)
Earnings (loss) per common share	.27	$ .20	$ .76	$ (.06)

Shares used in earnings (loss) per common share computation (000)	163,705	162,579	163,222	162,471

See accompanying notes.

Humana Inc.

Condensed Consolidated Balance Sheet

	Unaudited (Dollars in millions) September 30, 1997	December 31, 1996
Assets		
Current assets:		
Cash and cash equivalents	$ 156	$ 322
Marketable securities	1,559	1,262
Premiums receivable, less allowance for doubtful accounts $51 - September 30, 1997 and $38 - December 31, 1996	291	211
Deferred income taxes	68	94
Other	213	113
Total current assets	2,287	2,002
Long-term marketable securities	550	143
Property and equipment, net	421	371
Cost in excess of net assets acquired	988	488
Reinsurance and other recoverables on unpaid losses	217	
Other	271	149
Total assets	$ 4,734	$ 3,153
Liabilities and Common Stockholders' Equity		
Current liabilities:		
Medical and other costs payable	$ 1,402	$ 1,099
Trade accounts payable and accrued expenses	433	369
Income taxes payable	13	32
Total current liabilities	1,848	1,500
Long-term medical and other costs payable	626	
Long-term debt	616	225
Other long-term obligations	190	136
Total liabilities	3,280	1,861
Contingencies		
Common stockholders' equity:		
Common stock, $.16 2/3 par; authorized 300,000,000 shares; issued and outstanding 163,806,127 shares - September 30, 1997 and 162,681,123 shares - December 31, 1996	27	27
Other	1,427	1,265
Total common stockholders' equity	1,454	1,292
Total liabilities and common stockholders' equity	$ 4,734	$ 3,153

See accompanying notes.

Humana Inc.

Condensed Consolidated Statement of Cash Flows

For the nine months ended September 30, 1997 and 1996
Unaudited
(Dollars in millions)

	1997	1996
Cash flows from operating activities:		
Net income (loss)	$ 125	$ (10)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Asset write-downs		70
Depreciation and amortization	75	74
Deferred income taxes	19	(33)
Changes in operating assets and liabilities	(157)	189
Other	3	(19)
Net cash provided by operating activities	65	271
Cash flows from investing activities:		
Purchases and dispositions of property and equipment, net	(48)	(54)
Acquisition of health plan assets	(456)	(6)
Purchases, sales and maturities of marketable securities, net	(132)	(55)
Other	5	(14)
Net cash used in investing activities	(631)	(129)
Cash flows from financing activities:		
Repayment of credit revolver		(250)
Change in commercial paper	390	200
Other	10	2
Net cash provided by (used in) financing activities	400	(48)
Increase (decrease) in cash and cash equivalents	(166)	94
Cash and cash equivalents at beginning of period	322	182
Cash and cash equivalents at end of period	$ 156	$ 276
Interest payments, net	$ 2	$ 10
Income tax payments, net	$ 5	$ 33

See accompanying notes.

Humana Inc.
Notes To Condensed Consolidated Financial Statements
Unaudited

(A) Basis of Presentation

The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in an annual report on Form 10-K. Accordingly, for further information, the reader of this Form 10-Q may wish to refer to the Form 10-K of Humana Inc. (the "Company") for the year ended December 31, 1996.

The preparation of the Company's condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect (a) the reported amounts of assets and liabilities, (b) disclosure of contingent assets and liabilities at the date of the financial statements and (c) reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The financial information has been prepared in accordance with the Company's customary accounting practices and has not been audited. In the opinion of management, the information presented reflects all adjustments necessary for a fair statement of interim results. All such adjustments, with the exception of the special charges described below, are of a normal and recurring nature.

(B) Contingencies

The Company's Medicare risk contracts with the federal government are renewed for one-year terms each December 31 unless terminated 90 days prior. The Balanced Budget Act of 1997 includes modifications of future reimbursement rates under the Medicare program and encourages the use of managed health care by Medicare beneficiaries. Management is unable to predict the impact it may have on the Company's financial position, results of operations, or cash flows. The Company also maintains a contract with the United States Department of Defense under the Civilian Health and Medical Program of the Uniformed Services ("CHAMPUS") which is in its second year, and is renewable annually for up to three additional years. Finally, the Company maintains annual contracts with various states and a two-year contract with the Commonwealth of Puerto Rico to provide health care to Medicaid eligible individuals. The loss of these contracts or significant changes in these programs as a result of legislative action, including reductions in payments or increases in benefits without corresponding increases in payments, would have a material adverse effect on the revenues, profitability and business prospects of the Company.

Resolution of various loss contingencies, including litigation pending against the Company in the ordinary course of business, is not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

(C) Special Charges

During the second quarter of 1996, the Company recognized special charges of $200 million before tax ($130 million after tax or $.80 per share). The special charges included provisions for expected future losses on insurance contracts ($105 million) as well as estimated costs to be incurred in restructuring the Washington, D.C., health plan (which was sold January 31, 1997) and discontinuing operations or product lines in 16 market areas. The special charges also included the write-off of miscellaneous assets, alitigation settlement, and other costs. During the quarter ended September 30, 1997, the beneficial effect of these charges was approximately $6 million before tax ($4 million after tax or $.02 per share). Approximately $25 million (of the original $105 million) of the liability for expected future losses on insurance contracts and approximately $3 million of other liabilities remain at September 30, 1997.

During the fourth quarter of 1996, the Company recognized an additional special charge of $15 million before tax ($10 million after tax or $.06 per share). This charge included severance and facility costs related to planned workforce reductions, scheduled to be completed throughout 1997. Approximately $6 million of this liability remains at September 30, 1997.

(D) Long-Term Debt

In August 1997, the Company entered into a five-year revolving credit agreement ("Credit Agreement") which provides a line of credit of up to $1.5 billion. The Credit Agreement replaced an existing $600 million revolving line of credit. Principal amounts outstanding under the Credit Agreement bear interest at rates ranging from LIBOR plus 12 basis points to LIBOR plus 30 basis points depending on the ratio of debt to debt plus net worth. The Credit Agreement, under which there were no outstanding borrowings at September 30, 1997, contains customary covenants and events of default.

The Company maintains a commercial paper program and issues debt securities thereunder. At September 30, 1997, borrowings under the commercial paper program totaled $616 million, with an average interest rate during the quarter of 5.8 percent. The commercial paper program is backed by the Credit Agreement. Borrowings under the commercial paper program have been classified as long-term based on management's ability and intent to refinance borrowings on a long-term basis.

(E) Acquisition and Dispositions

On September 8, 1997, the Company acquired Physician Corporation of America ("PCA") for a total consideration of $411 million in cash, consisting primarily of $7 per share for PCA's outstanding common stock and the assumption of $121 million in debt. The purchase was funded with borrowings under the Company's commercial paper program. PCA serves approximately 1.1 million medical members and provides comprehensive health care services through its health maintenance organizations ("HMOs") in Florida, Texas and Puerto Rico and administrative management services through its workers' compensation third-party administration services. Prior to November 1996, PCA also was a direct writer of workers'compensation insurance in Florida.

Long-term medical costs payable in the accompanying condensed consolidated balance sheet primarily includes the long-term portion of workers' compensation liabilities related to this business. This transaction was recorded using the purchase method of accounting. The information contained herein includes the results of operations of PCA for the period from September 9, 1997 through September 30, 1997, which resulted in no significant impact on third quarter net income.

On February 28, 1997, the Company acquired Health Direct, Inc. ("Health Direct") from Advocate Health Care for $23 million cash. This transaction, which was recorded using the purchase method of accounting, added approximately 50,000 medical members to the Company's Chicago membership.

On January 31, 1997, the Company completed the sale of its Washington, D.C., health plan to Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. Effective April 1, 1997, the Company also completed the sale of its Alabama operations to PrimeHealth of Alabama, Inc. The Alabama sale excluded the Company's small group business and CHAMPUS operations. These transactions, which did not have a material impact on the Company's financial position, results of operations, or cash flows, reduced total medical membership by approximately 141,000.

(F) Future Changes in Generally Accepted Accounting Principles

Currently, earnings per share is computed using guidelines included in Accounting Principles Board Opinion No. 15, "Earnings Per Share," ("APB No. 15"). In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share," ("SFAS No. 128"), which supersedes APB No. 15 and its related interpretations. SFAS No. 128 specifies the computation, presentation, and disclosure requirements for earnings per share and will be effective for both interim and annual periods ending after December 15, 1997. Earlier application is not permitted. If applied on a pro forma basis, there would be no difference between earnings per share computed using SFAS No. 128 or using APB No. 15, for the quarters and nine months ended September 30, 1997 and 1996.

(G) Other Events

On October 17, 1997, the Company acquired ChoiceCare Corporation ("ChoiceCare") for approximately$250 million in cash or $16.38 per share of ChoiceCare's outstanding common stock. The purchase was funded with borrowings under the Company's commercial paper program. ChoiceCare serves more than 247,000 members, offering HMO, point-of-service and administrative service products in the Greater Cincinnati, Ohio area. This transaction will be recorded using the purchase method of accounting.

On October 31, 1997, the Company sold its California HMO ("HMO California") which had approximately 6,000 members in Southern California. On October 31, 1997, the Company also sold The Lexington Hospital in Lexington, Ky. to Jewish Hospital Healthcare Services, Inc. These transactions did not have a material impact on the Company's financial position, results of operations, or cash flows.

This discussion and analysis contains both historical and forward-looking information. The forward-looking statements may be significantly impacted by risks and uncertainties, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There can be no assurance that anticipated future results will be achieved because actual results may differ materially from those projected in the forward-looking statements. Readers are cautioned that a number of factors, which are described herein and in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, could adversely affect the Company's ability to obtain these results. These include the effects of either federal or state health care reform or other legislation, renewal of the Company's Medicare risk contracts with the federal government, renewal of the Company's CHAMPUS contract with the federal government, renewal of the Company's Medicaid contracts with various state governments and Puerto Rico, and the effects of other general business conditions, including but not limited to, the Company's abililty to integrate its acquisitions, government regulation, competition, premium rate changes, retrospective premium adjustments relating to federal government contracts, medical cost trends, changes in Commercial and Medicare risk membership, capital requirements, general economic conditions, and the retention of key employees. In addition, past financial performance is not necessarily a reliable indicator of future performance and investors should not use historical performance to anticipate results or future period trends.

Introduction

The Company offers managed health care products that integrate medical management with the delivery of health care services through a network of providers. This network of providers may share financial risk or have incentives to deliver quality medical services in a cost-effective manner. These products are marketed primarily through health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") that require or encourage the use of contracting providers. HMOs and PPOs control health care costs by various means, including pre-admission approval for hospital inpatient services and pre-authorization of outpatient surgical procedures. The Company also offers various specialty and administrative service products including dental, group life, and the health insurance component of workers'compensation.

The Company's HMO and PPO products are marketed primarily to employers and other groups ("Commercial") as well as Medicare and Medicaid-eligible individuals. The products marketed to Medicare-eligible individuals are either HMO products ("Medicare risk") or indemnity insurance policies that supplement Medicare benefits ("Medicare supplement"). The Medicare risk product provides managed care services that include all Medicare benefits and, in certain circumstances, additional managed care services. The Company also maintains annual contracts with various states and a two-year contract with the Commonwealth of Puerto Rico to provide health care to Medicaid-eligible individuals. The Company also offers administrative services ("ASO") to employers who self-insure their employee health plans.

The Company is in the second year of its contract with the United States Department of Defense under the Civilian Health and Medical Program of the Uniformed Services ("CHAMPUS"). Under the CHAMPUS contract, which is renewable annually for up to three additional years, the Company provides managed care services to the beneficiaries of active military personnel and retired military personnel and their beneficiaries located in the southeastern United States.

In June 1997, the Company was awarded a contract by the Department of Defense to administer a dental program for military reservists. This contract began on October 1, 1997 and is renewable annually for up to five years.

Special Charges

During the second quarter of 1996, the Company recognized special charges of $200 million before tax ($130 million after tax or $.80 per share). The special charges included provisions for expected future losses on insurance contracts ($105 million) as well as estimated costs to be incurred in restructuring the Washington, D.C., health plan (which was sold January 31, 1997) and discontinuing operations or product lines in 16 market areas. The special charges also included the write-off of miscellaneous assets, a litigation settlement, and other costs. During the quarter ended September 30, 1997, the beneficial effect of these charges was approximately $6 million before tax ($4 million after tax or $.02 per share). Approximately $25 million (of the original $105 million) of the liability for expected future losses on insurance contracts and approximately $3 million of other liabilities remain at September 30, 1997.

During the fourth quarter of 1996, the Company recognized an additional special charge of $15 million before tax ($10 million after tax or $.06 per share). This charge included severance and facility costs related to planned workforce reductions, scheduled to be completed throughout 1997. Approximately $6 million of the liability remains at September 30, 1997.

The following discussions comparing the quarter ended September 30, 1997 to September 30, 1996, and the nine months ended September 30, 1997, to the corresponding nine-month period ended September 30, 1996, exclude the special charges described above. The beneficial effect of these charges for the quarters ended September 30, 1997 and 1996, was approximately $.02 and $.04 per share, respectively. The beneficial effect of these charges for the nine months ended September 30, 1997 and 1996, was approximately $.08 per share. The beneficial effect consists primarily of charges against liabilities for losses on insurance contracts and amounts related to depreciation and amortization on asset write-downs.

Future Changes in Generally Accepted Accounting Principles

Currently, earnings per share is computed using guidelines included in Accounting Principles Board Opinion No. 15, "Earnings Per Share," ("APB No. 15"). In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share," ("SFAS No. 128"), which supersedes APB No. 15 and its related interpretations. SFAS No. 128 specifies the computation, presentation, and disclosure requirements for earnings per share and will be effective for both interim and annual periods ending after December 15, 1997. Earlier application is not permitted. If applied on a pro forma basis, there would be no difference between earnings per share computed using SFAS No. 128 or using APB No. 15, for the quarters and nine months ended September 30, 1997 and 1996.

Acquisition and Dispositions

On September 8, 1997, the Company acquired Physician Corporation of America ("PCA") for $411 million in cash, consisting primarily of $7 per share for PCA's outstanding common stock and the assumption of $121 million in debt. The purchase was funded with borrowings under the Company's commercial paper program. PCA serves approximately 1.1 million medical members and provides comprehensive health services through its HMOs in Florida, Texas and Puerto Rico and administrative management services through its workers' compensation third-party administration services. Prior to November 1996, PCA also was a direct writer of workers' compensation insurance in Florida. Long-term medical and other costs payable in the accompanying condensed consolidated balance sheet primarily includes the long-term portion of workers' compensation liabilities related to this business. This transaction was recorded using the purchase method of accounting. The information contained herein includes the results of operations of PCA for the period from September 9, 1997 through September 30, 1997, which resulted in no significant impact on third quarter net income.

On February 28, 1997, the Company acquired Health Direct, Inc. ("Health Direct") from Advocate Health Care for $23 million cash. This transaction, which was recorded using the purchase method of accounting, added approximately 50,000 medical members to the Company's Chicago membership.

On January 31, 1997, the Company completed the sale of its Washington, D.C., health plan to Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. Effective April 1, 1997, the Company also completed the sale of its Alabama operations to PrimeHealth of Alabama, Inc. The Alabama sale excluded the Company's small group business and CHAMPUS operations. These transactions, which did not have a material impact on the Company's financial position, results of operations, or cash flows, reduced total medical membership by approximately 141,000.

Results of Operations

Quarters Ended September 30, 1997 and 1996

The Company's premium revenues increased 10 percent to $1.9 billion for the quarter ended September 30, 1997, compared to $1.8 billion for the same period in 1996. Premium revenues increased primarily due to the acquisition

of PCA and premium rate increases in the Company's Commercial and Medicare risk products. Commercial and Medicare risk premium rates increased 5.2 percent and 4.2 percent, respectively, for the quarter ended September 30, 1997. For 1997, excluding the impact of any acquisitions or dispositions, Commercial and Medicare risk premium rates are expected to increase approximately 4 to 5 percent.

Same-plan Commercial membership increased 11,700 members during the quarter ended September 30, 1997, compared to a decrease of 5,800 members for the same period in 1996. Given the competitive large group Commercial pricing environment, the year to date impact of the Company's pricing discipline and the closing of certain markets, management expects same-plan Commercial membership to be down approximately 3 percent for 1997. Same-plan Medicare risk membership increased 18,800 members during the quarter compared to an increase of 13,000 members for the same period in 1996. The higher Medicare risk growth rate during the first nine months of 1997 was primarily the result of sales in new Medicare markets. Same-plan Medicare risk membership is expected to increase approximately 20 percent for 1997. Same-plan Medicaid membership declined 12,300 members during the quarter ended September 30, 1997, compared to an increase of 300 members for the same period in 1996.

In addition to the same-plan membership increases discussed above, the PCA acquisition added 454,000 Commercial members, 54,000 Medicare risk members and 599,000 Medicaid members. Same-plan membership results also exclude the sale of the Washington, D.C. health plan and the Company's Alabama operations. At September 30, 1997, the Company has over 5.9 million medical product members.

The medical loss ratio for the quarter ended September 30, 1997 was 82.5 percent compared to 83.1 percent for the same period in 1996. The improvement was primarily the result of premium rate increases, favorable physician cost trends (compared to premium rate increases) in the Company's Commercial products and an overall improvement in hospital utilization. These medical cost improvements were partially offset by higher than anticipated medical costs in the Company's new Medicare risk markets (where a large portion of Medicare growth is occurring) and increased pharmacy costs system wide.

The administrative cost ratio was 15.5 percent and 15.6 percent for the quarters ended September 30, 1997 and 1996, respectively. Management anticipates continuing improvement in the administrative cost ratio during the fourth quarter of 1997.

Interest income totaled $29 million and $25 million for the quarters ended September 30, 1997 and 1996, respectively. The increase was primarily attributable to increased levels of cash, cash equivalents and marketable securities. The tax equivalent yield on invested assets approximated 8 percent for each of the quarters ended September 30, 1997 and 1996.

The Company's income before income taxes totaled $69 million for the quarter ended September 30, 1997, compared to $48 million for the quarter ended September 30, 1996. Net income was $44 million or $.27 per share and $32 million or $.20 per share for each of the quarters ended September 30, 1997 and 1996, respectively.

Nine months Ended September 30, 1997 and 1996

The Company's premium revenues increased 13 percent to $5.5 billion for the nine months ended September 30, 1997, compared to $4.9 billion for the same period in 1996. Premium revenues increased primarily due to premium revenues from the Company's CHAMPUS contract which began on July 1, 1996 and the acquisition of PCA. Premium revenues also increased as a result of premium rate increases in the Company's Commercial and Medicare risk products. For the nine months ended September 30, 1997, Commercial and Medicare risk premium rates increased 3.9 percent and 4.4 percent, respectively.

Same-plan Commercial membership decreased 98,700 members during the nine months ended September 30, 1997, compared to a decrease of 18,700 for the same period 1996. This same-plan membership decline, which excludes the sale of the Company's Alabama operations (18,600 members), sale of the Washington, D.C., health plan (92,500 members), purchase of Health Direct (22,100 members) and the purchase of PCA (454,000 members), was due to the Company's more disciplined product pricing begun in the fall of 1996 and withdrawal from certain unprofitable markets.

Same-plan Medicare risk membership increased 49,300 members during the nine months ended September 30, 1997, compared to a same-plan increase of 32,400 members for the same period in 1996. The higher Medicare risk growth rate during the first nine months of 1997 was primarily the result of sales in new Medicare markets. The same-plan membership increase excludes the Company's Washington, D.C., health plan (9,700 members), purchase of Health Direct (4,200 members) and the purchase of PCA (54,000 members).

Same-plan Medicaid membership declined 16,500 members during the nine months ended September 30, 1997, compared to an increase of 3,500 for the same period 1996. This same-plan membership decline excludes the purchase of PCA (599,000 members).

The medical loss ratio was 82.4 and 82.6 percent for the nine months ended September 30, 1997 and 1996, respectively. Increases in premium rates, favorable physician cost trends (compared to premium rate increases) in the Company's Commercial products and an overall improvement in hospital utilization were partially offset by higher than anticipated medical costs in new Medicare risk markets (where a large portion of Medicare growth is occurring) and increased pharmacy costs system wide.

The administrative cost ratio was 15.7 percent and 15.2 percent for the nine months ended September 30, 1997 and 1996, respectively. The increase was due to spending relative to core processes necessary for long-term improvements in the areas of medical management, customer service, and information systems.

Interest income totaled $82 million and $75 million for the nine months ended September 30, 1997 and 1996, respectively. The increase was primarily attributable to increased levels of cash, cash equivalents and marketable securities. The tax equivalent yield on invested assets approximated 8 percent for each of the nine months ended September 30, 1997 and 1996.

The Company's income before income taxes totaled $194 million for the nine months ended September 30, 1997, compared to $183 million for the nine months ended September 30, 1996. Net income was $125 million or $.76 per share and $120 million or $.74 per share for each of the nine months ended September 30, 1997 and 1996, respectively.

Liquidity

Cash provided by the Company's operations totaled $65 million and $271 million for the nine months ended September 30, 1997 and 1996, respectively. The decrease in net cash provided by operations was due to changes in operating assets and liabilities relating to the timing of receipts and disbursements for premiums receivable, medical costs and other liabilities.

The Company's subsidiaries operate in states which require certain levels of equity and regulate the payment of dividends to the parent company. As a result, the Company's ability to use operating subsidiaries' cash flows is restricted to the extent of the subsidiaries' abilities to obtain regulatory approval to pay dividends.

In August 1997, the Company entered into a five-year revolving credit agreement ("Credit Agreement") which provides a line of credit of up to $1.5 billion. The Credit Agreement replaced an existing $600 million revolving line of credit. Principal amounts outstanding under the Credit Agreement bear interest at rates ranging from LIBOR plus 12 basis points to LIBOR plus 30 basis points depending on the ratio of debt to debt plus net worth. The Credit Agreement, under which there were no outstanding borrowings at September 30, 1997, contains customary covenants and events of default.

The Company maintains a commercial paper program and issues debt securities thereunder. At September 30, 1997, borrowings under the commercial paper program totaled $616 million, with an average interest rate during the quarter of 5.8 percent. The commercial paper program is backed by the Credit Agreement. Borrowings under the commercial paper program have been classified as long-term based on management's ability and intent to refinance borrowings on a long-term basis.

Management believes that existing working capital, future operating cash flows, and funds available under the existing revolving Credit Agreement and commercial paper program are sufficient to meet future liquidity needs. Management also believes the aforementioned sources of funds are adequate to allow the Company to pursue strategic acquisition and expansion opportunities, as well as fund capital requirements.

Capital Resources

The Company's ongoing capital expenditures relate primarily to medical care facilities used by either employed or affiliated physicians, as well as administrative facilities and related information systems necessary for activities such as claims processing, billing and collections, medical utilization review and customer service.

Excluding acquisitions, planned capital spending in 1997 will be approximately $70 to $80 million for the expansion and improvement of medical care facilities, administrative facilities, and related information systems.

	1997	1996
Quarterly Membership		
Commercial members at:		
March 31	2,577,800	2,811,300
June 30	2,577,600	2,809,700
September 30	3,056,400	2,793,900
December 31		2,759,600
Medicare risk members at:		
March 31	374,200	322,300
June 30	389,600	332,900
September 30	462,400	347,400
December 31		364,500
CHAMPUS members at:		
March 31	1,103,100	
June 30	1,107,300	
September 30	1,107,300	1,075,300
December 31		1,103,000
Medicaid members at:		
March 31	53,200	51,600
June 30	51,000	52,200
September 30	638,400	52,500
December 31		55,200
Medicare supplement members at:		
March 31	93,500	109,600
June 30	74,600	106,000
September 30	71,200	101,800
December 31		97,700
Administrative services members at:		
March 31	566,300	444,700
June 30	555,000	447,900
September 30	584,500	458,300
December 31		471,000
Total medical members at:		
March 31	4,768,100	3,739,500
June 30	4,755,100	3,748,700
September 30	5,920,200	4,829,200
December 31		4,851,000

	1997	1996
Quarterly Membership		
Specialty members at:		
March 31	2,172,900	1,811,300
June 30	2,127,200	1,863,800
September 30	2,358,200	1,895,900
December 31		1,884,200

Supplemental Consolidated Statement of Quarterly Income (Unaudited)
(Dollars in millions except per share results)

1997

	First	Second	Third	Total
Revenues:				
Premiums:				
Commercial	$ 1,028	$ 1,013	$ 1,074	$ 3,115
Medicare risk	550	571	610	1,731
CHAMPUS	183	184	185	552
Medicaid	19	18	47	84
Medicare supplement	23	19	19	61
Total premiums	1,803	1,805	1,935	5,543
Interest	26	27	29	82
Other income	3	4	4	11
Total revenues	1,832	1,836	1,968	5,636
Operating expenses:				
Medical costs	1,484	1,487	1,596	4,567
Selling, general and administrative	261	258	274	793
Depreciation and amortization	24	25	26	75
Total operating expenses	1,769	1,770	1,896	5,435
Income from operations	63	66	72	201
Interest expense	3	1	3	7
Income before income taxes	60	65	69	194
Provision for income taxes	21	23	25	69
Net income	$ 39	$ 42	$ 44	$ 125
Earnings per common share	$ .24	$ .25	$ .27	$ .76
Medical loss ratio	82.3%	82.3%	82.5%	82.4%
Administrative cost ratio	15.8%	15.7%	15.5%	15.7%

Supplemental Consolidated Statement of Quarterly Income (Unaudited)
(Dollars in millions except per share results)

	1996				
	First	Second(a)	Third	Fourth (b)	Total
Revenues:					
Premiums:					
Commercial	$ 1,065	$ 1,070	$ 1,061	$ 1,059	$ 4,255
Medicare risk	454	466	484	503	1,907
CHAMPUS			170	181	351
Medicaid	17	18	18	18	71
Medicare supplement	24	24	23	22	93
Total premiums	1,560	1,578	1,756	1,783	6,677
Interest	25	25	25	26	101
Other income	3	2	3	2	10
Total revenues	1,588	1,605	1,784	1,811	6,788
Operating expenses:					
Medical costs	1,274	1,415	1,460	1,476	5,625
Selling, general and administrative	203	228	249	260	940

Depreciation and amortization	25	24	25	24	98
Asset write-downs and unusual charges		81		15	96
Total operating expenses	1,502	1,748	1,734	1,775	6,759
Income (loss) from operations	86	(143)	50	36	29
Interest expense	5	3	2	1	11
Income (loss) before income taxes	81	(146)	48	35	18
Income tax provision (benefit)	28	(51)	16	13	6
Net income (loss)	$ 53	$ (95)	$ 32	$ 22	$ 12
Earnings (loss) per common share	$ .32	$ (.58)	$ .20	$ .13	$ .07
Medical loss ratio	81.7%	89.7%	83.1%	82.8%	84.3%
Administrative cost ratio	14.7%	16.0%	15.6%	15.8%	15.5%

(a) Includes special charges of $200 million before tax ($130 million after tax or $.80 per share) related to the restructuring of the Washington, D.C., health plan, provision for expected future losses on insurance contracts, discontinuing operations or product lines in 16 market areas, and a litigation settlement.

(b) Includes a special charge of $15 million before tax ($10 million after tax or $.06 per share) related to planned workforce reductions.

Item 1: Legal Proceedings

A class action lawsuit styled Mary Forsyth, et al v. Humana Inc., et al, Case #CV-5-89-249-PMP (L.R.L.), (now restyled Mariettta Cade, et al v. Humana Health Insurance of Nevada, Inc., et al) was filed on March 29, 1989, in the United States District Court for the District of Nevada (the "Forsyth" case. On August 18, 1997, the Company filed a Petition for Writ of Certiorari in the United States Supreme Court ("Petition") requesting the Supreme Court to Reverse part of a ruling by the Court of Appeals for the Ninth Circuit which had reinstated certain claims that had been dismissed by the U.S. District Court in Nevada in the case involving claims arising out of the method of calculation of coinsurance for Nevada insureds prior to 1988. The Petition requested the Supreme Court to reverse the Ninth Circuit's decision to reinstate a claim under the Racketeer Influenced and Corrupt Organizations Act ("RICO") on behalf of a class of insureds who paid coinsurance at Humana hospitals (the "Co-Payer Class"). In its decision on May 23, 1997, in response to the Company's Petition for Reconsideration on Rehearing En Banc following its original November 4, 1996 decision, the Court of Appeals ruled that the damages in the Co-Payer Class's RICO claim were correctly limited to the amount of overpayment of the co-insurance, which totalled approximately $1.6 million plus interest. The Ninth Circuit also reinstated an antitrust claim that had been dismissed by the District Court. The Company requested summary judgment in the District Court on that claim on September 30, 1997. The trial of any remaining claims is scheduled for February 23, 1998.

Damages for claims for personal injuries and medical benefit denials are usual in the Company's business. Personal injury claims are covered by insurance from the Company's wholly-owned captive insurance subsidiary and excess carriers, except to the extent that claimants seek punitive damages, which may not be covered by insurance if awarded. Punitive damages generally are not paid where claims are settled and generally are awarded only where a court determines there has been a willful act or omission to act. Management does not believe that any pending legal actions will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Items 2 - 5: None

Item 6: Exhibits and Reports on Form 8-K

(a) Exhibit

Exhibit 12 - Statement re: Computation of Ratio of Earnings to Fixed Charges

(b) On September 23, 1997, the Company filed a report on Form 8-K regarding the pro-forma financial statements in connection with the acquisition of Physician Corporation of America.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HUMANA INC.

Date: November 14, 1997 /s/ James E. Murray

James E. Murray
Chief Financial Officer
(Principal Accounting Officer)

Date: November 14, 1997 /s/ Arthur P. Hipwell

Arthur P. Hipwell
Senior Vice President and
General Counsel

Humana Inc.
Exhibit 12
Ratio of Earnings to Fixed Charges
For the quarters and nine months ended September 30, 1997 and 1996
Unaudited
(Dollars in millions)

	Quarter Ended September 30,		Nine months Ended September 30,	
	1997	1996	1997	1996
Earnings:				
Income (loss) before income taxes	$ 69	$ 48	$ 194	$ (17)
Fixed charges	5	4	14	15
	$ 74	$ 52	$ 208	$ (2)
Fixed charges:				
Interest charged to expense	$ 3	$ 2	$ 7	$ 10
One-third of rent expense	2	2	6	5
	$ 5	$ 4	$ 13	$ 15
Ratio of earnings to fixed charges	14.1	11.9	15.2	(a)

For the purpose of determining earnings in the calculation of the ratio of earnings to fixed charges (the "Ratio"), earnings have been increased by the provision for income taxes and fixed charges. Fixed charges consist of interest expense on borrowings and one-third (the proportion deemed representative of the interest portion) of rent expense.

(a) Exclusive of the special charges of $200 million before income taxes, the Ratio for the nine months ended September 30, 1996 would have been 12.8.

<ARTICLE> 5
<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM HUMANA INC.'S FORM 10-Q FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENT

<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1997
<PERIOD-START>	JAN-01-1997
<PERIOD-END>	SEP-30-1997
<CASH>	156
<SECURITIES>	1,559
<RECEIVABLES>	342
<ALLOWANCES>	51
<INVENTORY>	7
<CURRENT-ASSETS>	2,287
<PP&E>	777
<DEPRECIATION>	356
<TOTAL-ASSETS>	4,734
<CURRENT-LIABILITIES>	1,848
<BONDS>	616
<COMMON>	27
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	1,427
<TOTAL-LIABILITY-AND-EQUITY>	4,734
<SALES>	5,543
<TOTAL-REVENUES>	5,636
<CGS>	4,567
<TOTAL-COSTS>	5,435
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	7
<INCOME-PRETAX>	194
<INCOME-TAX>	69
<INCOME-CONTINUING>	125
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	125
<EPS-PRIMARY>	.76
<EPS-DILUTED>	.76