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 March 31, 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 April 30, 1997
$.16 2/3 par value	162,949,696 shares

Humana Inc.
March 31, 1997
Form 10-Q

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Part I: Financial Information

Humana Inc.
Condensed Consolidated Statement of Income
For the quarters ended March 31, 1997 and 1996
Unaudited
(Dollars in millions except per share results)

	1997	1996
Revenues:		
Premiums	$ 1,803	$ 1,560
Interest	26	25
Other income	3	3
Total revenues	1,832	1,588
Operating expenses:		
Medical costs	1,484	1,274
Selling, general and administrative	261	203
Depreciation and amortization	24	25

Total operating expenses	1,769	1,502
Income from operations	63	86
Interest expense	3	5
Income before income taxes	60	81
Provision for income taxes	21	28
Net income	$ 39	$ 53
Earnings per common share	$ .24	$ .32
Shares used in earnings per common share computation (000)	162,801	162,379

See accompanying notes.

Humana Inc.
Condensed Consolidated Balance Sheet
Unaudited
(Dollars in millions except per share amounts)

Assets	March 31, 1997	December 31, 1996
Current assets:		
Cash and cash equivalents	$ 341	$ 322
Marketable securities	1,226	1,262
Premiums receivable, less allowance for doubtful accounts $42 - March 31, 1997 and $38 - December 31, 1996	209	211
Deferred income taxes	93	94
Other	143	113
Total current assets	2,012	2,002
Long-term marketable securities	148	143
Property and equipment, net	373	371
Cost in excess of net assets acquired	508	488
Other	144	149
Total assets	$ 3,185	$ 3,153
Liabilities and Common Stockholders' Equity		
Current liabilities:		
Medical costs payable	$ 1,063	$ 1,099
Trade accounts payable and accrued expenses	367	369
Income taxes payable	83	32
Total current liabilities	1,513	1,500
Long-term debt	203	225
Professional liability and other obligations	145	136
Total liabilities	1,861	1,861
Contingencies		
Common stockholders' equity:		
Common stock, $.16 2/3 par;		

authorized 300,000,000 shares; issued and outstanding 162,870,321 shares - March 31, 1997 and 162,681,123 shares - December 31, 1996	27	27
Other	1,297	1,265
Total common stockholders' equity	1,324	1,292
Total liabilities and common stockholders' equity	$ 3,185	$ 3,153

See accompanying notes.

Humana Inc.
Condensed Consolidated Statement of Cash Flows
For the quarters ended March 31, 1997 and 1996
Unaudited
(Dollars in millions)

	1997	1996
Cash flows from operating activities:		
Net income	$ 39	$ 53
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24	25
Deferred income taxes	4	(2)
Changes in operating assets and liabilities	(5)	89
Other	2	(3)
Net cash provided by operating activities	64	162
Cash flows from investing activities:		
Purchases and dispositions of property and equipment, net	(16)	(13)
Acquisition of health plan assets	(14)	
Purchases, sales and maturities of marketable securities, net	8	(33)
Other	(2)	
Net cash used in investing activities	(24)	(46)
Cash flows from financing activities:		
Repayment of long-term debt		(20)
Change in commercial paper	(22)	
Other	1	1
Net cash used in financing activities	(21)	(19)
Increase in cash and cash equivalents	19	97
Cash and cash equivalents at beginning of period	322	182
Cash and cash equivalents at end of period	$ 341	$ 279
Interest payments	$ 2	$ 4
Income tax refunds, net	$ (35)	

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 are of a normal and recurring nature.

(B) Contingencies

The Company's Medicare risk contracts with the federal government are renewed for a one-year term each December 31 unless terminated 90 days prior. Current legislative proposals are being considered that include modification of future reimbursement rates under the Medicare program and that encourage the use of managed health care by Medicare beneficiaries. Management is unable to predict the outcome of these proposals or the impact they may have on the Company's financial position, results of operations, or cash flows. Additionally, the Company's contract with the United States Department of Defense under the Civilian Health and Medical Program of the Uniformed Services ("CHAMPUS") is a one-year contract renewable annually for up to four additional years. 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 the estimated costs to be incurred in restructuring the Washington, D.C., health plan (which was sold January 31, 1997) and closing markets or discontinuing 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 March 31, 1997, the beneficial effect of these charges was approximately $11 million before tax ($7 million after tax or $.04 per share). Approximately $42 million (of the original $105 million) of the liability for expected future losses on insurance contracts and approximately $4 million of other costs reserves remain at March 31, 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.

(D) Long-Term Debt

During April 1996, the Company implemented a commercial paper program and began issuing debt securities thereunder. At March 31, 1997, borrowings under the commmercial paper program totaled approximately $200 million, with an average rate of interest during the quarter of 5.6 percent. The commercial paper program is backed by the Company's $600 million revolving line of credit, which expires in September 2000. Borrowings under the commercial paper program have been classified as long-term debt based on management's ability and intent to refinance borrowings on a long-term basis.

(E) Acquisition and Dispositions

On February 28, 1997, the Company acquired Health Direct, Inc. ("Health Direct") from Advocate Health Care for $23 million cash. This transaction added more than 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. This later sale excluded the Company's small group business and Alabama CHAMPUS operations. These transactions, which will 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 the Presentation of Earnings per Common Share

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share," ("SFAS No. 128"). 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 proforma basis, there would be no difference between the basic and diluted earnings per share amounts computed using SFAS No. 128 for the three month periods ended March 31, 1997 and 1996.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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, and the effects of other general business conditions, including but not limited to, 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, workers' compensation, and pharmacy benefit management services.

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 offers administrative services ("ASO") to employers who self-insure their employee health benefits.

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 the estimated costs to be incurred in restructuring the Washington, D.C., health plan (which was sold January 31, 1997) and closing markets or discontinuing 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 March 31, 1997, the beneficial effect of these charges was approximately $11 million before tax ($7 million after tax or $.04 per share). Approximately $42 million (of the original $105 million) of the liability for expected future losses on insurance contracts and approximately $4 million of other costs reserves remain at March 31, 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.

Results of Operations

The Company's premium revenues increased 16 percent to $1.8 billion for the quarter ended March 31, 1997, compared to $1.6 billion for the same period in 1996. Premium revenues increased primarily due to the Company's revenues earned from its CHAMPUS contract as well as premium rate increases in its Commercial and Medicare risk products. The impact on premium revenues of Commercial membership declines was offset by Medicare risk membership increases. Commercial and Medicare risk premium rates increased 2.9 percent and 4.6 percent, respectively, for the quarter ended March 31, 1997. For 1997, Commercial premium rates are expected to increase approximately 3 to 3.5 percent, while Medicare risk premium rates are expected to increase approximately 4 to 5 percent. The Company's expected 1997 Medicare risk premium rate increase differs from the approximate 6 percent statutory increase as a result of a 1996 change in the geographic mix of the Company's members.

Same-store Commercial membership decreased 113,400 members during the quarter ended March 31, 1997, compared to a decrease of 18,100 for the same period in 1996. This same-store membership decline, which excludes the sale of the Company's Washington, D.C., health plan (92,500 members) and the purchase of Health Direct (22,100 members), was due to the Company's more disciplined product pricing begun in the fall of 1996 and withdrawal from certain unprofitable markets. Same-store Medicare risk membership increased 15,100 members during the quarter compared to a same-store increase of 10,200 members for the same period in 1996. The Medicare risk membership growth is primarily the result of sales in new Medicare markets. Given the competitive large group Commercial pricing environment, the Company's new pricing discipline and the closing or sale of certain markets, management expects Commercial membership to be flat to down approximately 3 percent for 1997, while Medicare risk membership is expected to increase approximately 20 percent.

The medical loss ratio for the quarter ended March 31, 1997, was 82.3 percent compared to 81.7 percent for the same period in 1996. The increase is principally the result of higher medical costs in new Medicare risk markets and increased pharmacy costs systemwide. Medical cost increases in these areas were partially offset by a slight improvement in Commercial and Medicare risk days per thousand trends.

The administrative cost ratio was 15.8 percent and 14.7 percent for the quarters ended March 31, 1997 and 1996, respectively. The increase was due to planned spending on critical core processes necessary for long-term improvement in the areas of medical management, customer service and information systems. Management anticipates improvement in the administrative ratio during the third and fourth quarters of 1997 as membership increases and workforce reductions begin to take place.

Interest income totaled $26 million and $25 million for the quarters ended March 31, 1997 and 1996, respectively. The increase is 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 March 31, 1997 and 1996.

The Company's income before income taxes totaled $60 million for the quarter ended March 31, 1997, compared to $81 million for the quarter ended March 31, 1996. Net income was $39 million and $53 million or $.24 and $.32 per share for the quarters ended March 31, 1997 and 1996, respectively.

Liquidity

Cash provided by the Company's operations totaled $64 million and $162 million for the quarters ended March 31, 1997 and 1996, respectively. The decrease in net cash provided by operations was due to changes in operating assets and liabilities and a reduction of net income. Changes in operating assets and liabilities relate to the timing of receipts and disbursements for premiums receivable, medical costs, unearned premiums and other liabilities.

The Company's subsidiaries operate in states that require minimum 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.

During April 1996, the Company implemented a commercial paper program and began issuing debt securities thereunder. At March 31, 1997, borrowings under the commmercial paper program totaled approximately $200 million, with an average rate of interest during the quarter of 5.6 percent. The commercial paper program is backed by the Company's $600 million revolving line of credit, which expires in September 2000. Borrowings under the commercial paper program have been classified as long-term debt 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 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 opportuities, 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 $80 to $90 million for the expansion and improvement of medical care facilities, administrative facilities and related information systems.

Quarterly Membership	1997	1996
Commercial members at:		
March 31	2,631,000	2,862,900
June 30		2,861,900
September 30		2,846,400
December 31		2,814,800
Medicare risk members at:		
March 31	374,200	322,300
June 30		332,900
September 30		347,400
December 31		364,500
CHAMPUS eligible members at:		
March 31	1,103,100	
June 30		
September 30		1,075,300
December 31		1,103,000
Medicare supplement members at:		
March 31	93,500	109,600
June 30		106,000
September 30		101,800

December 31		97,700
Administrative services members at:		
March 31	566,300	444,700
June 30		447,900
September 30		458,300
December 31		471,000
Total medical members at:		
March 31	4,768,100	3,739,500
June 30		3,748,700
September 30		4,829,200
December 31		4,851,000
Specialty members at:		
March 31	2,172,900	1,811,300
June 30		1,863,800
September 30		1,895,900
December 31		1,884,200

Humana Inc.
Part II: Other Information

Item 1: Legal Proceedings

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, result of operations, or cash flows.

Items 2 - 3:

None

Item 4: Submission of Matters to a Vote of Security Holders

(a) The regular annual meeting of stockholders of Humana Inc. was held in Louisville, Kentucky on May 8, 1997, for the purpose of electing the Board of Directors and voting on the Company's 1997 Management Incentive Plan for Executive Management.

(b) Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934 and there was no solicitation in opposition to management's solicitations. All of management's nominees for directors were elected and the Company's 1997 Management Incentive Plan for Executive Management was approved.

(c) Two proposals were submitted to a vote of security holders as follows:

(1) The stockholders approved the election of the following persons as directors of the Company:

Name	For	Withheld
K. Frank Austen, M.D.	138,175,994	842,210
Michael E. Gellert	138,188,548	829,656
John R. Hall	138,194,678	823,526
David A. Jones	138,168,060	850,144
David A. Jones, Jr.	138,016,578	1,001,626
Irwin Lerner	138,152,717	865,487
W. Ann Reynolds, Ph.D	138,145,869	872,335

(2) The stockholders approved with 134,406,241 affirmative votes, 3,895,142 negative votes, and 716,821 abstentions, the proposal to adopt the Company's 1997 Management Incentive Plan for Executive Management.

Item 5:

None

Item 6: Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 10 - 1997 Management Incentive Plan for Employees, filed herewith.

Exhibit 12 - Statement re: Computation of Ratio of Earnings to Fixed Charges, filed herewith.

Exhibit 27 - Financial Data Schedule, filed herewith.

(b) No reports on Form 8-K were filed during the quarter ended March 31, 1997.

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:	May 15 , 1997	/s/ James E. Murray James E. Murray Chief Financial Officer (Principal Accounting Officer)
Date:	May 15, 1997	/s/ Arthur P. Hipwell Arthur P. Hipwell Senior Vice President and General Counsel

HUMANA INC. 1997 MANAGEMENT INCENTIVE PLAN
FOR EMPLOYEES

Effective as of January 1, 1997

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HUMANA INC. 1997 MANAGEMENT INCENTIVE PLAN FOR EMPLOYEES

1. Purpose. The purpose of the Humana Inc. 1997 Management Incentive Plan for Employees (the "Plan") is to advance the interests of the Company by encouraging and rewarding teamwork, providing management with a strong incentive to increase value, creating a sense of ownership among the Company's management, and recognizing the interdependency of short-term and long-term goals.

2. Definitions. As used in this Plan, terms defined parenthetically immediately after their use shall have the respective meanings provided by such definitions, and the terms set forth below shall have the following meanings:

(a) "Award" shall mean, individually or collectively, a payment under the Plan of Restricted Stock or cash.

(b) "Board" shall mean the Board of Directors of the Company.

(c) A "Change in Control" shall have the same meaning as that term has in the Stock Incentive Plan.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any referenced section thereof shall include any successor provision thereto.

(e) "Committee" shall mean the Compensation Committee of the Board.

(f) "Company" shall mean Humana Inc.

(g) "Disabled" shall have the same meaning as the term "Disability" has in the Stock Incentive Plan.

(h) "Effective Date" shall mean January 1, 1997.

(i) "Employee" shall mean an individual who is a full-time employee of the Company or a Subsidiary.

(j) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, and any referenced section thereof, or rule or regulation promulgated thereunder, and shall include any successor provision thereto.

(k) "Fair Market Value" shall have the same meaning as that term has in the Stock Incentive Plan.

(l) "Growth Objectives" shall mean the objectives established by the Committee in accordance with Section 5.2.

(m) "Incentive Base" shall mean the Participant's base salary received during the Performance Period.

(n) "Maximum Award" shall mean the maximum Award for which a Participant is eligible in accordance with Section 6.

(o) "Maximum Growth Benchmark" shall mean the maximum Growth Objective established by the Committee in accordance with Section 5.2.

(p) "Maximum Profit Benchmark" shall mean the maximum Profit Objective established by the Committee in accordance with Section 5.3.

(q) "Minimum Growth Benchmark" shall mean the minimum Growth Objective established by the Committee in accordance with Section 5.2.

(r) "Minimum Profit Benchmark" shall mean the minimum Profit Objective established by the Committee in accordance with Section 5.3.

(s) "Participant" shall mean any Employee selected by the Committee as eligible to receive an Award under the Plan.

(t) "Performance Period" shall mean the 12 month period beginning January 1 and ending December 31.

(u) "Plan" shall mean this Humana Inc. 1997 Management Incentive Plan for Employees as the same may be amended from time to time.

(v) "Profit Objectives" shall mean the objectives established by the Committee in accordance with Section 5.3.

(w) "Quality Objectives" shall mean objectives established by the Committee in accordance with Section 5.1.

(x) "Restricted Stock" shall mean Shares issued in accordance with the Plan, but pursuant to the Stock Incentive Plan.

(y) "Shares" shall have the same meaning as that term has in the Stock Incentive Plan.

(z) "Stock Incentive Plan" means the Humana Inc. 1996 Stock Incentive Plan for Employees.

(aa) "Subsidiary" shall mean any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned, directly or indirectly, by the Company.

(bb) "Target Growth Benchmark" shall mean the target

Growth Objective established by the Committee in accordance with Section 5.2.

(cc) "Target Profit Benchmark" shall mean the target Profit Objective established by the Committee in accordance with Section 5.3.

3. Administration.

3.1 The Committee. The Plan shall be administered by the Committee, the members of which shall be appointed from time to time by, and shall serve at the discretion of, the Board. The Committee shall be composed solely of two or more directors who are non-employee directors within the meaning of Rule 16b-3 promulgated under the Exchange Act.

3.2 Authority of the Committee. Subject to the provisions of the Plan, the Committee shall have full authority to:

(a) select Participants to whom Awards may be granted;

(b) determine the size, types and frequency of Awards granted under the Plan;

(c) determine the terms and conditions of Awards, including any restrictions or conditions to the Awards, which need not be identical;

(d) construe and interpret the Plan and any agreement or instrument entered into under the Plan;

(e) establish, amend and rescind rules and regulations for the Plan's administration; and

(f) amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan.

The Committee shall have sole discretion to make all other determinations which may be necessary or advisable for the administration of the Plan. To the extent permitted by law and Rule 16b-3 promulgated under the Exchange Act, the Committee may delegate its authority as identified hereunder.

3.3 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan, and all related orders or resolutions of the Board, shall be final, conclusive and binding upon all persons, including the Company, its stockholders, Employees, Participants and their estates and beneficiaries.

3.4 Compliance; Bifurcation of Plan. It is the intention of the Company that the Plan and the administration of the Plan satisfy the requirements of Rule 16b-3 promulgated under the Exchange Act so that the Participants will be entitled to the benefit of Rule 16b-3, or any other rule or regulation promulgated under the Exchange Act. Accordingly, if any aspect of the administration of the Plan, or the operation of any provision of the Plan, would conflict with this intent, such administration or provision shall be deemed null and void, and in all events the Plan shall be construed in favor of its operation and administration in accordance with such intent. Notwithstanding anything in the Plan to the contrary, the Board or the Committee, in its discretion, may bifurcate the Plan so as to restrict, limit or condition the use of any provision of the Plan to Participants who are subject to Section 16 of the Exchange Act without so restricting, limiting or conditioning the Plan with respect to other Participants.

4. Eligibility. The Committee shall annually select those who, in the sole discretion of the Committee, shall be eligible to participate in the Plan. Those Employees will be officers (other than executive officers who are participants in the Humana Inc. 1997 Management Incentive Plan for Executive Management), field executives and other key employees and associates. Annually, those eligible Employees will be advised that they are Participants in the Plan for a Performance Period.

5. Performance Objectives. Annually, the Committee shall establish in writing the Quality Objectives, Growth Objectives and Profit Objectives and the relative weightings of each for the Performance

Period.

5.1 Quality Objectives. Quality Objectives established for each market area must be met before any Awards can be earned based on Growth Objectives and Profit Objectives by non-corporate health plan personnel in the respective market. The Quality Objectives may include, but are not limited to, the following:

(a) Achieving initial accreditation from the National Committee on Quality Assurance (NCQA), Joint Commission on Accreditation of Health Care Organizations (JCAHO) or others, as applicable;

(b) Findings of Health Care Financing Administration ("HCFA") surveys;

(c) Remaining in good standing with the applicable state Department of Insurance;

(d) Maintaining re-accreditation, as necessary, and

(e) Demonstrating improvement in Healthplan Employer Data and Information Set ("HEDIS") measures.

If the applicable market Quality Objectives are not met, then no Awards will be made to Participants in the respective market based on the Growth Objectives and Profit Objectives for that market.

5.2 Growth Objectives. For each individual health plan and for the Company as a whole, the Committee shall establish a Minimum Growth Benchmark, Target Growth Benchmark and a Maximum Growth Benchmark for that Performance Period based on membership enrollment or premium revenue for any relevant Performance Period.

5.3 Profit Objectives. For each individual health plan and for the Company as a whole, the Committee shall establish a Minimum Profit Benchmark, Target Profit Benchmark and a Maximum Profit Benchmark for any relevant Performance Period based on consolidated net income or earnings per share for that Performance Period.

5.4 Rolling Weighted Average.

(a) For the Performance Period beginning January 1, 1997, the Award shall be based only on the results for that Performance Period.

(b) For the Performance Period beginning January 1, 1998, the award shall be based one-third on the results achieved for the 1997 Performance Period and two-thirds on the results achieved for the 1998 Performance Period.

(c) For Performance Periods beginning on or after January 1, 1999, the Award shall be based one-sixth on the results achieved for the Performance Period occurring two years prior to the current Performance Period, two-sixths on the results achieved for the Performance Period one year prior to the current Performance Period, and three-sixths on the results achieved for the current Performance Period.

(d) To the extent that, in any single year, the growth or profit results exceeded a Benchmark ("Excess") with the result that the Excess was not taken into account in calculating a Participant's' Award, the Committee may apply the Excess to the prior Performance Period's or subsequent Performance Period's results in calculating the Participant's Award for the then current Performance Period.

6. Awards. Awards will be determined as soon as reasonably practicable after the close of each Performance Period. The Committee shall annually establish, at the time it establishes the Growth Objectives and Profit Objectives, the percentage of the Maximum Award which will be based upon the achievement of the Growth Objectives, the percentage of the Maximum Award which will be based upon achievement of the Profit Objective and the percentage of the Maximum Award which will be discretionary. The Committee shall annually establish, in the case of Participants who are non-corporate health plan personnel, in determining whether Growth Objectives and Profit Objectives have been met, the percentage which will be based upon achievement for the Participant's

health plan market and the percentage which will be based upon achievement for the Company as a whole.

7. Payment of Awards.

7.1 Form of Payment. Subject to the discretion of the Committee, Awards shall be paid as follows:

(a) For any portion of an Award calculated based on results at or below the combination of the Target Growth Benchmark and the Target Profit Benchmark, the Award will be distributed solely in cash in a single sum; and

(b) For the Performance Period beginning January 1, 1997, at the discretion of the Committee, the portion of an Award based upon results in Excess of the combination of the Target Growth Benchmark and the Target Profit Benchmark will be paid (i) in Shares of Restricted Stock having a Fair Market Value on the date of issuance of up to 25% of the Award (up to 50% for Performance Periods beginning on or after January 1, 1998), and (ii) the remainder in a single sum in cash.

The number of shares of Restricted Stock granted, which may consist in whole or in part of authorized and unissued Shares or treasury Shares, will be the whole number of Shares which can be purchased for the dollar amount computed above. Notwithstanding the foregoing, if there are an insufficient number of Shares authorized under the Stock Incentive Plan to issue the number of shares of Restricted Stock to which a Participant is entitled, any amount not paid in shares of Restricted Stock shall be paid in cash.

7.2 Payment of Award. The Award shall be paid to each Participant as soon as reasonably practicable following the end of the Performance Period, but no later than March 15 of each year following the Performance Period to which the Award relates.

7.3 Withholding for Taxes. The Company shall have the right to deduct from all cash Awards any taxes required to be withheld as a result thereof, whether federal, state or local. If the Company has a withholding obligation upon the issuance or vesting of Shares under the Plan, a Participant may, subject to the discretion of the Committee, elect to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares, or delivering to the Company Shares, having a Fair Market Value on the date the withholding tax is to be determined equal to the amount required to be withheld under applicable law. Notwithstanding the foregoing, the Committee may, by the adoption of rules or otherwise, modify the provisions of this Section 7.3 or impose such other restrictions or limitations on such elections as may be necessary to ensure that such elections will be exempt transactions under Section 16(b) of the Exchange Act. Notwithstanding anything in this Section 7.3 to the contrary, the Participant shall be obligated to make arrangements with the Company to enable the Company to satisfy its withholding obligation with respect to the issuance of Shares.

8. Restricted Stock.

8.1 Restricted Stock Distribution. The Restricted Stock shall be issued in accordance with the terms of the Stock Incentive Plan.

8.2 Vesting. One-half of the Restricted Stock will become fully vested on the first anniversary of the date of its issuance. The remainder of the Restricted Stock will become vested on the second anniversary of the date of its issuance. Notwithstanding the foregoing, if a Participant dies or becomes Disabled while owning Restricted Stock, the Restricted Stock shall immediately become fully vested.

9. Termination of Employment During Any Performance Period.

9.1 Termination for Reasons Other Than Death or Disability. If the Participant's employment by the Company or a Subsidiary terminates for any reason (other than death or Disability) during any Performance Period, such Participant shall not be entitled to any Award for that Performance Period.

9.2 Death or Disability During Performance Period. If a Participant dies or becomes Disabled during any Performance Period, the amount of the Award shall be calculated in the same manner as described in Section 10.2. Such Award shall be nonforfeitable and shall be distributed in the same manner as described in Section 10.3.

10. Change in Control. If there is a Change in Control while the Plan remains in effect, then the following shall apply:

10.1 Nonforfeitability. Each Participant's Restricted Stock shall become fully vested and nonforfeitable and the Participant's accrued Award, calculated in accordance with Section 10.2 below shall automatically become nonforfeitable on the date of such Change in Control.

10.2 Calculation of Awards. The Committee, as soon as reasonably practicable after the date of such Change in Control, shall determine each Participant's Award accrued through the end of the calendar month which immediately precedes the date of such Change in Control. The Award shall be in an amount which is equal to the greater of (a) the Maximum Award available multiplied by a percentage equal to the percentage of the Maximum Award that would have been earned assuming that the rate at which the Growth Objectives and Profit Objectives have been achieved as of the date of such Change in Control would have continued until the end of the Performance Period or (b) the Maximum Award available multiplied by the percentage of the Performance Period completed at the time of the Change in Control.

10.3 Payment of Awards. Each Participant's accrued Award (determined as provided in Section 10.2) shall be paid in a single sum in cash and Shares (in the percentages provided in Section 7.1(b)) as soon as reasonably practicable after the date of the Committee's determination of the Award.

11. Amendments, Modification and Termination of the Plan. The Board may terminate the Plan, in whole or in part, may amend the Plan from time to time, including the adoption of amendments deemed necessary or desirable to correct any defect, supply an omission or reconcile any inconsistency in the Plan. Notwithstanding the foregoing, no amendment shall be made without stockholder approval if: (a) such approval is necessary to satisfy any applicable (i) provision of the Code or the Exchange Act or any regulation promulgated thereunder, (ii) requirement of any national securities exchange or system on which the Shares are then listed or reported, or (iii) any other regulatory law or regulation, and (b) the Board determines that it is appropriate to seek stockholder approval.

No amendment, modification or termination of the Plan shall in any manner adversely affect any Participant with respect to a current Performance Period without the written consent of such Participant.

12. Governing Law. The Plan and all determinations made and actions taken pursuant thereto shall, to the extent not preempted by federal law, be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the conflict of law provisions thereof.

13. Gender and Number. Unless otherwise indicated by the context, reference to the masculine gender shall include the feminine gender and vice-versa, the plural shall include the singular and the singular shall include the plural.

14. Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

15. Non-Transferability. A Participant's rights under this Plan may not be assigned, pledged or otherwise transferred other than by will or the laws of descent and distribution, except that upon a Participant's death, the Participant's rights to payment may be transferred pursuant to the laws of descent and distribution.

16. No Granting of Employment Rights. Neither the Plan, nor any action taken under the Plan, shall be construed as giving any Employee the right to become a Participant, nor shall the fact that an Employee is a Participant be construed as giving such Employee any right with respect to continuance of employment by the Company. The Company expressly reserves the right to terminate, whether by dismissal,

discharge or otherwise, a Participant's employment at any time, with or without cause, except as may otherwise be provided by any written agreement between the Company and the Participant.

17. Indemnification. No member of the Board or the Committee, nor any officer or Employee acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made with respect to the Plan, and all members of the Board, the Committee and each and any officer or Employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination or interpretation.

18. Successors. All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successor is a result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company.

Exhibit 12

Humana Inc.
Ratio of Earnings to Fixed Charges
For the quarters ended March 31, 1997 and 1996
Unaudited
(Dollars in millions)

	1997	1996
Earnings:		
Income before income taxes	$ 60	$ 81
Fixed charges	5	6
	$ 65	$ 87
Fixed charges:		
Interest charged to expense	$ 3	$ 5
One-third of rent expense	2	1
	$ 5	$ 6
Ratio of earnings to fixed charges	12.7	13.8

For the purpose of determining earnings in the calculation of the ratio of earnings to fixed charges, 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.

<ARTICLE> 5
<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM HUMANA INC.'S FORM 10-K FOR THE THREE MONTHS ENDED MARCH 31, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENT
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