

# Stifel, Nicolaus & Co., Inc.

## Investor Meetings



**Regina Nethery**  
**Vice President of Investor Relations**  
**March 1, 2011**

**HUMANA**

## Cautionary Statement

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in investor presentations, press releases, Securities and Exchange Commission (SEC) filings, and in oral statements made by or with the approval of one of our executive officers, the words or phrases like "expects," "anticipates," "believes," "intends," "likely will result," "estimates," "projects" or variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, and assumptions, including, among other things, information set forth in the "Risk Factors" section of our SEC filings, as listed below.

In making these statements, Humana is not undertaking to address or update these statements in future filings or communications regarding its business or results. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur. There also may be other risks that we are unable to predict at this time. Any of these risks and uncertainties may cause actual results to differ materially from the results discussed in the forward-looking statements.

Humana advises investors to read the following documents as filed by the company with the SEC:  
-Form 10-K for the year ended December 31, 2010,  
-Form 8-Ks filed during 2011.



## Today's Presentation

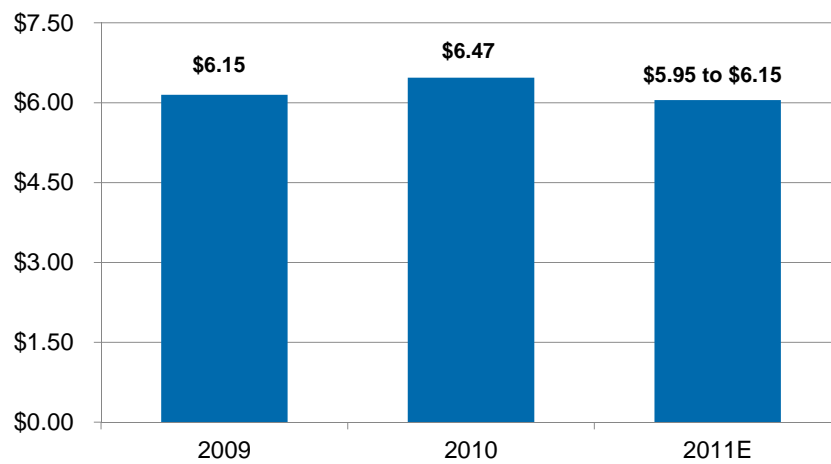
- TRICARE South Region Contract award
- Results of Medicare enrollment season
- Concentra acquisition
- Strategic overview

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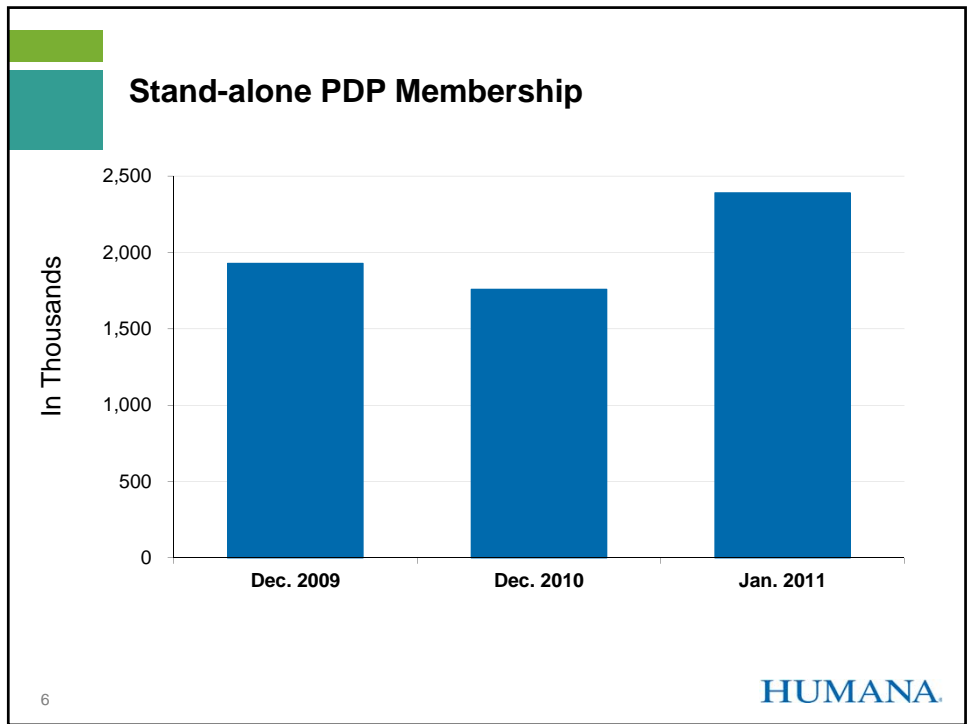
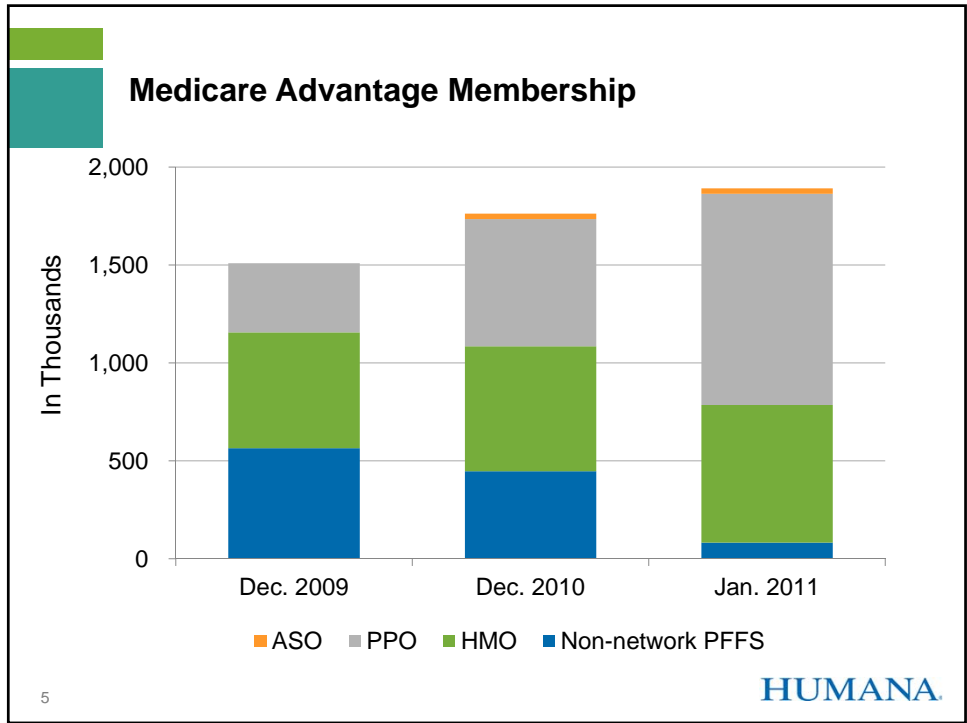


## Diluted Earnings per Common Share



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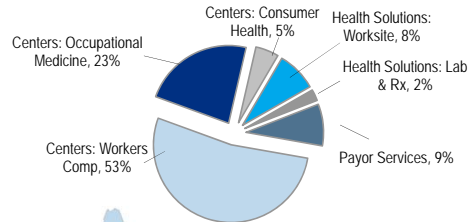
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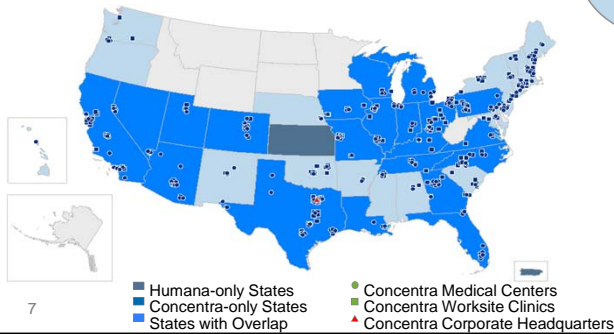
## Concentra Overview

Strong stand-alone business that reinforces core and provides unregulated revenue diversification

### Revenue Sources



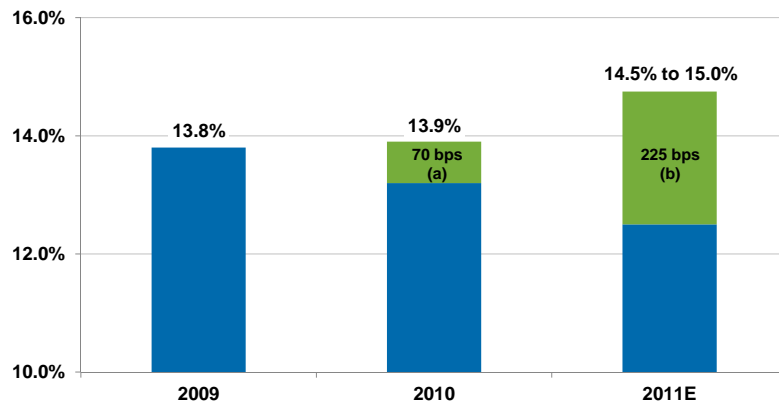
### Geographic Footprint



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## Administrative Cost Efficiencies

### SG&A Expense Ratio 2009 – 2011E



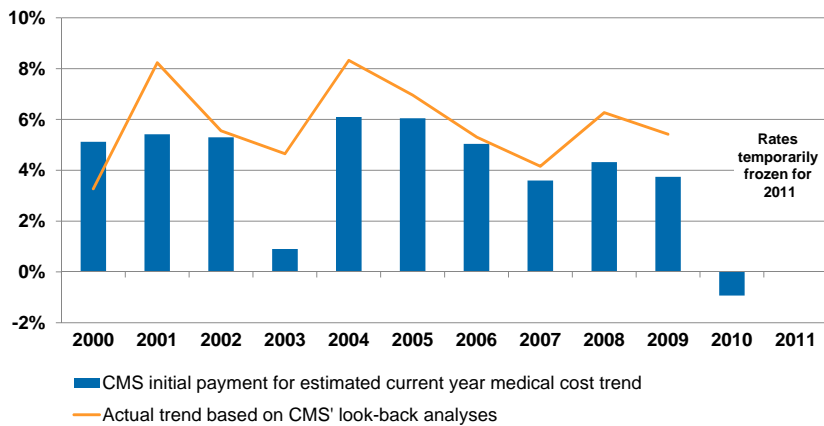
(a) Impact on SG&A expense ratio of DAC write down on Individual block, change in Medicare Advantage enrollment season, launch of Humana-Walmart PDP, The Humana Foundation contribution, and Concentra acquisition costs.  
 (b) Impact of expenses associated with the company's Concentra operations

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## CMS Cost Trend Estimates for Original Medicare

Medical cost trend projections used in setting initial Medicare Advantage payment rates are generally understated.



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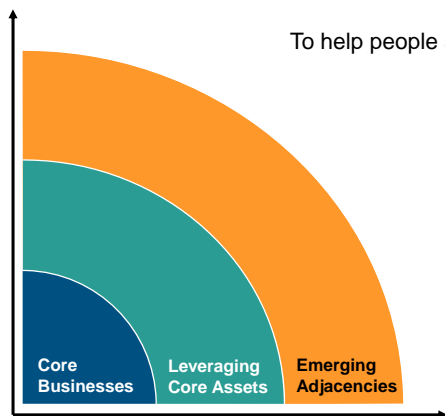
Source: Rate Book published each year by the Centers for Medicare and Medicaid Services.

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## Humana's Overarching Strategy

To become the pre-eminent consumer-focused health care company.

To help people achieve lifelong well-being.



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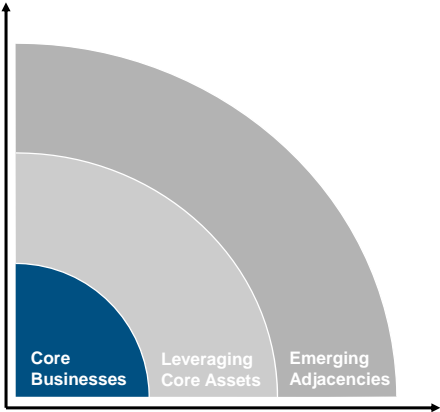
## Executing on Our Strategy

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## Humana's Strategy – Core Businesses



- Medicare
- TRICARE
- Individual medical
- Group medical
- Ancillary and specialty

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## Our Core Business Tactics

### Government Segment

#### Medicare

- 15% solution
- Expand network geographic footprint
- Target 5% pretax operating margin
- Grow individual membership and market share
- Re-establish PDP growth momentum (e.g., Humana-Walmart)
- Targeted growth of Group business

#### TRICARE

- Administer South Region contract

### Commercial Segment

#### Individual medical

- Near-term – breakeven earnings; cross-sell other products
- Longer-term – prepare for growth in this market
- Monitor regulatory developments for potential opportunities

#### Group medical

- Focus investments to manage for profitability
- Maintain pricing discipline

#### Ancillary and specialty businesses

- Expand market share through cross-sell and other ancillary businesses
- Leverage and scale Humana Pharmacy Solutions®
- Capitalize on Concentra business and other adjacency growth opportunities

### Administrative Costs

Continuously improve operating efficiency and cost positioning across the enterprise.

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## Humana's 15 Percent Solution

Our holistic approach, together with the scale needed to execute in a post-reform environment, positions us well to deal with wasteful spending in the health system that has been estimated at more than half of all health spending.\*

1% to 2%

### Early Identification

- Humana Health Assessment
- Predictive modeling

3% to 4%

### Clinical Integration & Guidance

- Provider guidance
- Clinician-based support
- Wellness and productivity
- Pharmacy solutions

7% to 10%

### Provider Contracting

- Efficient physician networks
- Efficient hospital contracting
- Discounts for free-standing facilities and ancillary services

1% to 2%

### Claims Cost Management

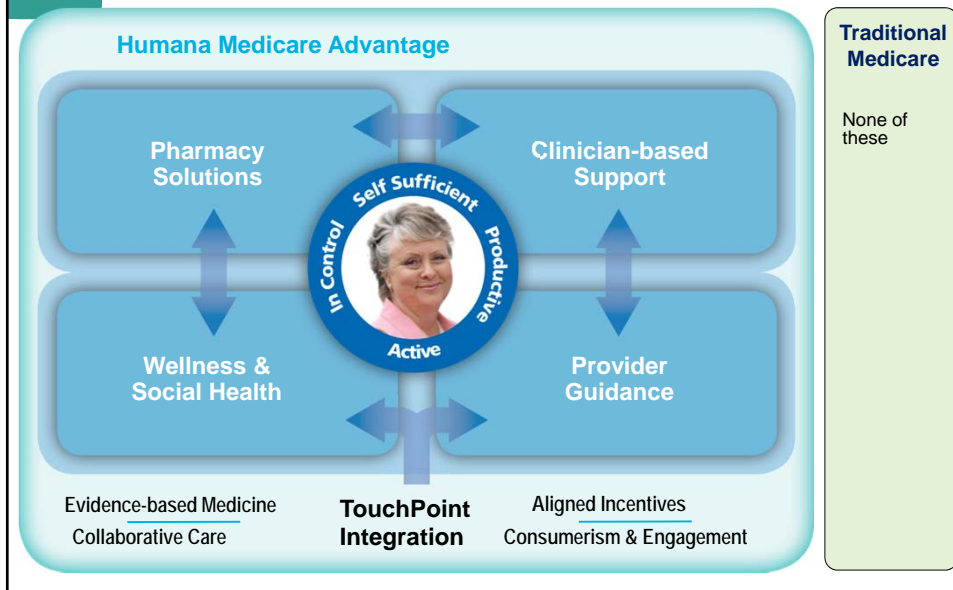
- Consistent application of Medicare-published local coverage determinations
- Timely DRG audits and recoveries
- Specialized physician billing review software
- Observation status review
- Fraud detection



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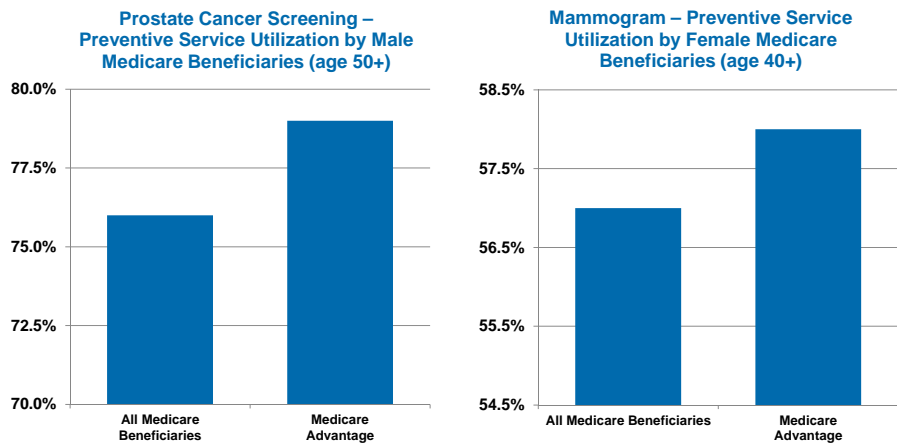
\* PricewaterhouseCoopers' Health Research Institute, 2008

## Humana Provides More Support and Guidance



## Preventive Care Utilization

Increasing utilization of preventive services is but one example of positive changes in behavior patterns.





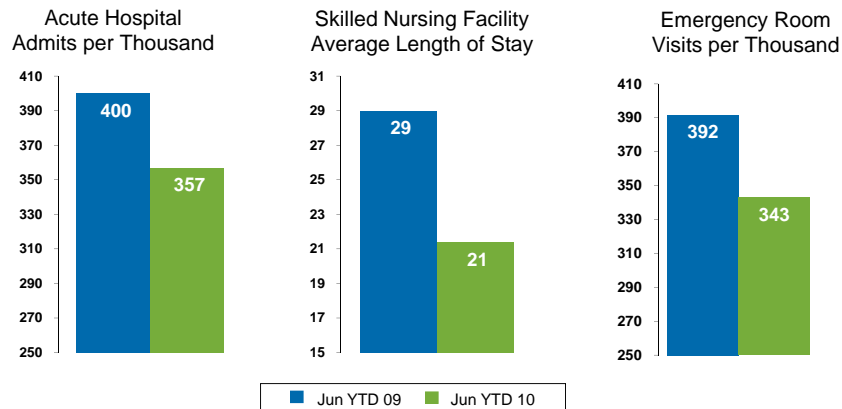
## Example of Actively Engaging a Group Medicare Customer's Members

Nature of Engagement	Action	Metric
<b>Early identification –</b> <i>Pre-enrollment engagement</i>	Completed health risk assessments	65% of members
	Clinically evaluated for those at risk for medical event (i.e. high-risk members)	~ 100% of members
<b>Ongoing support –</b> <i>Right support, right place, right time</i>	Introduced to Humana's wellness and/or clinical guidance programs	~ 100% of members
	Enrolled in Humana Cares, or HC (integrated complex case management program)	3% of high-risk members
	Engaged social workers to assist members with applications for federal, state and community-based assistance	~ 100% of HC members with financial need
	HC field case managers evaluated home safety and connected member with community resources	20% of HC members
	Enrolled in Humana's disease management programs	~ 1% of non-HC high-risk members
	Discharge planning and proactive outreach to ensure follow-up care and support	90% of acute discharges
<b>Claims cost management –</b> <i>Review of billing practices for appropriateness</i>	Analyzed admission vs. observation classification	> 95% of 24-hour admits

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## This Group Medicare Customer's Decline in Utilization After Only Six Months

Improved member health has led to reduced utilization with estimated savings of over \$25 million in medical costs projected for the year.

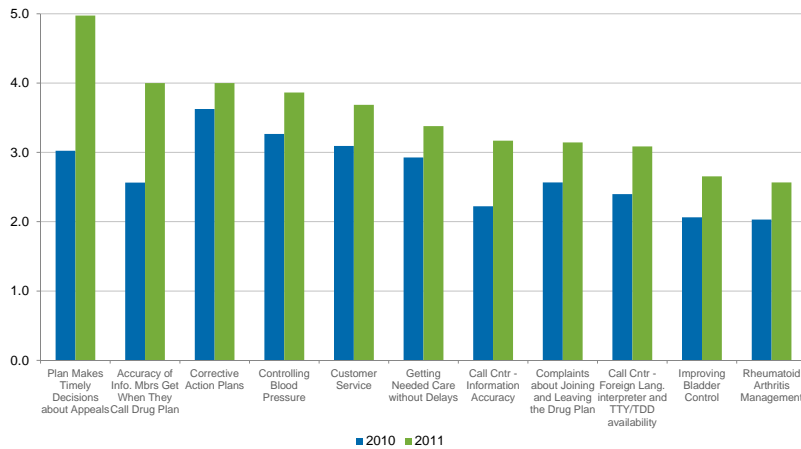


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Note: Customer joined Humana in January 2010.

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## Improvement in Humana CMS Stars Quality Measures 2011 versus 2010

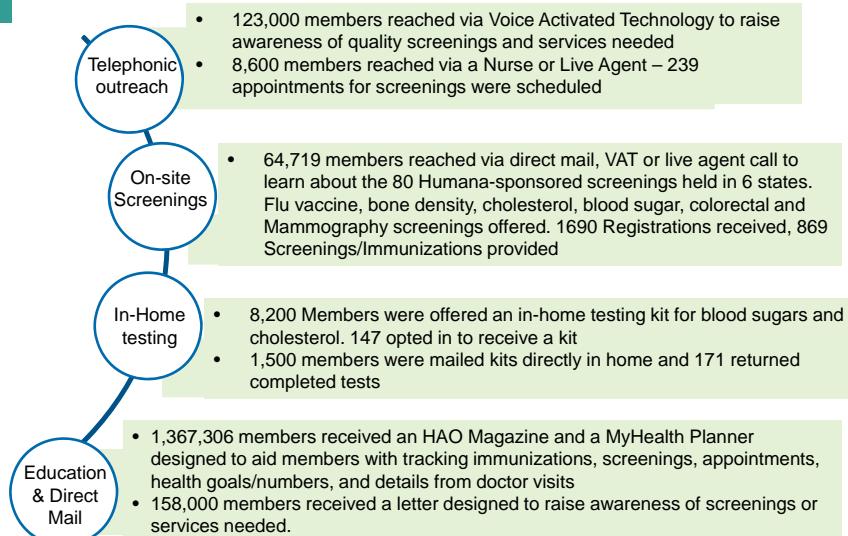


Member weighted average for the top 15 contracts that had assigned scores for the particular measure in both years

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## Stars Initiatives – Member Outreach 4Q10



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## Executing on Our Strategy

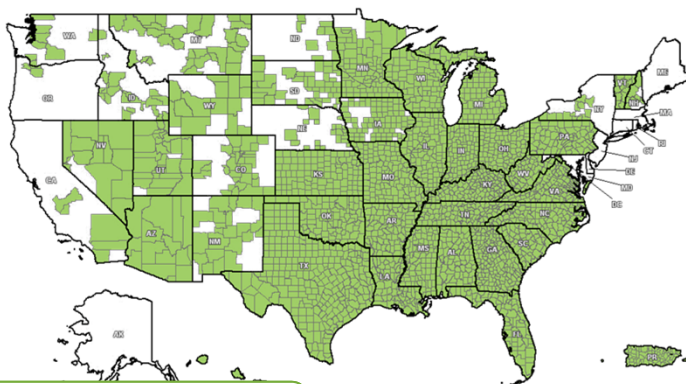
### Broadening Our Medicare Presence

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## Medicare Provider Network

Our broad network provides opportunities in both the Individual and Group Medicare Advantage businesses.



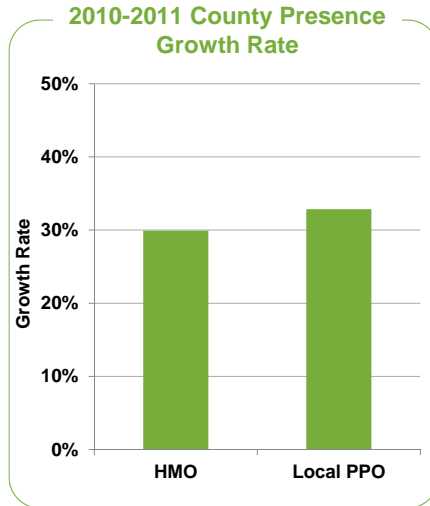
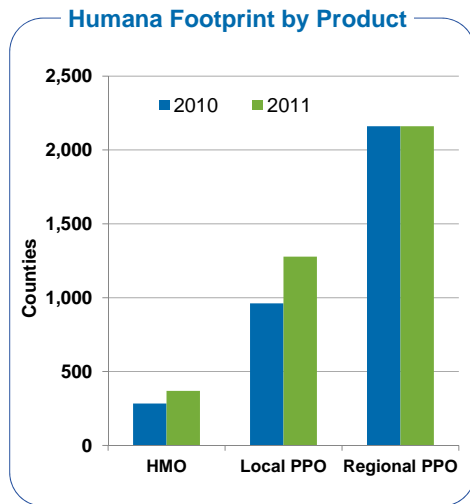
### Our 2011 Individual Medicare Advantage Plans

- 369 HMO counties
- 1,278 Local PPO counties
- 2,161 Regional PPO counties

Nearly 2 million retirees with group benefits in targeted 10K+ size accounts headquartered within our PPO network service area.

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## Our Networked Medicare Advantage Plans



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## Executing on Our Strategy

**Commercial Segment**

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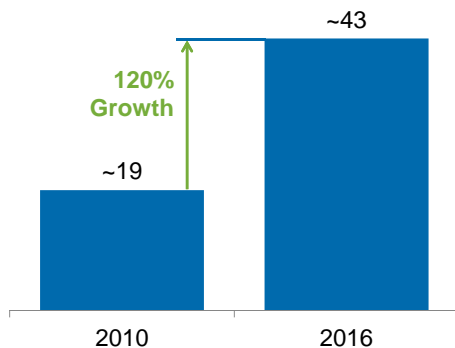
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## Potential Growth in Individual Market

The nationwide individual market is expected to grow 120% over the next six years.

### Estimated individual market membership in U.S.

(millions of members)



#### Opportunities:

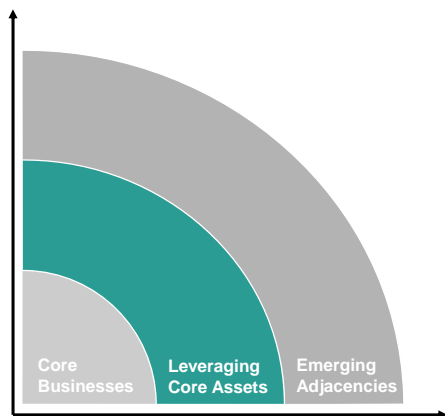
- **Apply retail consumer expertise** honed in Medicare market
- **Build** upon medical member relationship with **specialty products** to increase lifetime customer value

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Source: McKinsey & Company

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## Humana's Strategy – Leveraging Core Assets



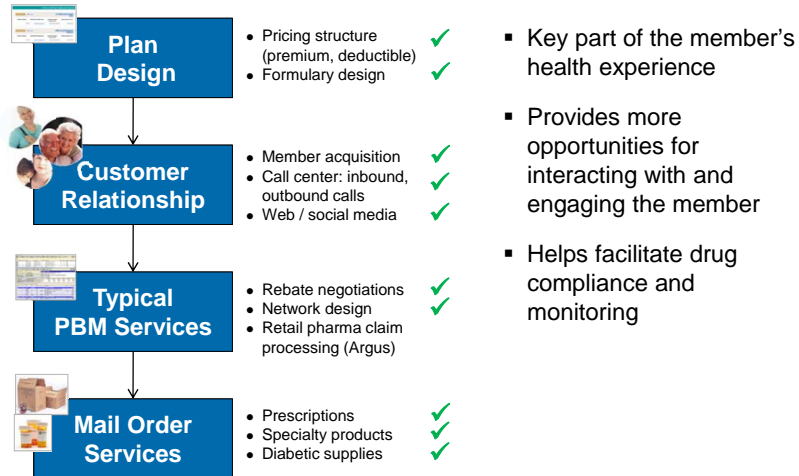
#### Leveraging Core Assets

- Humana Pharmacy Solutions
- Vertical Integration opportunities close to core

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## Humana Pharmacy Solutions

Fifth largest full-service PBM in the United States.

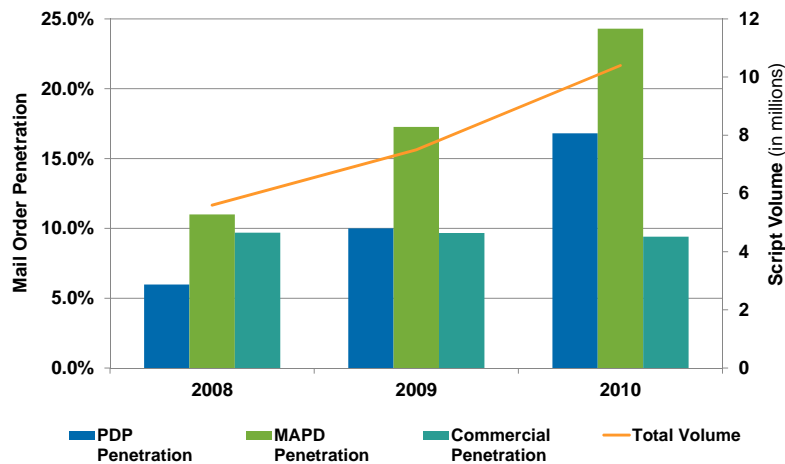


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## RightSourceRx – Growing the Business

Significant upside potential with goal of over 25% penetration across all lines of business.



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## Humana Pharmacy Solutions / Humana *RightSourceRx* Growth Priorities

- Increase mail order penetration
- Increase specialty pharmacy distribution
- Increase diabetic supply distribution

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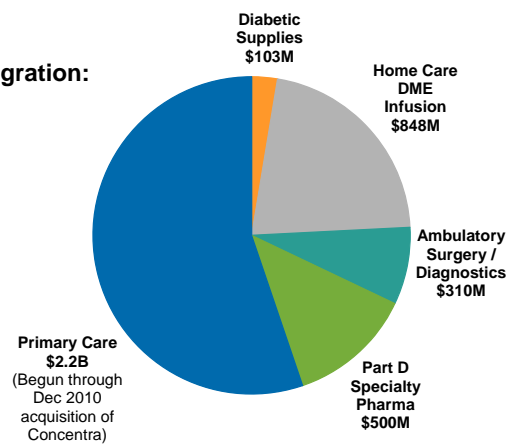
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## Vertical Integration Opportunities – Close to Core

Nearly \$4B in outside spend\* opportunity.

### Benefits of vertical integration:

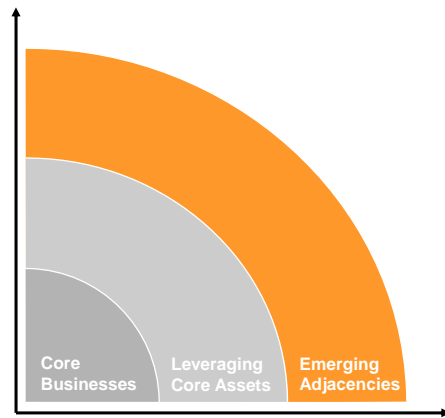
- Better outcomes
- Improved access
- Higher margins
- Increased cross-sell



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\* Relates to Humana's fully-insured Commercial and Medicare medical membership

## Humana's Strategy – Emerging Adjacencies



### Emerging Adjacencies

- Mergers & Acquisitions (M&A)
- Vertical Integration opportunities further from core

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## Strategic Evaluation of M&A Candidates

Our M&A priorities **lie at the intersection** of strategic opportunities, industry trends, and our current capabilities.



### Trends:

- Growth in senior population
- Margin pressure due to healthcare reform and competition
- Demand for PCPs will outpace supply
- Greater emphasis on quality / outcomes
- Chronic conditions driving health costs

### Opportunities:

- Increased effectiveness and efficiency of care
- Increasingly integrate care and offerings for members
- Leverage spend and selectively in-source
- Realize potential of consumer-directed healthcare
- Help providers manage risk and pay-for-performance

### Capabilities:

- Scale associated with current membership and market share
- Captive senior products sales force
- Provider network development
- Risk management
- Clinical spend management
- Information technology
- Operational dexterity
- Retail consumer expertise

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## Vertical Integration Opportunities – Further from Core

Next generation growth platforms and long-term strategic options.

- Home care
- Integrated rewards / wellness / loyalty offerings
- Remote care and telemedicine
- Healthcare IT

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## Conclusion

- Well positioned for 2011
- Medical cost inflation in Original Medicare FFS combined with clinical execution in the MA program allows MA to be a good long-term business
- As reform is implemented, scale will be even more critical to both clinical effectiveness and administrative cost efficiency
- Individual commercial business poised for long-term expansion despite short-term headwinds
- Continued strong growth in pharmacy business
- Adjacencies and vertical integration building on core businesses
- Deepening focus on retail opportunities and lifetime customer value

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