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

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-5975

HUMANA INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	61-0647538
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)
500 WEST MAIN STREET LOUISVILLE, KENTUCKY	40202
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 502-580-1000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $.16 2/3 par value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

NONE

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of the Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in the Registrant's definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

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

Yes X No

The aggregate market value of voting stock held by non-affiliates of the Registrant as of March 1, 1996, was $3,826,436,136 calculated using the average price on such date of $25.1875. The number of shares outstanding of the Registrant's Common Stock as of March 1, 1996, was 162,253,571.

DOCUMENTS INCORPORATED BY REFERENCE

Part II and portions of Part IV incorporate herein by reference the Registrant's 1995 Annual Report to Stockholders; Part III incorporates herein by reference portions of the Registrant's Proxy Statement filed pursuant to Regulation 14A covering the Annual Meeting of Stockholders scheduled to be held May 9, 1996.

The Exhibit Index begins on page 13.

PART I

ITEM 1. BUSINESS

GENERAL

Humana Inc. is a Delaware corporation organized in 1961. Its principal executive offices are located at 500 West Main Street, Louisville, Kentucky 40202 and its telephone number at that address is (502) 580-1000. As used herein, the terms "the Company" or "Humana" include Humana Inc. and its subsidiaries. This Annual Report on Form 10-K 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 the Company can duplicate its past performance or that expected future results will be achieved. Readers are cautioned that a number of factors, which are described herein, could adversely affect the Company's ability to obtain these results, including the effects of healthcare reform, renewal of the Company's Medicare risk contracts with the government, the effects of accreditation reviews, the implementation and renewal of the Company's CHAMPUS contract, and the effects of other general business conditions, including but not limited to, competition, medical cost trends, terms of provider contracts, premium rate changes, government regulation, capital requirements, administrative costs, general economic conditions and the retention of key employees.

Since 1983, the Company has offered managed health care products which integrate management with the delivery of health care services through a network of providers, who in their delivery of quality medical services, may share financial risk or who have incentives to deliver cost-effective medical services. These products are marketed primarily through health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") that encourage or require use of contracting providers. HMOs and PPOs control health care costs by various means, including utilization controls such as pre-admission approval for hospital inpatient services, pre-authorization of outpatient surgical procedures, and utilization of contracted physicians. The Company also offers various specialty and administrative services products including group life, dental, disability income, workers' compensation, and pharmacy management services.

On October 11, 1995, the Company completed its acquisition of EMPHESYS Financial Group, Inc. ("EMPHESYS"), for a total purchase price of approximately $650 million. The aggregate purchase price was funded through available cash of $400 million and bank borrowings of $250 million. EMPHESYS is a leading provider of a broad range of managed care products to small businesses. EMPHESYS, at the date of acquisition, had approximately 1.3 million medical members, including 216,900 administrative services ("ASO") members. The information contained herein includes the results of operations of EMPHESYS for the period from

October 11, 1995 through December 31, 1995.

The Company's HMO and PPO products are marketed primarily to employer and other groups ("Commercial") as well as Medicare and Medicaid-eligible individuals. The Company's Commercial products are marketed in 40 states and the District of Columbia. At December 31, 1995, the Company had a total of 2,883,900 fully-insured Commercial customers with an average group size of 29 members. Commercial membership at December 31, 1995, includes 49,000 Medicaid-eligible individuals. The products marketed to Medicare-eligible individuals are either HMO products that provide health care services which include all Medicare benefits, and in certain circumstances, additional health care services that are not included in traditional Medicare benefits ("Medicare risk") or indemnity insurance policies that supplement Medicare benefits ("Medicare supplement"). At December 31, 1995, the Company had 310,400 Medicare risk members and 115,000 Medicare supplement members. The Company also offers ASO to employers who self-insure their employee health benefits. At December 31, 1995, the Company provided claims processing, utilization review and other administrative services to approximately 495,100 members.

On November 28, 1995, the Company was awarded a potential five-year, $3.8 billion contract (a one-year contract renewable annually for up to four additional years at approximately $750 million per year) with the United States Department of Defense to provide services under the Civilian Health and Medical Program of the Uniformed Services (the "CHAMPUS Contract"). Under the CHAMPUS Contract, which is expected

to begin July 1, 1996, the Company will provide managed health care services to approximately 1 million eligible military beneficiaries in eight southeastern states.

COMMERCIAL PRODUCTS

HMOs

An HMO provides prepaid health care services to its members through primary care and specialty physicians employed by the HMO at facilities owned by the HMO, and/or through a network of independent primary care and specialty physicians and other health care providers who contract with the HMO to furnish such services. Primary care physicians include internists, family practitioners and pediatricians. Generally, access to specialty physicians and other health care providers must be approved by the member's primary care physician. These other health care providers include, among others, hospitals, nursing homes, home health agencies, pharmacies, mental health and substance abuse centers, diagnostic centers, optometrists, outpatient surgery centers, dentists, urgent care centers, and durable medical equipment suppliers. Because access to these other health care providers must be approved by the primary care physician, the HMO product is the most restrictive form of managed care.

At December 31, 1995, the Company owned and operated 17 HMOs, which contract with approximately 40,800 physicians (including approximately 10,200 primary care physicians) and 630 hospitals. In addition, the Company has approximately 2,410 contracts with other providers to provide services to HMO members. The Company also employed approximately 500 physicians in its staff model HMOs at December 31, 1995.

An HMO member, typically through the member's employer, pays a monthly fee which generally covers, with minimal co-payments, health care services received from or approved by the member's primary care physician. For the year ended December 31, 1995, Commercial HMO premium revenues totaled approximately $2 billion or 43 percent of the Company's premium revenues. Approximately $266 million of the Company's Commercial premium revenues for the year ended December 31, 1995, were derived from contracts with the United States Office of Personnel Management ("OPM") under which the Company provides health care benefits to approximately 176,800 federal civilian employees and their dependents. Pursuant

to these contracts, payments made by OPM may be retrospectively adjusted downward by OPM if an audit discloses that a comparable product was offered by the Company to a similar size subscriber group using a rating formula which resulted in a lower premium rate than that offered to OPM. Management believes that any retrospective adjustments as a result of OPM audits will not have a material impact on the Company's results of operations, financial position or cash flows.

PPOs

PPO products include many elements of managed health care. PPOs are also similar to traditional health insurance because they provide a member with the freedom to choose a physician or other health care provider. In a PPO, the member is encouraged, through financial incentives, to use participating health care providers which have contracted with the PPO to provide services at favorable rates. In the event a member chooses not to use a participating health care provider, the member may be required to pay a greater portion of the provider's fees.

At December 31, 1995, approximately 44,400 physicians and 700 hospitals contracted directly with the Company to provide services to PPO members. The Company also has approximately 2,400 contracts (including certain contracts which also service the Company's HMOs) with other providers to provide services to PPO members. In addition, the Company has access to 28 leased provider networks throughout the country which provide services to approximately 80 percent of EMPHESYS' PPO membership.

For the year ended December 31, 1995, premium revenues from Commercial PPOs totaled $831 million or 18 percent of the Company's premium revenues. During the year ended December 31, 1995, the Company's PPO membership increased approximately 1.2 million members to approximately 1.4 million members, primarily as a result of the acquisition of EMPHESYS. Management believes PPO premium revenues for the year ended December 31, 1996 will become a more significant percentage of overall Company premium revenues.

Over the previous four years, changes in the Company's Commercial premium rates have ranged between approximately an 11 percent increase for the year ended December 31, 1992, to approximately a 2 percent decrease for the year ended December 31, 1995. Given the continued competitive environment, the Company expects that 1996 Commercial premium rates will decline approximately 1 percent from 1995 levels.

MEDICAID PRODUCT

Medicaid is a state-operated program which utilizes both state and federal funding to provide health care services to low-income residents. Each state which chooses to do so develops through a state specific regulatory agency, a Medicaid managed care initiative which must be approved by the federal government's Health Care Financing Administration ("HCFA"). HCFA requires that Medicaid managed care plans meet federal standards and cost no more than the amount that would have been spent on a comparable fee-for-service basis. States currently use either a formal proposal process reviewing many bidders or award individual contracts to qualified bidders which apply for entry to the program. In either case, the contractual relationship with the state is generally for a one-year period. Management believes that the risks associated with participation in a state Medicaid managed care initiative are similar to the risks associated with the Medicare risk product discussed below. In both instances, the Company receives a fixed monthly payment from a government agency for which it is required to provide managed health care services to enrolled members. For the year ended December 31, 1995, premium revenues from the Company's Medicaid products totaled $51 million or 1 percent of the Company's premium revenues. At December 31, 1995, the Company had approximately 49,000 Medicaid members in three markets. Due to the increased emphasis on state health care reform, management believes that more states will utilize a managed care

product in their Medicaid programs.

MEDICARE PRODUCTS

Medicare is a federal program that provides persons age 65 and over and some disabled persons certain hospital and medical insurance benefits, which include hospitalization benefits for up to 90 days per incident of illness plus a lifetime reserve aggregating 60 days. Each Medicare-eligible individual is entitled to receive inpatient hospital care ("Part A") without the payment of any premium, but is required to pay a premium to the federal government, which is adjusted annually, to be eligible for physician and other services ("Part B").

Even though participating in both Part A and Part B of the traditional Medicare program, beneficiaries are still required to pay certain deductible and co-insurance amounts. They may, if they choose, supplement their Medicare coverage by purchasing Medicare supplement policies which pay these deductibles and co-insurance amounts. Many of these policies also cover other services (such as prescription drugs) which are not included in Medicare coverage.

Certain managed care companies which operate HMOs contract with HCFA to provide medical benefits to Medicare-eligible individuals residing in the geographic areas in which their HMOs operate in exchange for a fixed monthly payment per member from HCFA. Individuals who elect to participate in these Medicare risk programs are relieved of the obligation to pay some or all of the deductible or co-insurance amounts but are generally required to use exclusively the services provided by the HMO and are required to pay a Part B premium to the Medicare program. The enrollee pays the HMO a premium only in cases where the HMO provides additional benefits and where competitive market conditions permit.

Medicare Risk

A Medicare risk product involves a contract between an HMO and HCFA pursuant to which HCFA makes a fixed monthly payment to the HMO on behalf of each Medicare-eligible individual who chooses to enroll for coverage in the HMO. Membership may be terminated by the member upon 30 days' notice. The fixed monthly payment is determined and adjusted annually by HCFA, and takes into account, among other things, the cost of providing medical care in the geographic area where the member resides.

The Company markets a variety of Medicare risk HMO products. All of these products provide an enrolled individual with all of the benefits covered by the Medicare program but relieve the enrolled individual of the obligation to pay deductibles and co-insurance that would otherwise apply. Some of these products also

provide additional benefits not covered by Medicare, such as vision and dental care services and prescription drugs.

Where competitive conditions permit, the Company charges a premium to members (in addition to the payment from HCFA) for some of its Medicare risk products. At December 31, 1995, approximately 65,500 members in 13 markets were paying premiums which totaled $38 million for the year ended December 31, 1995.

The Company provides Medicare risk services under 10 contracts with HCFA ("HCFA Contracts") in 14 markets. During 1995, the Company was approved by HCFA to sell its Medicare risk product in Jacksonville and Tampa, Florida as well as Houston, Texas and Las Vegas, Nevada. Management believes that additional opportunities exist because only approximately 7 percent of the country's Medicare-eligible beneficiaries are enrolled in managed care programs similar to those of the Company. The Company intends to pursue these additional opportunities in under-penetrated markets.

At December 31, 1995, HCFA Contracts covered approximately 310,400 Medicare

risk members for which the Company received HCFA revenues of approximately $1.5 billion or 33 percent of the Company's premium revenues for the year ended December 31, 1995. At December 31, 1995, one such HCFA Contract covered approximately 209,800 members in Florida. For the year ended December 31, 1995, this Florida HCFA Contract accounted for premium revenues of $1.1 billion, which represented 73 percent of the Company's HCFA revenues and 24 percent of the Company's total premium revenues. Each HCFA Contract is renewed each December 31 unless HCFA or the Company terminates it upon at least 90 days' notice prior thereto. Management believes termination of the HCFA Contract covering the members in Florida would have a material adverse effect on the Company's revenues, profitability and business prospects.

Current legislative proposals are being considered which include modification of future reimbursement rates under the Medicare program and proposals which encourage the use of managed health care for 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. Changes in the Medicare risk program as a result of legislative change, such as a reduction in payments by HCFA or mandated increases in benefits without corresponding increases in HCFA payments, could also have a material adverse effect on the Company's revenues, profitability and business prospects.

The Company's average rate of increase under the 1996 HCFA Contracts is approximately 8 to 9 percent, a significant portion of which is expected to be paid to the Company's providers. Over the last five years, annual increases have ranged from as low as 3 percent in January 1994 to as high as 12 percent in January 1993, with an average of approximately 7 percent, including the January 1996 increase.

Medicare Supplement

The Company's Medicare supplement product is an insurance policy which pays for hospital deductibles, co-payments and co-insurance for which an individual enrolled in the traditional Medicare program is responsible.

Under the terms of existing Medicare supplement policies, the Company may not reduce or cancel the benefits contracted for by policyholders. These policies are renewable annually by the insured at the Company's prevailing rates, which may increase subject to approval by appropriate state insurance regulators.

At December 31, 1995, the Company provided Medicare supplement benefits to approximately 115,000 members. Premium revenues derived from this product for the year ended December 31, 1995, totaled $102 million.

CHAMPUS

In 1993, the Company established Humana Military Healthcare Services, Inc. (a wholly owned subsidiary of the Company), to bid on contracts to provide managed care services to active and retired military

personnel and their dependents. In November 1995, the Company was awarded its first contract covering approximately 1 million eligible military beneficiaries in Florida, Georgia, South Carolina, Mississippi, Alabama, Tennessee, Eastern Louisiana, and a portion of Arkansas. The Company has subcontracted with third parties to provide certain administration and specialty services under the contract. Subsequent to a transition period, expected to be completed by July 1, 1996, three health benefit options will be made available to CHAMPUS beneficiaries. In addition to a traditional indemnity option, participants may enroll in a point-of-service plan or take advantage of reduced co-payments by using a network of preferred providers.

Subsequent to the award of the contract to the Company, the award was

protested with the General Accounting Office. Protests under similar contracts have historically been commonplace, although a large majority of the protests have been disallowed. Management is unable to predict the outcome of the protest.

The use of managed care under CHAMPUS is a new and evolving program and is the Company's first endeavor operating under the Department of Defense guidelines. Management is unable to determine the Company's degree of success in managing the implementation and delivery of services under the CHAMPUS Contract, and what effect, if any, this contract may have on the Company's results of operations, financial position or cash flows.

The Company continues to actively seek opportunities where it can provide managed care services to beneficiaries of federal and state programs, including other CHAMPUS contracts.

OTHER RELATED PRODUCTS

The Company offers various specialty and administrative services products including group life, dental, disability income, and workers' compensation services. Specialty product membership at December 31, 1995, totaled approximately 1.9 million members including 602,900 members for which the Company provides administrative services. Specialty administrative membership includes dental, workers' compensation, flexible benefit and purchasing pool administration services. Total premiums and other income related to these specialty and administrative services products were $85 million for the year ended December 31, 1995. The Company also operates a prescription drug management service which administers drug benefit programs for various HMOs and PPOs, including those of the Company.

PROVIDER ARRANGEMENTS

The Company's HMOs contract with individual or groups of primary care physicians, generally for an actuarially determined, fixed, per-member-per-month fee called a "capitation" payment. These contracts typically obligate primary care physicians to provide or arrange for the provision of all covered managed health care services to HMO members, including services provided by specialty physicians and other providers. The capitation payment does not vary with the nature or extent of services arranged for or provided to the member. The degree to which the Company uses capitation arrangements varies by provider. The Company also employs approximately 500 physicians in markets where it operates staff model HMOs. In order to control costs, improve quality and create comprehensive networks, the Company also contracts with medical specialists and other providers to which a primary care physician may refer a member. Typically, payments by the Company to these specialists and other providers reduce the ultimate payment that otherwise would be made to a primary care physician. The Company remains financially responsible for the provision of or payment for such services if a primary care or specialty physician fails to perform his or her obligations under the contract.

The focal point for cost control in the Company's HMOs is the primary care physician, whether employed or under contract, who provides services and controls utilization of appropriate services by directing or approving hospitalization and referrals to specialists and other providers. Cost control is further achieved by directly negotiating provider discounts. Cost control in the Company's PPOs is achieved primarily by establishing a cost-effective network of participating health care providers and providing incentives for members to use such providers. With respect to both HMO and PPO products, cost control is further achieved through the use of a utilization review system designed to allow only necessary hospital admissions, lengths of stay and necessary and appropriate medical procedures.

The Company's HMOs and PPOs generally contract for hospital services under per-diem arrangements for inpatient hospital services and discounted

fee-for-service arrangements for outpatient services. During the year ended December 31, 1995, approximately 41 percent of the Company's total medical costs were for services provided to its members in hospitals or related facilities. Approximately 9 percent of these medical costs were for services provided in hospitals ("Galen Hospitals") which were spun off by the Company (the "Spinoff") on March 1, 1993, and are now a part of Columbia/HCA Healthcare Corporation ("Columbia/HCA"). Following the Spinoff, these services were provided pursuant to a three-year agreement with the Galen Hospitals, which expired March 1, 1996. The Company has replaced the original agreement with various individual market agreements with subsidiaries of Columbia/HCA for the provisions of services at Columbia/HCA hospitals (including the Galen Hospitals). Management believes the inpatient and outpatient hospital rates under the new agreements reflect current competitive market conditions.

QUALITY ASSESSMENT AND CUSTOMER SERVICE

Physician participation in the Company's HMOs and PPOs is conditioned upon the physician meeting the Company's requirements concerning the physician's professional qualifications. When considering whether to contract with a physician, the Company performs rigorous, on-going credentialing verifications and peer review that meet both regulatory and accrediting agency standards.

The Company has a program in place to monitor important aspects of HMO plan-wide service and quality indicators with oversight by a senior management committee. Such indicators as credentialing, quality concerns, customer service, disenrollment, and satisfaction are measured against standards. Another measure of quality is the reporting of Health Plan Employer Data Information Sets ("HEDIS") which the Company has been reporting since June 1994. HEDIS is useful to purchasers of managed health care services to measure individual health plan quality and service. The Company has also implemented a monthly reporting process which monitors levels of customer satisfaction across all the Company's plans. Indicators used to measure customer satisfaction include satisfaction surveys, types and number of grievances, timeliness of claims processing and reasons for customer disenrollment.

HEALTH MAINTENANCE ORGANIZATION ACCREDITATION

With the increasing significance of managed care in the health care industry, several independent organizations have been formed with the purpose of responding to external demands for accountability over the managed care industry. The organizations utilized by the Company are the National Committee for Quality Assurance ("NCQA") and the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"). NCQA performs site reviews of standards established for quality assurance, credentialing, utilization management, medical records, preventive services and member rights and responsibilities. JCAHO reviews rights, responsibilities and ethics, continuum of care, education and communication, leadership, management of information and human resources and network performance. Both organizations evaluate the mechanisms the organization has established to ensure continuous quality improvement.

In the states of Kansas and Florida, where the Company operates in seven markets, accreditation is mandatory and is generally required for licensure. At December 31, 1995, five of these markets had received various levels of accreditation and in February 1996, the Company was notified that Humana Medical Plan's South Florida market received full accreditation by NCQA. The Company has now received full accreditation from NCQA in the Florida markets of South Florida, Orlando and Daytona. The Company has received a three-year accreditation from JCAHO in Ft. Walton. The Jacksonville market which was previously denied accreditation is awaiting results from the NCQA review. The Company's Kansas City market is operating under a one-year NCQA accreditation and has a new accreditation status pending. The Company is also currently developing a plan for accreditation of its Milwaukee, Wisconsin plan which was previously denied accreditation (prior to purchase in December 1994). Management believes the South Florida, Jacksonville and Milwaukee denials have not had a material adverse impact on the Company's results of operations, financial position or cash flows.

MANAGEMENT INFORMATION SYSTEMS

The Company's managed care health plans use a single set of integrated information systems developed and/or customized specifically to meet the Company's needs and to allow for aggregation of data and comparison across markets. These information systems support marketing, sales, underwriting, contract administration, billing, financial and other administrative functions as well as customer service, appointment scheduling, authorization and referral management, concurrent review, physician capitation and claims administration, provider management, quality management and utilization review.

Key to the Company's information systems is the decision support database, used by market office and corporate personnel for such items as physician profiling, utilization review, quality assessment, member satisfaction measurement and employer reporting. Clinical software is used as well to assess appropriateness of medical care provided to the Company's members. The Company's information systems are continually being upgraded to support new products in an integrated manner as well as to take advantage of the latest advances in technology.

MARKETING

Individuals become members of the Company's Commercial HMOs and PPOs through their employer or other groups which typically offer employees or members a selection of managed health care products, pay for all or part of the premiums and make payroll deductions for any premiums payable by the employees. The Company attempts to become an employer's or group's exclusive source of managed health care benefits by offering HMO and PPO products that provide cost-effective quality care consistent with the needs and expectations of the employees or members.

The Company uses various methods to market its Commercial and Medicare products, including television, radio, telemarketing and mailings. At December 31, 1995, the Company used approximately 32,800 independently licensed brokers and agents and 380 licensed employees to sell the Company's Commercial products. Many of the Company's employer group customers are represented by insurance brokers and consultants who assist these groups in the design and purchase of health care products. The Company generally pays brokers a commission based on premiums, with commissions varying by market and premium volume.

In addition to the above, at December 31, 1995, approximately 40 independently licensed brokers and 530 employed sales representatives, who are each paid a salary and/or per member commission, marketed the Company's Medicaid and Medicare products. The Company also uses approximately 400 telemarketing representatives who assist in the marketing of Medicaid and Medicare products by making appointments for broker/sales representatives with prospective members.

The following table lists the Company's medical membership at December 31, 1995, by state and product:

	MEDICAL MEMBERSHIP (IN THOUSANDS)						
	COMMERCIAL						
	PPO	HMO(1)	MEDICARE RISK	MEDICARE SUPPLEMENT	ASO	TOTAL	PERCENT OF TOTAL
Florida	171.8	354.4	209.8	12.3	17.4	765.7	20.1%
Illinois	159.7	304.2	37.8	0.1	62.8	564.6	14.8%
Wisconsin	91.8	132.0	--	--	208.3	432.1	11.4%
Kentucky	29.1	295.5	5.1	37.9	14.3	381.9	10.0%
Texas	171.5	96.5	24.0	15.5	7.6	315.1	8.3%
Missouri/Kansas	67.1	114.3	11.5	7.5	44.4	244.8	6.4%
District of Columbia	64.1	107.3	4.2	--	9.3	184.9	4.9%
Other	643.4	81.2	18.0	41.7	131.0	915.3	24.1%

Total medical membership.....	1,398.5	1,485.4	310.4	115.0	495.1	3,804.4	100.0%

- ---

(1) Includes 49,000 Medicaid members at December 31, 1995, located in Wisconsin, Illinois and Missouri/Kansas.

The Company's 25 largest group contracts at December 31, 1995, accounted for approximately 21 percent of total Commercial membership. No one group contract accounted for as much as 5 percent of the Company's Commercial product premium revenues; however, certain employer groups accounted for a significant percentage of Commercial insurance premiums in certain markets. The loss of one or more of these contracts in a particular market could have a material adverse effect on the Company's operations in that market.

RISK MANAGEMENT

Through the use of internally developed underwriting criteria, the Company determines the risk it is willing to assume and the amount of premium to charge for its Commercial products. In most instances, employer and other groups must meet the Company's underwriting standards in order to qualify to contract with the Company for coverage. Small group reform laws in some states have imposed regulations which provide for guaranteed issue of certain health insurance products and prescribe certain limitations on the variation in rates charged based upon assessment of health conditions.

Underwriting techniques are not employed in connection with Medicare risk HMO products because of HCFA regulations that require the Company to accept all Medicare-eligible applicants regardless of their health or prior medical history. The Company also is not permitted to employ underwriting criteria for the Medicaid product but rather follows HCFA and state requirements. In addition, with respect to the CHAMPUS Contract, no underwriting techniques are employed because the Company must accept all eligible beneficiaries that choose to participate.

COMPETITION

The managed health care industry is highly competitive and contracts for the sale of Commercial products are generally bid or renewed annually. The Company's competitors vary by local market and include Blue Cross/Blue Shield (including HMOs and PPOs owned by Blue Cross/Blue Shield plans), national insurance companies and other HMOs and PPOs. Many of the Company's competitors have larger membership in local markets or greater financial resources. In addition, provider-based networks which could compete directly with the Company may increase in size and significance. The Company's ability to sell its products and to retain customers is or may be influenced by such factors as benefits, pricing, contract terms, number and quality of participating physicians and other managed health care providers, utilization review, claims processing, administrative efficiency, relationships with agents, quality of customer service, and accreditation results.

GOVERNMENT REGULATION

Of the Company's 17 licensed HMO subsidiaries, eight are qualified under the Federal Health Maintenance Organization Act of 1973, as amended. Five of these federally qualified subsidiaries are parties to HCFA contracts to provide Medicare risk HMO products.

To obtain federal qualification, an HMO must meet certain requirements, including conformance with financial criteria, a standard method of rate setting, a comprehensive benefit package, and prohibition of medical underwriting of individuals. In certain markets, and for certain products, the Company operates HMOs that are not federally qualified because this provides

greater flexibility with respect to product design and pricing than is possible for federally qualified HMOs.

HCFA audits Medicare risk HMOs at least biannually and may perform other reviews more frequently to determine compliance with federal regulations and contractual obligations. These audits include review of the HMO's administration and management (including management information and data collection systems), fiscal stability, utilization management and incentive arrangements with providers, health services delivery, quality assurance, marketing, enrollment and disenrollment activity, claims processing, and complaint systems. HCFA regulations require quarterly and annual submission of financial statements and restrict the number of Medicare risk and Medicaid members to no more than the HMO's Commercial membership in a specified service area. HCFA regulations also require independent review of medical records and quality of care, review and approval by HCFA of all advertising, marketing and communication materials, and independent review of all denied claims and service complaints which are not resolved in favor of a member.

During 1994, HCFA performed an investigation of the Company's South Florida health plan. HCFA's findings, which focused primarily on the collection and use of data, indicated the plan was not fully meeting HCFA requirements in the areas of utilization management, quality assurance and availability/accessibility. In July 1995, HCFA notified the Company that it had successfully restored compliance with these requirements.

The Company's Medicaid product is regulated by the applicable state agency in the state which the Company sells its Medicaid product and is subject to periodic reviews by these agencies. The reviews are similar in nature to those performed by HCFA.

Laws in each of the states in which the Company operates its HMOs and PPOs regulate the Company's operations, including the scope of benefits, rate formulas, delivery systems, utilization review procedures, quality assurance, enrollment requirements, claim payments, marketing, and advertising. The PPO products offered by the Company are generally sold under insurance licenses issued by the applicable state insurance regulators. The Company's HMOs and PPOs are required to be in compliance with certain minimum capital requirements. These requirements must be satisfied by investing in approved investments that generally cannot be used for other purposes. Under state laws, the Company's HMOs and PPOs are audited by state departments of insurance for financial and contractual compliance, and its HMOs are audited for compliance with health services standards by respective state departments of health. Most states' laws require such audits to be performed at least triennially.

The Company and its licensed subsidiaries are subject to regulation under state insurance holding company regulations. These regulations require among other things, prior approval and/or notice of certain material transactions, and the filing of various financial and operational reports.

Management believes that the Company is in substantial compliance with all governmental laws and regulations affecting the Company's business.

HEALTH CARE REFORM

There continues to be diverse legislative and regulatory initiatives at both the federal and state levels to address aspects of the nation's health care system.

National

Although subsequently vetoed by the President, during 1995, Congress passed a budget reconciliation package which provided for significant changes to the Medicare and Medicaid programs, including offering Medicare beneficiaries additional health plan alternatives such as HMOs, PPOs and point-of-service

plans. Management believes that because of on-going concerns over health care accessibility and the cost of the Medicare and Medicaid programs in their current form, there will be continued legislative efforts to reform health care. Current legislative proposals being considered include health insurance portability, guaranteed group coverage, limits on medical malpractice awards, modification of future reimbursement rates under the Medicare program, proposals that would encourage provider-based networks to compete directly with licensed insurers and HMOs, and proposals which encourage the use of managed health care for Medicare and Medicaid beneficiaries.

State

Legislation enacted in some states has included, among other things, universal access, employer purchasing pools and statewide purchasing alliances. Other managed care legislation which some states have adopted and others have considered include any willing provider, laws that restrict the ability of managed care companies to limit their networks, guaranteed renewal, portability, rating restrictions, standardization of managed care alternatives, mandatory lengths of stay, direct access to specialists, and freedom of choice requirements.

Management believes that managed care and health care in general will continue to be scrutinized and may lead to additional legislative health care reform initiatives. Management is unable to predict how existing federal or state laws and regulations may be changed or interpreted, what additional laws or regulations affecting the Company's businesses may be enacted or proposed, when and which of the proposed laws will be adopted or what effect any such new laws and regulations will have on the Company's revenues, profitability and business prospects.

OTHER BUSINESSES

Hospital

The Company owns a 170-bed hospital in Lexington, Kentucky, which provides care primarily to members of the Company's managed care plans in Lexington. The Company has contracted with an independent hospital management company, whereby effective March 1, 1995, all operational functions of the hospital are managed by the management company.

Professional Liability Risks

The Company insures substantially all of its professional liability risks through a wholly owned Vermont subsidiary (the "Subsidiary"). The annual premiums paid to the Subsidiary are determined by independent actuaries. The Subsidiary reinsures levels of coverage for losses in excess of its retained limits with various unrelated insurance carriers.

Centralized Management Services

Centralized management services are provided to each health plan from the Company's headquarters. These services include management information systems, product administration, financing, personnel, development, accounting, legal advice, public relations, marketing, insurance, purchasing, risk management, actuarial, underwriting, and claims processing.

EMPLOYEES

As of December 31, 1995, the Company had approximately 16,800 employees of which approximately 1,300 employees of the Company were covered by collective bargaining agreements. The Company has not experienced any work stoppages and believes it has good relations with its employees.

ITEM 2. PROPERTIES

The Company owns its principal executive office, which is located in the Humana Building, 500 West Main Street, Louisville, Kentucky 40202.

The Company provides medical services in owned or leased medical centers ranging in size from approximately 1,200 to 80,000 square feet. The Company's administrative market offices are generally leased, with square footage ranging from 500 to 75,000. The following chart lists the location of properties by state used in the operation of the Company at December 31, 1995:

	MEDICAL CENTERS		ADMINISTRATIVE OFFICES		
	OWNED	LEASED	OWNED	LEASED	TOTAL
Florida	6	91	--	28	125
Illinois	8	19	--	9	36
Kentucky	8	3	1	5	17
Missouri/Kansas	3	11	--	6	20
Texas	5	3	1	11	20
District of Columbia	--	2	--	1	3
Wisconsin	--	--	--	9	9
Other	4	7	1	55	67
TOTAL	34	136	3	124	297

In addition, the Company owns buildings in Louisville, Kentucky, San Antonio, Texas, and Green Bay, Wisconsin, and leases facilities in Jacksonville, Florida, all of which are used for customer service and claims processing. The Louisville and Green Bay facilities also perform enrollment processing and other corporate functions.

The Company also owns a hospital and medical office building in Lexington, Kentucky.

ITEM 3. LEGAL PROCEEDINGS

1. A class action law suit styled Mary Forsyth, et al v. Humana Inc., et al, Case #CV-5-89-249-PMP (L.R.L.), (now restyled Marietta 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). There have been no material changes since those described in the Company's Form 10-Q for the quarterly period ended June 30, 1994.

Two other lawsuits involving allegations similar to those in the Forsyth case have been filed in United States District Courts in Texas. A purported class action suit which seeks to represent nationwide classes, styled James Taylor et al. v. Humana Health Insurance et al was filed in the Southern District in Corpus Christi, Texas on February 10, 1995. On September 11, 1995, another purported class action suit, styled Del Bruns v. Humana Insurance Company (the "Bruns" case), was filed in the Eastern District in Marshall, Texas. The Bruns case seeks to represent nationwide classes of insureds other than those in Nevada and Florida.

2. On April 22, 1993, an alleged stockholder of the Company filed a purported shareholder derivative action in the Court of Chancery of the State of Delaware, County of New Castle, styled Lewis v. Austen, et al, Civil Action No. 12937. There have been no changes since those described in the Company's Form 10-K for the fiscal year ended December 31, 1993.

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 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 actions will have a material adverse effect on the Company's consolidated results of operations, financial position or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE COMPANY

Set forth below are names and ages of all of the current executive officers of the Company as of March 1, 1996, their positions, date of election to such position and the date first elected an officer of the Company:

NAME	AGE	POSITION	SERVED IN SUCH CAPACITY SINCE	FIRST ELECTED OFFICER
David A. Jones	64	Chairman of the Board and Chief Executive Officer	08/69	09/64(1)
Wayne T. Smith	50	President and Chief Operating Officer and Director	03/93	06/78
W. Larry Cash	47	Senior Vice President -- Finance and Operations	09/88	08/82
Karen A. Coughlin	48	Senior Vice President -- Region II	02/93	09/88
W. Roger Drury	49	Chief Financial Officer	05/92	08/83
Philip B. Garmon	52	Senior Vice President -- Region I	09/88	11/82
Arthur P. Hipwell	47	Senior Vice President and General Counsel	06/94	08/90(2)
Ronald S. Lankford, M.D.	44	Senior Vice President -- Medical Affairs	03/93	08/87
Gregory H. Wolf	39	Senior Vice President -- Sales and Marketing	10/95	10/95(3)
James E. Murray	42	Vice President -- Finance	03/93	08/90

- ---

(1) Elected an officer of a predecessor corporation in 1961.

(2) Mr. Hipwell was initially elected an officer of the Company in 1990 and previously served in his present capacity since July 1992. Effective with the Spinoff, he became Senior Vice President and General Counsel of Galen Health Care Inc. ("Galen"). Mr. Hipwell returned to the Company in January 1994 and was named Senior Vice President and General Counsel of the Company on June 15, 1994.

(3) Mr. Wolf was elected an officer of the Company at the time of the acquisition of EMPHESYS. Mr. Wolf has been President and Chief Operating Officer of EMPHESYS (now a wholly owned subsidiary of the Company) since November 1994. Mr. Wolf was named Executive Vice President for Employers Health

Insurance (a wholly owned subsidiary of EMPHESYS) in 1993 and was named Senior Vice President for Employers Health Insurance in 1990 for Marketing, Sales and Business Development.

Executive officers are elected annually by the Company's Board of Directors and serve until their successors are elected or until resignation or removal. There are no family relationships among any of the directors or executive officers of the Company, except that Mr. Jones is the father of David A. Jones, Jr., a director of the Company. Except for Mr. Hipwell and Mr. Wolf, all of the above-named executive officers have been employees of the Company for more than five consecutive years.

PART II

Information for Items 5 through 8 of this report, which appears in the 1995 Annual Report to Stockholders as indicated on the following table, is incorporated by reference herein in this report and filed as an exhibit hereto:

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item other than the information set forth in Part I under the Section entitled "EXECUTIVE OFFICERS OF THE COMPANY," is herein incorporated by reference from the Registrant's Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on May 9, 1996, appearing under the caption "ELECTION OF DIRECTORS OF THE COMPANY FOR 1996" of such Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is herein incorporated by reference from the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 9, 1996, appearing under the caption "EXECUTIVE COMPENSATION OF THE COMPANY" of such Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is herein incorporated by reference from the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 9, 1996, appearing under the caption "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS OF COMPANY COMMON STOCK" of such Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is herein incorporated by reference from the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 9, 1996 appearing under the caption "CERTAIN TRANSACTIONS WITH MANAGEMENT AND OTHERS" of such Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The financial statements, financial statement schedules and exhibits set forth below are filed as part of this report.

(1) Financial Statements -- The response to this portion of Item 14 is submitted as Item 8 of this report.

(2) Financial Statement Schedules

All schedules are omitted because they are not applicable, not required or because the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits:

3(a)	Restated Certificate of Incorporation filed with the Secretary of State of Delaware on November 9, 1989, as restated to incorporate the amendment of January 9, 1992, and the correction of March 23, 1992. Exhibit 4(i) to the Company's Post-Effective Amendment to the Registration Statement on Form S-8 (Reg. No. 33-49305) filed February 2, 1994, is incorporated by reference herein.
(b)	By-laws, as amended. Exhibit 3(a) to the Company's Current Report on Form 8-K (File No. 1-5975) filed March 5, 1993, is incorporated by reference herein.
4(a)	Restated Certificate of Incorporation as amended and corrected and By-laws as amended. (See 3(a) and 3(b) above.)
(b)	Form of Amended and Restated Rights Agreement dated February 14, 1996, between Humana Inc. and Mid-America Bank of Louisville and Trust Company (the "Rights Agreement"). Exhibit 1.3 to the Registration Statement (File No. 1-5975) on Form 8-A/A dated February 14, 1996, is incorporated by reference herein.
(c)	There are no instruments defining the rights of holders with respect to long-term debt in excess of 10 percent of the total assets of the Company on a consolidated basis. Other long-term indebtedness of the Company is described in Note 6 of Notes to Consolidated Financial Statements in the Company's 1995 Annual Report to Stockholders. The Company agrees to furnish copies of all such instruments defining the rights of the holders of such indebtedness to the Commission upon request.
10(a)*	1981 Non-Qualified Stock Option Plan, as amended. Exhibit 10(c) to the Company's Form SE filed on November 25, 1987, is incorporated by reference herein.
(b)*	Amendment No. 2 to the 1981 Non-Qualified Stock Option Plan, as amended. Annex A to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on February 18, 1993, is incorporated by reference herein.
(c)*	1989 Stock Option Plan for Employees. Exhibit A to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on January 11, 1990, is incorporated by reference herein.
(d)*	Amendment No. 1 to the 1989 Stock Option Plan for Employees. Annex B to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on February 18, 1993, is incorporated by reference herein.
(e)*	Amendment No. 2 to the 1989 Stock Option Plan for Employees. Exhibit 10(e) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.
(f)*	1989 Stock Option Plan for Non-Employee Directors. Exhibit B to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on January 11, 1990, is incorporated by reference herein.
(g)*	Amendment No. 1 to the 1989 Stock Option Plan for Non-Employee Directors.

Annex C to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on February 18, 1993, is incorporated by reference herein.

(h)* Amendment No. 2 to the 1989 Stock Option Plan for Non-Employee Directors. Exhibit 10(h) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.

- ---------------

* Exhibits 10(a) through and including 10(w) are compensatory plans or management contracts.

10(i)* Executive Management Incentive Compensation Plan -- Group A, Corporate. Exhibit C to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on May 26, 1994, is incorporated by reference herein.

(j)* Executive Management Incentive Compensation Plan -- Group I, Corporate. Exhibit 10(j) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.

(k)* Regional Incentive Compensation Plan -- Group I, Regional Senior Vice President. Exhibit 10(k) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.

(l)* Senior Management Incentive Compensation Plan -- Group II, Corporate. Exhibit 10(l) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.

(m)* Restated agreement providing for termination benefits in the event of a change of control. Exhibit 10(m) to the Company's Form 10-K for the year ended December 31, 1994, is incorporated by reference herein.

(n)* Employment Agreement -- Wayne T. Smith. Exhibit 10(n) to the Company's Form 10-K for the year ended December 31, 1994, is incorporated by reference herein.

(o)* Employment Agreement -- David A. Jones, as amended. Exhibit 10(m) to the Company's Form 10-K for the fiscal year ended August 31, 1991, is incorporated by reference herein.

(p)* Directors' Retirement Policy as amended, filed herewith.

(q)* Humana Officers' Target Retirement Plan as amended. Exhibit 10(q) to the Company's Form 10-K for the year ended December 31, 1994, is incorporated by reference herein.

(r)* Form Letter Agreement concerning Humana Officers' Target Retirement Plan dated June 18, 1992, for David A. Jones. Exhibit 10(s) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.

(s)* Humana Thrift Excess Plan as amended. Exhibit 10(s) to the Company's Form 10-K for the year ended December 31, 1994, is incorporated by reference herein.

(t)* Humana Supplemental Executive Retirement Plan as amended. Exhibit 10(t) to the Company's Form 10-K for the year ended December 31, 1994, is incorporated by reference herein.

(u)* Letter agreement with Company officers concerning health insurance availability. Exhibit 10(mm) to the Company's Form 10-K for the year ended December 31, 1994, is incorporated by reference herein.

(v)* Employment Agreement between Gregory H. Wolf and Employers Health Insurance, Co., a wholly owned subsidiary of the Company, filed herewith.

(w)* Retention Bonus Agreement between Gregory H. Wolf and the Company, filed herewith.

(x) Indemnity Agreement. Appendix B to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on January 8, 1987, is incorporated by reference herein.

(y) Agreement between the Secretary of the Department of Health and Human Services and Humana Medical Plan, Inc. Exhibit 10(w) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.

(z) Humana Inc. Amendment and Restatement of Credit Agreement dated as of September 26, 1995. Exhibit (b)(2) to Amendment No. 4 of the Company's Schedule 14D-1 and 13D is incorporated by reference herein.

- ---------------

* Exhibits 10(a) through and including 10(w) are compensatory plans or

management contracts.

10(aa)	Assumption of Liabilities and Indemnification Agreement between the Company and Galen. Exhibit 10(g) to the Company's Current Report on Form 8-K filed on March 5, 1993, is incorporated by reference herein.
(bb)	Loss Portfolio Reinsurance Agreement between Health Care Indemnity, Inc. and Managed Care Indemnity, Inc. Exhibit 10(j) to the Company's Current Report on Form 8-K filed on March 5, 1993, is incorporated by reference herein.
(cc)	Alternative Dispute Resolution Agreement between the Company and Galen dated March 8, 1993. Exhibit 10(qq) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.
(dd)	Agreement between the United States Department of Defense and Humana Military Healthcare Services, Inc., a wholly owned subsidiary of the Company, filed herewith.
12	Statement re: Computation of Ratio of Earnings to Fixed Charges, filed herewith.
13	1995 Annual Report to Stockholders, filed herewith. The Annual Report shall not be deemed to be filed with the Commission except to the extent that information is specifically incorporated by reference herein.
21	List of Subsidiaries, filed herewith.
23	Consent of Coopers & Lybrand L.L.P., filed herewith.
27	Financial Data Schedule, filed herewith.

(b) Reports on Form 8-K:

On October 25, 1995, the Company filed a report on Form 8-K regarding the acquisition of EMPHESYS Financial Group, Inc. ("EMPHESYS"), which was consummated on October 11, 1995. The Form 8-K included certain unaudited financial statements extracted from EMPHESYS' Form 10-Q for the period ended June 30, 1995 and EMPHESYS' audited financial statements included in their Annual Report on Form 10-K for the year ended December 31, 1994. The Form 8-K also included unaudited pro forma financial statements as required by Article 11 of Regulation S-X.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

HUMANA INC.

By: /s/ W. ROGER DRURY

W. Roger Drury
Chief Financial Officer

Date: March 29, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
/s/ JAMES E. MURRAY	Vice President -- Finance	March 29, 1996

James E. Murray	(Principal Accounting Officer)	
/s/ DAVID A. JONES David A. Jones	Chairman of the Board and Chief Executive Officer	March 29, 1996
/s/ WAYNE T. SMITH Wayne T. Smith	President and Chief Operating Officer and Director	March 29, 1996
/s/ K. FRANK AUSTEN, M.D. K. Frank Austen, M.D.	Director	March 29, 1996
/s/ MICHAEL E. GELLERT Michael E. Gellert	Director	March 29, 1996
/s/ JOHN R. HALL John R. Hall	Director	March 29, 1996
/s/ DAVID A. JONES, JR. David A. Jones, Jr.	Director	March 29, 1996
/s/ IRWIN LERNER Irwin Lerner	Director	March 29, 1996
/s/ W. ANN REYNOLDS, PH.D. W. Ann Reynolds, Ph.D.	Director	March 29, 1996

Exhibit Index

Exhibit No.	Description
3(a)	Restated Certificate of Incorporation filed with the Secretary of State of Delaware on November 9, 1989, as restated to incorporate the amendment of January 9, 1992, and the correction of March 23, 1992. Exhibit 4(i) to the Company's Post-Effective Amendment to the Registration Statement on Form S-8 (Reg. No. 33-49305) filed February 2, 1994, is incorporated by reference herein.
(b)	By-laws, as amended. Exhibit 3(a) to the Company's Current Report on Form 8-K (File No. 1-5975) filed March 5, 1993, is incorporated by reference herein.
4(a)	Restated Certificate of Incorporation as amended and corrected and By-laws as amended. (See 3(a) and 3(b) above.)
(b)	Form of Amended and Restated Rights Agreement dated February 14, 1996, between Humana Inc. and Mid-America Bank of Louisville and Trust Company (the "Rights Agreement"). Exhibit 1.3 to the Registration Statement (File No. 1-5975) on Form 8-A/A dated February 14, 1996, is incorporated by reference herein.
(c)	There are no instruments defining the rights of holders with respect to long-term debt in excess of 10 percent of the total assets of the Company on a consolidated basis. Other long-term indebtedness of the Company is described in Note 6 of Notes to Consolidated Financial Statements in the Company's 1995 Annual Report to Stockholders. The Company agrees to furnish copies of all such instruments defining the rights of the holders of such indebtedness to the Commission upon request.
10(a)*	1981 Non-Qualified Stock Option Plan, as amended. Exhibit 10(c) to the Company's Form SE filed on November 25, 1987, is incorporated by reference herein.
(b)*	Amendment No. 2 to the 1981 Non-Qualified Stock Option Plan, as amended. Annex A to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on February 18, 1993, is incorporated by reference herein.
(c)*	1989 Stock Option Plan for Employees. Exhibit A to the Company's Proxy

Statement covering the Annual Meeting of Stockholders held on January 11, 1990, is incorporated by reference herein.

(d)* Amendment No. 1 to the 1989 Stock Option Plan for Employees. Annex B to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on February 18, 1993, is incorporated by reference herein.

(e)* Amendment No. 2 to the 1989 Stock Option Plan for Employees. Exhibit 10(e) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.

(f)* 1989 Stock Option Plan for Non-Employee Directors. Exhibit B to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on January 11, 1990, is incorporated by reference herein.

(g)* Amendment No. 1 to the 1989 Stock Option Plan for Non-Employee Directors. Annex C to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on February 18, 1993, is incorporated by reference herein.

(h)* Amendment No. 2 to the 1989 Stock Option Plan for Non-Employee Directors. Exhibit 10(h) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.

- ---------------

* Exhibits 10(a) through and including 10(w) are compensatory plans or management contracts.

Exhibit Index

Exhibit No.	Description
10(i)*	Executive Management Incentive Compensation Plan -- Group A, Corporate. Exhibit C to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on May 26, 1994, is incorporated by reference herein.
(j)*	Executive Management Incentive Compensation Plan -- Group I, Corporate. Exhibit 10(j) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.
(k)*	Regional Incentive Compensation Plan -- Group I, Regional Senior Vice President. Exhibit 10(k) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.
(l)*	Senior Management Incentive Compensation Plan -- Group II, Corporate. Exhibit 10(l) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.
(m)*	Restated agreement providing for termination benefits in the event of a change of control. Exhibit 10(m) to the Company's Form 10-K for the year ended December 31, 1994, is incorporated by reference herein.
(n)*	Employment Agreement -- Wayne T. Smith. Exhibit 10(n) to the Company's Form 10-K for the year ended December 31, 1994, is incorporated by reference herein.
(o)*	Employment Agreement -- David A. Jones, as amended. Exhibit 10(m) to the Company's Form 10-K for the fiscal year ended August 31, 1991, is incorporated by reference herein.
(p)*	Directors' Retirement Policy as amended, filed herewith.
(q)*	Humana Officers' Target Retirement Plan as amended. Exhibit 10(q) to the Company's Form 10-K for the year ended December 31, 1994, is incorporated by reference herein.
(r)*	Form Letter Agreement concerning Humana Officers' Target Retirement Plan dated June 18, 1992, for David A. Jones. Exhibit 10(s) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.
(s)*	Humana Thrift Excess Plan as amended. Exhibit 10(s) to the Company's Form 10-K for the year ended December 31, 1994, is incorporated by reference herein.
(t)*	Humana Supplemental Executive Retirement Plan as amended. Exhibit 10(t) to the Company's Form 10-K for the year ended December 31, 1994, is incorporated by reference herein.
(u)*	Letter agreement with Company officers concerning health insurance availability. Exhibit 10(mm) to the Company's Form 10-K for the year

ended December 31, 1994, is incorporated by reference herein.

(v)* Employment Agreement between Gregory H. Wolf and Employers Health Insurance, Co., a wholly owned subsidiary of the Company, filed herewith.

(w)* Retention Bonus Agreement between Gregory H. Wolf and the Company, filed herewith.

(x) Indemnity Agreement. Appendix B to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on January 8, 1987, is incorporated by reference herein.

(y) Agreement between the Secretary of the Department of Health and Human Services and Humana Medical Plan, Inc. Exhibit 10(w) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.

(z) Humana Inc. Amendment and Restatement of Credit Agreement dated as of September 26, 1995. Exhibit (b)(2) to Amendment No. 4 of the Company's Schedule 14D-1 and 13D is incorporated by reference herein.

- ---

* Exhibits 10(a) through and including 10(w) are compensatory plans or management contracts.

Exhibit Index

Exhibit No.	Description
10(aa)	Assumption of Liabilities and Indemnification Agreement between the Company and Galen. Exhibit 10(g) to the Company's Current Report on Form 8-K filed on March 5, 1993, is incorporated by reference herein.
(bb)	Loss Portfolio Reinsurance Agreement between Health Care Indemnity, Inc. and Managed Care Indemnity, Inc. Exhibit 10(j) to the Company's Current Report on Form 8-K filed on March 5, 1993, is incorporated by reference herein.
(cc)	Alternative Dispute Resolution Agreement between the Company and Galen dated March 8, 1993. Exhibit 10(qq) to the Company's Form 10-K for the year ended December 31, 1993, is incorporated by reference herein.
(dd)	Agreement between the United States Department of Defense and Humana Military Healthcare Services, Inc., a wholly owned subsidiary of the Company, filed herewith.
12	Statement re: Computation of Ratio of Earnings to Fixed Charges, filed herewith.
13	1995 Annual Report to Stockholders, filed herewith. The Annual Report shall not be deemed to be filed with the Commission except to the extent that information is specifically incorporated by reference herein.
21	List of Subsidiaries, filed herewith.
23	Consent of Coopers & Lybrand L.L.P., filed herewith.
27	Financial Data Schedule, filed herewith.

Exhibit 10(p)

DIRECTORS RETIREMENT POLICY

Effective July 13, 1995, the Humana Inc. Directors Retirement Policy shall be as follows: Each director of the Company shall not stand for re-election after his or her 73rd birthday.

Any retiring non-employee director, who has served at least ten years on Humana's Board of Directors, shall receive the full basic retainer fee in effect at the time of his or her retirement. For service less than ten years, the basic retainer fee shall be multiplied by a fraction (not to exceed one), the numerator of which is such retiring director's years of service with the Company's Board and the denominator of which is ten. The full or pro-rated basic retainer fee shall be the retiring director's retirement benefit until the death of such retired director ("Director Retirement Benefit"). The retiring director may choose, at the time of his/her retirement, as to the form of payment between a regular monthly payment during his/her lifetime or a joint survivor annuity payment.

In addition, a retired director shall be eligible to participate in the Company's matching charitable contributions program. For so long as the program exists or until death, each retired director shall be eligible for annual matching contributions of up to 50% of his or her Directors Retirement Benefit.

Exhibit 10(v)

AGREEMENT

AGREEMENT made as of March 9, 1994, as amended and restated as of March 17, 1995, by and between EMPHESYS FINANCIAL GROUP, INC. (hereinafter called "the Company"), a Delaware corporation having its principal place of business in Green Bay, Wisconsin, and Gregory H. Wolf (hereinafter called "Employee"):

WITNESSETH:

WHEREAS, Employee desires to render faithful and efficient service to the Company; and

WHEREAS, the Company desires to receive the benefit of Employee's service; and

WHEREAS, Employee is willing to be employed by the Company; and

WHEREAS, the Company deems it essential to formalize the conditions of Employee's employment by written agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties agree as follows:

1. Office. The Company hereby employs Employee and as a President and Chief Operating Officer; and Employee hereby agrees to serve the Company in such capacity.

2. Term of Employment. Employee's employment shall be for the "Employment Period," with the initial term commencing at Closing Date of the Initial Public Offering, and extending to the third anniversary of such Closing Date. The initial term shall be automatically renewed and extended upon the expiration thereof for successive periods of one (1) year until such time as the Employment Period shall terminate pursuant to the terms of this Agreement, or until the Company on the one hand, or Employee on the other hand, shall terminate the Employment Period by giving written notice to the other party on or before 60 days last preceding the date upon which this Agreement would otherwise be renewed and extended, whichever date of termination shall first occur. If the remaining term of this Agreement is less than one year on the

date of a Change in Control (as hereinafter defined), such term shall automatically be extended, effective on the date of such Change in Control. The renewal and extension of this Agreement shall also be referred to as the "Employment Period."

3. Incapacity. If during the employment Period, Employee should be prevented from performing his duties or fulfilling his responsibilities by reason of any incapacity or disability for a continuous period of six (6) months then the Company, in its sole and absolute discretion, may, based on the opinion of a qualified physician, consider such incapacity or disability to be total and may on ninety (90) days written notice to Employee terminate the Employment Period. Benefits and payments shall be made under this Agreement following incapacity as if it were a termination without Good Cause in accordance with paragraph 9(a) or (b), as applicable.

4. Death. The Employment Period shall automatically terminate upon the death of Employee, and payments will be made to the Employee's

estate as if it was a termination without Good Cause in accordance with paragraph 9(a) or (b), as applicable.

5. Responsibilities. During the Employment Period, Employee shall devote his entire business time and attention, except during reasonable vacation periods, to, and exert his best efforts to promote, the affairs of the Company, and shall render such services to the Company as may be required by the Board of Directors of the Company consistent with services be required by virtue of the office set forth in paragraph 1 hereof and shall perform such other services as may now or hereafter be specified or enumerated in the By-Laws of the Company consistent with such office. Nothing herein contained shall preclude service by Employee on boards of directors or trustees of other entities not engaged in any business competitive with the business of the Company.

6. Compensation. During the Employment Period, Employee shall receive a base salary that shall be at an annual rate of not less than $250,000, payable in accordance with the payroll practices of the Company as from time to time in effect with regard to executive personnel, plus, commencing with January 1, 1995, any annual increase to such salary as determined by the Company.

7. Benefit Plans and Programs. During the Employment Period, Employee shall

be eligible for participation in all benefit plans and programs, including those for executive employees, made available by the Company to its respective employees.

8. Stock Options and Restricted Stock Awards. Among the benefit plans and programs made available by the Company to certain of its employees is the Company's 1994 Stock Incentive Plan. Effective on the Closing Date, Employee shall be awarded stock options to purchase, at the Initial Offering Price, 25,000 shares of the Company's Stock. Such Option Agreement shall have the terms and conditions set forth in the Nonqualified Stock Option Agreement dated March 21, 1994 by and between the Company and Employee, as such agreement may be amended from time to time (the "Option Agreement"). Employee shall also be awarded a restricted stock award of 25,893 shares with terms and conditions set forth in the Restricted Stock Award Agreement and Stock Power dated March 21, 1994 by and between the Company and Employee, as such agreement may be amended from time to time (the "Restricted Stock Agreement").

9. Severance Payments.

   (a) Subject to paragraph 9(b), in the event that (i) Employee's employment is terminated by the Company while this Agreement is in effect without Good Cause, (ii) the Employment Period is terminated by reason incapacity or disability in accordance with paragraph 3 or (iii) the employment period is terminated by reason of death in accordance with paragraph 4:

      (1) With respect to subparagraphs 9(a), (i), (ii) and (iii), the Company shall pay to Employee, no later than ten calendar days after the effective date of such termination of employment or date of death, as the case may be (the "Termination Date"), an amount equal to his then current annual base salary accrued through the Termination Date, his bonus for the most recently completed fiscal year prorated for the current fiscal year through the Termination Date plus one times the sum of his then current annual base salary and bonus (without proration) for the most recently completed

fiscal year, and the Company shall continue to keep in full force and effect all plans or policies of medical,

accident and life insurance benefits with respect to Employee and his dependents with the same level of coverage available to employees under the terms of those employee benefit plans for a period of twelve months, upon the same terms, costs and otherwise to the same extent as such plans are in effect for employees of the Company who were similarly situated to Employee as of the Termination Date, in addition to any amounts payable to the Employee under any severance pay plan maintained by the Company for its employees;

(2) With respect to subparagraphs 9(a) (i) and (ii), to the extent restricted shares awarded to him as provided in paragraph 8 of this Agreement do not become fully vested and nonforfeitable as of the Termination Date in accordance with paragraph 5 of the Restricted Stock Agreement, such restricted shares shall become fully vested and non-forfeitable as of the Termination Date; provided, that with respect to subparagraph 9(a) (iii), such restricted shares shall become vested and non-forfeitable in accordance with paragraph 5 of the Restricted Stock Agreement; and

(3) With respect to subparagraphs 9(a) (i) and (ii), to the extent options granted to him under paragraph 8 of this Agreement do not become fully vested and exercisable as of the Termination Date in accordance with paragraph 2 of the Option Agreement, such options shall become vested and exercisable for three months commencing on the Termination Date; provided, that with respect to subparagraph 9(a) (iii), such options shall become vested and exercisable in accordance with paragraph 2 of the Option Agreement.

(b) (i) In the event that Employee's employment is terminated by the Company while this Agreement is in effect within two years following a Change in Control (as hereinafter defined) with or without Good Cause or (ii) if Employee terminates his own employment within 6 months after a 25% or more reduction in his base annual salary or of the board significantly reducing his responsibilities and removing his title as President and Chief Operating Officer (other than in anticipation

of Employee's retirement):

(1) With respect to subparagraphs 9(b) (i) and (ii), the Company shall pay to Employee, no later than ten days after the Termination Date, an amount equal to his then current annual base salary accrued through the Termination Date, his bonus for the most recently completed fiscal year prorated for the current fiscal year through the Termination Date plus one and one half times the sum of his then current annual base salary and bonus for the most recently completed fiscal year (without proration) and the Company shall continue to keep in full force and effect all plans or policies of medical, accident and life insurance benefits with respect to Employee and his dependents with the same level of coverage available to employees under the terms of those employee benefit plans for a period of eighteen months, upon the same terms, costs and otherwise to the same extent as such plans are in effect for employees of

the Company who were similarly situated to Employee as of the Termination Date, in addition to any amounts payable to the Employee under any severance pay plan maintained by the Company for its employees;

(2) With respect to subparagraph 9(b) (ii), all restricted shares awarded to him as provided in paragraph 8 of this Agreement shall become fully vested and non-forfeitable as of the Termination Date; provided, that with respect to subparagraph 9(b) (i), such restricted shares shall become vested and non-forfeitable in accordance with paragraph 5 of the Restricted Stock Agreement; and

(3) With respect to subparagraph 9(b) (ii), all options granted to him under paragraph 8 of this Agreement shall become vested and exercisable for three months commencing on the Termination Date; provided, that with respect to subparagraph 9(b) (i), such options shall become vested and exercisable in accordance with paragraph 2 of the Option Agreement.

(c) Subject to paragraph 9(b), in the event that Employee's employment is

terminated by the Company with Good Cause:

(1) the Company shall pay to Employee, no later than ten days after the Termination Date, an amount equal to his then current annual base salary accrued through the Termination Date;

(2) all restricted shares awarded to him as provided in paragraph 8 of this Agreement shall become fully vested and non-forfeitable as of the Termination Date; and

(3) all options granted to him under paragraph 8 of this Agreement shall become vested and exercisable for three months commencing on the Termination Date.

(d) Good Cause means the Board of Directors of the Company has determined in good faith, without being bound by the Company's progressive discipline policy for employees,

(1) that Employee has engaged in acts or omissions against the Company or any of its subsidiaries constituting dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing or misfeasance;

(2) that Employee has been arrested or indicted in a possible criminal violation involving fraud or dishonesty;

(3) after due consideration and with notice to the Employee, that Employee has performed poorly;

(4) that Employee has failed or refused to perform his duties set forth in paragraph 5 hereof, or willfully failed to execute any reasonable instruction relating to his duties with the Company given him by the Chief Executive Officer of the Company if either such failure or refusal is not corrected within ten business days after his receipt of written notification of such failure or refusal; or

(5) that Employee has intentionally and in bad faith acted in a

manner which results in a material detriment to the assets, business or prospects of the Company or any of its subsidiaries.

(e) A "Change in Control" shall be deemed to have occurred if, during, or following the consummation of, a stock purchase program, tender offer, exchange offer, merger, consolidation, sale of assets, contested election, or any combination of the foregoing transactions, any person, entity, or group of persons acting in concert, directly or indirectly, (i) acquires ownership of the power to vote in excess of 40% of the voting securities of EFG and one or more of its representatives are elected to the Board, (ii) acquires ownership of the power to vote in excess of 50% of the voting power of EFG, or (iii) otherwise acquires effective control of the business and affairs of EFG; provided however, that an acquisition of shares pursuant to the sale or transfer of any interest in EFG by Lincoln National Corporation, any of its subsidiaries or affiliates, to a subsidiary or affiliate shall not be used to compute the percentage ownership for purposes of defining Change in Control, nor shall such transfer to an unrelated third party be used in computing the 40% percentage ownership of (i).

In addition to the arrangements made pursuant to this paragraph 9

(1) if on the Termination Date, following termination for any reason, Employee shall not be fully vested in the employer matching contributions made on his behalf under the Company's profit sharing plan, the Company shall pay to Employee within 30 days following the Termination Date a lump sum cash amount equal to the value of the unvested portion of such employer matching contributions; provided, however, that if any payment pursuant to this paragraph (9) (d) may or would result in such payment being deemed a transaction which is subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, the Company shall make such payment so as to meet the conditions for an exemption from such Section 16(b) as set forth in the rules (and interpretive and no-action letters relating thereto) under Section 16. The value of any such unvested employer matching contributions shall be determined as of the Termination Date.

(2) All options granted to Employee under paragraph 8 of this Agreement shall, to the extent not then vested and exercisable, become vested and exercisable for three months commencing on the Termination Date.

(f) Notwithstanding anything herein to the contrary, in the event Employee's employment is terminated and Employee is not entitled to any benefit or severance payment in accordance with (A) the last sentence of paragraph 3 or (B) paragraph 4, 9(a), 9(b) or 9(c), Employee shall not be entitled to any benefit or severance payment under paragraph 9, except (x) as set forth in paragraph 9(e) and (y) the Company shall pay to Employee an amount equal to his then current annual base salary accrued through the Termination Date.

10. Expenses. During the Employment Period the Company shall allow Employee his reasonable expense of travel and business entertainment incurred in the performance of his duties hereunder, subject to the rules and regulations adopted by the Company for the handling of such business expenses.

11. Restrictive Covenants. Employee shall not during the Employment Period, directly or indirectly, alone or as a member of a partnership or association, or as an officer, director, advisor, consultant, agent or employee of any other company, be engaged in or concerned with any other duties or pursuits requiring his personal services except with the prior written consent of the Board of Directors of the Company. Nothing herein contained shall preclude the ownership by Employee of stocks or other investment securities. Nothing herein contained shall preclude service by Employee on boards of directors or trustees of other entities not engaged in any business competitive with the business of the Company.

12. Trade Secrets and Non-compete. (a) Employee acknowledges that as a result of his employment by the Company, he may develop, obtain or learn about specific confidential information or trade secrets which are the property of the Company. Employee hereby covenants and agrees to use his best efforts and the utmost diligence to guard and protect such confidential information and trade secrets and that he will not, without the prior written consent of the Company, as the case may be or, for a period of two (2) years following the Termination Date use for himself or others or disclose or permit to be

disclosed to any third party by any method whatsoever any such confidential information or trade secret, unless disclosure is required by law, regulation or order of any court or regulatory commission, department or agency. For purposes of this paragraph, confidential information or trade secrets shall include, but not be limited to, any and all records, notes, memoranda, data, ideas, processes, methods, devices, programs, computer software, writings, research, personnel information, customer information, financial information, plans or any information of whatever nature, in the possession or control of the Company which give to the Company an opportunity to obtain an advantage over competitors who do not know or use it.

(b) Employee further covenants that for a period of two years after ceasing employment with the Company, he shall not:

(i) Interfere with the relationship of the Company and any employee, agent or representative.

(ii) Divert or attempt to cause the diversion from the Company any business with which the Company has been actively engaged in during the past two years nor interfere with relationships of the Company with policyholders, dealers, distributors, marketers, sources of supply, or customers.

Employee further specifically acknowledges that the geographic area to which the covenants contained in 12(b) (i) and 12(b) (ii) apply is the same geographic area in which he performed services for the Company the past two years. In the event that Employee is terminated without Good Cause, Employee will not be subject to the covenants contained in 12(b) (i) and 12(b) (ii) above.

13. Grounds for Termination of Employment. The Company may terminate the Employment Period by written notice to Employee, specifying the ground or grounds for such termination, if any, but should the Employee's termination be without Good Cause, the provisions of Section 5, 11 and the noncompete provisions of Section 12(b) (i) and 12(b) (ii) of this Agreement will not be applicable.

14. Effect of Termination of the Employment Period. Upon the termination of the Employment Period, this Agreement shall terminate, and all of the parties'

obligations hereunder shall forthwith terminate, except that rights and remedies accruing prior to such termination or arising out of this Agreement shall survive.

15. Notice. Any notice required to be given by the Company hereunder to Employee shall be in proper form and signed by an officer or Director of the Company. Until one party shall advise the other in writing to the contrary, notices shall be deemed delivered:

(a) to the Company if delivered to the Secretary of the Board of EMPHESYS FINANCIAL GROUP, INC., or, if mailed, certified or registered mail, postage prepaid, at 1100 Employers Blvd., Green Bay, WI 54344, and

(b) to Employee if delivered to Employee, or if mailed to him, certified or registered mail, postage prepaid, at 4588 Choctaw Trail, Green Bay, WI 54313.

16. Alternative Dispute Resolution. Any controversy, dispute or questions arising out of, in connection with or in relation to this Agreement or its interpretation, performance or nonperformance or any breach thereof shall be resolved through mediation. In the event mediation fails to resolve the dispute within 60 days after a mediator has been agreed upon or such other longer period as may be agreed to by the parties, such controversy, dispute or question shall be settled by arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, by a sole arbitrator. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. Sec. 1-16, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The place of the arbitration shall be Green Bay, Wisconsin. In any such controversy or dispute, regardless of the party by whom such controversy or dispute is initiated, the Company shall, if written notice is given and upon presentation of appropriate vouchers, pay all legal expenses, including reasonable attorneys' fees, court costs and ordinary and necessary out-of-pocket costs of attorneys, billed to an payable by the Employee in connection with the bringing, prosecuting, defending, litigating, negotiating, or settling such controversy or dispute; provided, however, that such expenses, fees and costs shall not be paid by the Company unless and until the Employee is successful on the

merits; further provided, however, that in the event such controversy or dispute is settled, the settlement agreement shall provide for the allocation of such expenses, fees and costs between the parties.

17. Benefit. This Agreement shall bind and inure to the benefit of the Company and the Employee, their respective heirs, successors and assigns.

18. Conditions. This Agreement, as amended and restated, shall become effective upon approval by Compensation Committee of the Board of Directors.

19. Effect on Previous Agreements. Should this Agreement, as amended and restated, become effective, it will supersede all employment related agreements between Employee and the Company or any member of the Lincoln National Corporation controlled group of companies.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Attest:

/s/ DOLLY WILLEM

Dolly Willem

Signed, sealed and delivered
in the presence of:

/s/ Merrill, Lynch, Pierce,
Fenner & Smith, Inc.

EMPHESYS FINANCIAL GROUP, INC.

By: /s/ WILLIAM J. LAWSON

William J. Lawson

/s/ GREGORY H. WOLF

Gregory H. Wolf

Exhibit 10(w)

RETENTION BONUS AGREEMENT

THIS AGREEMENT is entered into this 16th day of October, 1995, by and between HUMANA INC., a Delaware corporation, and Gregory H. Wolf ("Employee").

If Employee remains in the employ of Humana Inc. or EMPHESYS Financial Group, Inc., or any subsidiary or affiliate thereof (collectively "Humana") through calendar year 1996 (the "First Bonus Period"), and performs all of the duties and obligations of Employee as reasonably requested, Employee shall receive from Humana a retention bonus equal to the sum of Two Hundred Thousand Dollars ($200,000), less applicable withholdings (the "Bonus"). In addition, if Employee remains in the employ of Humana from the end of the First Bonus Period through calendar year 1997 (the "Second Bonus Period") and performs all of the duties and obligations of Employee as reasonably requested, Employee shall receive from Humana an additional retention bonus equal to the sum of Two Hundred Thousand Dollars ($200,000), less applicable withholdings (the "Additional Bonus").

If Employee's employment with Humana is terminated for Cause or if Employee voluntarily terminates his employment prior to the end of the relevant First or Second Bonus Period, Employee's rights under this Agreement for that (and any subsequent) Bonus Period shall be automatically and completely forfeited. If Employee's employment with Humana is terminated by Humana other than for Cause prior to the end of the relevant First or Second Bonus Period, Employee shall be entitled to a prorata portion of (his) Bonus or Additional Bonus for that portion of the First or Second Bonus Period, as applicable, worked prior to termination. Said Bonus and/or Additional Bonus, or prorata portion thereof, will be paid within sixty (60) days after the end of the applicable Bonus Period or after termination by Humana other than for Cause, whichever is applicable.

This Agreement is not intended to be nor should it be construed as an employment contract. Either party may terminate the employment relationship at any time, with or without cause.

"Cause" as used in this Agreement shall mean:

(1) that Employee has engaged in acts or omissions against Humana constituting dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing or misfeasance;

(2) that Employee has been arrested or indicted in a possible criminal violation involving fraud or dishonesty;

(3) that Employee has failed or refused to perform the duties reasonably within the scope of his employment or willfully failed to execute any reasonable instruction relating to his duties with Humana; or

(4) that Employee has intentionally and in bad faith acted in a manner which results in a material detriment to the assets, business or prospects of Humana.

This Agreement shall not be effective nor legally binding on Humana until reviewed and approved by Humana's Vice President- Humana Resources.

EMPLOYEE

/s/ GREGORY H. WOLF

REVIEWED AND APPROVED:

BY: /s/ ROBERT A. HORRAR

- ----------

Gregory H. Wolf

Robert A. Horrar
Humana Inc.'s Vice President-
Human Resources

1

Exhibit 10(dd)

AWARD \ CONTRACT

PAGE OF PAGES
1 241

1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 350) RATING

2. CONTRACT (Proc. Inst. Ident.) NO.
MDA 906-96-C-0002

3. EFFECTIVE DATE
11/28/95

4. REQUISITION PURCHASE REQUEST/PROJECT NO
MDA 906-94-R-0002

5. ISSUED BY CODE CMP

DEPARTMENT OF DEFENSE
OCHAMPUS/CMP
BLDG 225
AURORA CO 80045-6900

Gene C. Mays S02
303-361-1185

6. ADMINISTERED BY (If other than Item 5) CODE CMA

DEPARTMENT OF DEFENSE
OCHAMPUS/CMA
BLDG 225
AURORA CO 80045-6900

7. NAME AND ADDRESS OF CONTRACTOR (No., Street, City, County, State and ZIP Code)

HUMANA MILITARY HEALTHCARE SERVICES, INC.
500 WEST MAIN STREET
LOUISVILLE KY 40202-

Vendor ID: 00001256
CEC: 80635929F
Cage Code:
Tax ID # : 61-1241225

8. DELIVERY
__ FOB ORIGIN __ OTHER (See below)

9. DISCOUNT FOR PROMPT PAYMENT
00.000% 00 Net 030

10. SUBMIT INVOICES (4 copies unless otherwise specified) TO THE ADDRESS SHOWN IN: ITEM 12

CODE FACILITY CODE

11. SHIP TO/MARK FOR CODE CM
DEPARTMENT OF DEFENSE
OCHAMPUS/CM
BLDG 225

AURORA CO 80045-6900

12. PAYMENT WILL BE MADE BY CODE RMF
DEPARTMENT OF DEFENSE/OCHAMPUS
FINANCE AND ACCOUNTING BRANCH (RMF)
BLDG 611
AURORA CO 80045-6900

13. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION:
___ 10 U.S.C2304(c) ( ) ____ 41 U.S.C 253(c) ( )

14. ACCOUNTING AND APPROPRIATION DATA
See Schedule

15A. ITEM NO.

15B. SUPPLIES/SERVICES
See attached Schedule (s)

15C. QUANTITY

15D. UNIT

15E. UNIT PRICE

15F. AMOUNT

15G. TOTAL AMOUNT OF CONTRACT $26,027,592.00

16. TABLE OF CONTENTS

CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE

17. X CONTRACTOR'S NEGOTIATED AGREEMENT (Contractor is required to sign this document and return 02 Copies to issuing office.)
Contractor agrees to furnish and deliver all items or perform all the services

set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and spectifications, as are attached or incorporated by reference herein. (Attachments are lised herein.)

18. __ AWARD (Contractor is not required to sign this document.) Your offer on Solicitation Number _____, including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Goverment's solicitation and you offer, and (b) this award/contract. No further contractual document is necessary.

19A. NAME AND TITLE OF SIGNER (Type or print)
W. LARRY CASH
SENIOR VICE PRESIDENT FINANCE & OPERATIONS

19B. NAME OF CONTRACTOR

By /S/ W. Larry Cash

(Signature of Contracting Officer)

19C. DATE SIGNED
1/23/96

20A. NAME OF CONTRACTION OFFICER

Doris A. Navarro KO5 303-361-1290

20B. UNITED STATES OF AMERICA
BY /S/ Doris A. Navarro

20C. DATE SIGNED
1/23/96

EXHIBIT 12

HUMANA INC.
RATIO OF EARNINGS TO FIXED CHARGES
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993
(UNAUDITED)

	YEARS ENDED DECEMBER 31,		
	1995	1994	1993
Earnings:			
Income before income taxes	$ 288	$ 257	$ 143
Fixed charges	17	9	11
	$ 305	$ 266	$ 154
Fixed charges:			
Interest charged to expense	$ 11	$ 4 (a)	$ 7
One-third of rent expense (b)	6	5	4
	$ 17	$ 9	$ 11
Ratio of earnings to fixed charges	17.9	28.9	14.1

(a) Interest expense for the year ended December 31, 1994, excludes the impact of the nonrecurring item related to the second quarter favorable settlement of tax disputes with the Internal Revenue Service.

(b) One-third of rent expense is considered representative of the underlying interest.

Exhibit 13

FINANCIAL SECTION

Humana Inc.

SELECTED FINANCIAL DATA

Humana Inc.

Dollars in millions except per share results

	December 31,				August 31,	
For the years ended	1995(a)	1994	1993	1992	1992	1991
SUMMARY OF OPERATIONS						
Revenues:						
Premiums:						
Commercial	$ 2,934	$ 2,056	$ 1,709	$ 1,642	$ 1,576	$ 1,239
Medicare risk	1,569	1,406	1,296	1,112	1,073	898
Medicare supplement	102	114	132	127	122	94
Total premiums	4,605	3,576	3,137	2,881	2,771	2,231
Interest	87	62	48	36	37	36
Other income	10	16	10	4	3	2
Total revenues	4,702	3,654	3,195	2,921	2,811	2,269
Income (loss) before income taxes	288	246(b)	143	(154)(c)	(164)(c)	14
Net income (loss)	190	159(b)	89	(107)(c)	(114)(c)	9
Earnings (loss) per common share	1.17	1.00(b)	.56	(.68)(c)	(.72)(c)	.06
Net cash provided by (used in) operations	150	298	185	124		
	(57)	66				
FINANCIAL POSITION						
Cash and investments	$ 1,518	$ 1,203	$ 1,134	$ 614	$ 431	$ 486
Total assets	2,878	1,957	1,731	1,189	1,011	1,005
Medical costs payable	866	527	448	400	381	317
Stockholders' equity	1,287	1,058	889	376	367	407
OPERATING DATA						
Medical loss ratio	81.7%	81.6%	83.8%	86.3%	86.0%	84.4%
Administrative cost ratio	13.9%	13.6%	13.2%	14.1%	14.7%	16.1%
Medical membership:						
Commercial	2,883,900	1,528,300	1,214,000	1,219,800	1 ,237,500	1,208,100
Medicare risk	310,400	287,400	270,800	266,300	262,300	249,900
Medicare supplement	115,000	131,700	153,600	198,900	203,900	203,100
	3,309,300	1,947,400	1,638,400	1,685,000	1 ,703,700	1,661,100

Administrative services	495,100	93,500	63,700	30,600	30,400	29,900
Total	3,804,400	2,040,900	1,702,100	1,715,600	1 ,734,100	1,691,000

(a) Includes the operations of EMPHESYS Financial Group, Inc. since the date of acquisition.

(b) Excludes $11 million before income tax ($17 million or $.10 per share, net of tax) related to the favorable settlement of income tax disputes with the Internal Revenue Service partially offset by the write-down of a nonoperational asset.

(c) Includes $171 million before income tax ($118 million or $.75 per share, net of tax) of restructuring and unusual charges.

Humana Inc.

The consolidated financial statements of Humana Inc. ("Humana" or the "Company") in this Annual Report set forth the Company's financial position, results of operations and cash flows and should be read in conjunction with the following discussion and analysis. This discussion and analysis contains both historical and forward looking information. The forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements may be significantly impacted by certain risks and uncertainties described herein, and in the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

INTRODUCTION

The Company offers managed health care products which integrate management with the delivery of health care services through a network of providers, who in their delivery of quality medical services, may share financial risk or have incentives to deliver cost-effective medical services. These products are marketed primarily through health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") that encourage or require the use of contracting providers. HMOs and PPOs control health care costs by various means including the use of utilization controls such as 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 group life, dental, disability income, workers' compensation, and pharmacy management services.

The Company's HMO and PPO products are marketed primarily to employer and other groups ("Commercial") as well as Medicare and Medicaid-eligible individuals. The products marketed to Medicare- eligible individuals are either HMO products that provide managed care services which include all Medicare benefits and, in certain circumstances, additional managed care services that are not included in Medicare benefits ("Medicare risk") or indemnity insurance policies that supplement Medicare benefits ("Medicare supplement").

On October 11, 1995, the Company completed its acquisition of EMPHESYS Financial Group, Inc. ("EMPHESYS"), for a total purchase price of approximately $650 million. The aggregate purchase price was funded through available cash of $400 million and bank borrowings of $250 million. EMPHESYS is a leading provider of a broad range of managed care products to small businesses. EMPHESYS' medical loss and administrative cost ratios tend to be different from Humana's because of variances in the nature of each entity's products, customer base and the manner in which products and services are distributed to customers.

On November 28, 1995, the Company was awarded a potential five-year $3.8 billion

contract (a one-year contract renewable annually for up to four additional years at approximately $750 million per year) with the United States Department of Defense to provide services under the Civilian Health and Medical Program of the Uniformed Services (the "CHAMPUS Contract"). Under the CHAMPUS Contract, which is expected to begin July 1, 1996, the Company will provide managed health care services to approximately 1 million eligible military beneficiaries in eight southeastern states.

COMPARISON OF RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 1995 AND 1994

The Company's premium revenues increased 29 percent to $4.6 billion for the year ended December 31, 1995, compared to $3.6 billion for the year ended December 31, 1994. The increase in premium revenues is attributable to the acquisition of EMPHESYS, same-store membership gains, and the 1994 acquisitions of CareNetwork, Inc. and Group Health Association ("GHA"). The Company's 5 percent increase in Medicare risk premium rates was offset by a 2 percent reduction in Commercial premium rates. EMPHESYS' premium revenues, since the date of acquisition, totaled approximately $370 million while premium revenues related to the 1994 acquisitions totaled approximately $343 million for the year ended December 31, 1995, compared to approximately $170 million for the year ended December 31, 1994. Commercial premium rates for 1996 are expected to decline by approximately 1 percent from 1995 levels. The weighted average 1996 Medicare risk premium rate increase will approximate 8 to 9 percent.

Membership in the Company's Commercial products increased 1,355,600 or 89 percent during the year ended December 31, 1995, which included 1.1 million fully-insured members related to the acquisition of EMPHESYS. On a same-store basis, Commercial membership for the year ended December 31, 1995, increased 276,900 or 19 percent compared to 113,200 or 9 percent in 1994. The Company also added 23,000 Medicare risk members compared to 16,600 in 1994. Medicare supplement membership declined 16,700 members during the year ended December 31, 1995. Administrative services only ("ASO") membership, at December 31, 1995, increased to 495,100 members, including 216,900 members related to the EMPHESYS acquisition from 93,500 members at December 31, 1994.

January 1996 Commercial membership declined 25,000 (including EMPHESYS) compared to an increase of 106,900 in January 1995. The January 1996 membership decline is the result of the loss of approximately 50,000 members in one customer group and also reflects Humana's plan to price its products at rates which attempt to maintain adequate profitability. Medical membership data at December 31, 1995 and 1994 follows:

In thousands	1995	1994
Beginning medical membership	2,040.9	1,702.1
Same-store sales	739.0	396.6
Acquisitions	1,344.3	224.1
Same-store cancellations	(319.8)	(281.9)
Ending medical membership	3,804.4	2,040.9

Excluding EMPHESYS, the medical loss ratio increased to 82.0 percent for the year ended December 31, 1995, compared to 81.6 percent for the year ended December 31, 1994. The increase in the Company's medical loss ratio was related primarily to an increase in physician, hospital outpatient, and pharmacy services utilization associated with the Company's Commercial product. In addition, the Company experienced greater than expected costs related to its growth in Commercial membership in areas contiguous to existing markets. During the second and third quarters of 1995, the Company initiated various programs aimed at controlling medical costs in these and other areas. Partially as a result of these cost control initiatives, the Company's medical loss ratio declined from the third quarter to the fourth quarter of 1995. Including EMPHESYS, the Company's 1995 medical loss ratio was 81.7 percent.

The administrative cost ratio was 13.9 percent and 13.6 percent for the years ended December 31, 1995 and 1994, respectively. The increase in the administrative cost ratio is the result of higher administrative costs associated with EMPHESYS' small-group business. Excluding the effect of the EMPHESYS acquisition, the Company's administrative cost ratio was 13.3 percent for the year ended December 31, 1995. The reduction from 1994 is the result of increased premium revenues due to same-store enrollment increases.

Interest income totaled $87 million for the year ended December 31, 1995, compared to $62 million for the year ended December 31, 1994. The increase is primarily attributable to higher yields, increased levels of cash, cash equivalents and marketable securities and the addition of EMPHESYS. The tax equivalent yield on invested assets approximated 8 percent and 6 percent for the years ended December 31, 1995 and 1994, respectively. Tax equivalent yield is the rate earned on invested assets, excluding unrealized gains and losses, adjusted for the benefit of nontaxable investment income. The weighted average investment life increased to 4.0 years at December 31, 1995, from 2.3 years at December 31, 1994, primarily related to the inclusion of EMPHESYS' portfolio.

The Company's income before income taxes totaled $288 million for the year ended December 31, 1995, compared to $246 million for the year ended December 31, 1994. Income before income taxes for 1994 excludes $29 million related to the favorable settlement of tax disputes with the Internal Revenue Service (the "IRS") and an $18 million charge related to the write-down of a nonoperational asset. Excluding the effects of the nonrecurring items described above, net income increased to $190 million or $1.17 per share from $159 million or $1.00 per share for the years ended December 31, 1995 and 1994, respectively. The fourth quarter acquisition of EMPHESYS was modestly accretive during the year ended December 31, 1995. Management anticipates that EMPHESYS will continue to be accretive in 1996 (after consideration of depreciation, amortization and interest costs associated with the acquisition).

YEARS ENDED DECEMBER 31, 1994 AND 1993

The Company's premium revenues increased 14 percent to $3.6 billion for the year ended December 31, 1994, compared to $3.1 billion for the year ended December 31, 1993. The increase in premium revenues is attributable to same-store Commercial and Medicare risk membership gains, average premium rate increases of 3 percent for the Commercial product and 4 percent for the Medicare risk product and the February 1994 acquisition of GHA. GHA premium revenues during the year ended December 31, 1994, totaled approximately $164 million.

On a same-store basis, Commercial membership for the year ended December 31, 1994, increased 113,200 or 9 percent while Medicare risk membership increased

16,600 or 6 percent. The same-store increase in Commercial membership was the result of increased penetration in areas contiguous to the Company's existing markets and expanded hospital and physician delivery networks. Medicare supplement membership declined by 21,900 members during the year ended December 31, 1994, as anticipated, continuing the decline first experienced in 1993. ASO membership at December 31, 1994 and 1993, was 93,500 and 63,700, respectively.

Medical membership data at December 31, 1994 and 1993, follows:

In thousands	1994	1993
Beginning medical membership	1,702.1	1,715.6
Same-store sales	396.6	311.3
Acquisitions (divestitures)	224.1	(6.4)
Same-store cancellations	(281.9)	(318.4)
Ending medical membership	2,040.9	1,702.1

The medical loss ratio for the year ended December 31, 1994, was 81.6 percent compared to 83.8 percent for the year ended December 31, 1993. This improvement is primarily due to decreased hospital utilization in both the Commercial and Medicare risk products.

The administrative cost ratio was 13.6 percent and 13.2 percent for the years ended December 31, 1994 and 1993, respectively. This increase is the result of increased marketing efforts, costs associated with the integration of acquired health plans and the expansion of market service areas.

Interest income totaled $62 million for the year ended December 31, 1994, compared to $48 million for the year ended December 31, 1993. The increase in interest income is primarily attributable to increased levels of cash, cash equivalents and marketable securities. Tax equivalent yield on invested assets approximated 6 percent for the years ended December 31, 1994 and 1993. The weighted average investment life was 2.3 and 2.0 years at December 31, 1994 and 1993, respectively.

The Company's income before income taxes totaled $246 million for the year ended December 31, 1994, compared to $143 million for the year ended December 31, 1993. Income before income taxes for 1994 excludes $29 million related to the favorable settlement of tax disputes with the IRS and an $18 million charge related to the write-down of a nonoperational asset. Excluding the effects of nonrecurring items described above, net income increased to $159 million or $1.00 per share from $89 million or $.56 per share for the years ended December 31, 1994 and 1993, respectively. As a result of the tax settlement and asset write-down, the Company's interest, depreciation and income tax expenses decreased. The recurring effect of these expense reductions during the year ended December 31, 1994, was $7 million or $.04 per share.

LIQUIDITY

Cash provided by the Company's operations totaled $150 million and $298 million for the years ended December 31, 1995 and 1994, respectively. Operating cash flows for 1995 were below those of 1994 primarily as a result of the combined

$101 million effect of 1995 payments and the 1994 settlement related to tax disputes with the IRS. In addition, the timing of recurring cash receipts and disbursements related to premiums receivable, medical costs and other liabilities further reduced 1995 operating cash flows.

Cash provided by the Company's operations totaled $298 million and $185 million for the years ended December 31, 1994 and 1993, respectively. Operating cash flows for 1994 were above those of 1993 primarily as a result of increased net income, a $71 million favorable settlement of tax disputes with the IRS and the timing of recurring cash receipts and disbursements related to medical costs and other liabilities.

On September 26, 1995, the Company amended and restated its revolving credit agreement (the "Credit Agreement"). The Credit Agreement, which expires in September 2000, provides for a $600 million revolving line of credit, which the Company used to fund $250 million of the EMPHESYS purchase price.

On November 30, 1995, the Company repaid $51 million of long-term debt assumed in connection with the acquisition of EMPHESYS. The debt was repaid with EMPHESYS' available cash.

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 that the subsidiaries' ability to pay dividends to their parent company requires regulatory approval.

Management believes that existing working capital, future operating cash flows and the availability of the Credit Agreement are sufficient to meet liquidity needs, 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 computer information systems necessary for activities such as claims processing, billing and collections, medical utilization review, and customer service. Total capital expenditures, excluding acquisitions, amounted to $54 million, $39 million and $28 million for the years ended December 31, 1995, 1994 and 1993, respectively.

Excluding acquisitions, planned capital spending in 1996 will approximate $60 million to $65 million, which will relate primarily to the expansion and improvement of medical care facilities, administrative facilities and related computer information systems.

In addition to the acquisition of EMPHESYS during October 1995, the Company acquired 47 primary care centers in South Florida and Tampa previously owned by Coastal Physician Group, Inc. for approximately $50 million. During February 1994, the Company acquired GHA, a health plan in Washington, D.C., with 116,700 members for approximately $55 million. During December 1994, the Company also acquired CareNetwork, Inc., a health plan in Milwaukee, Wisconsin, with 84,400 members for approximately $126 million.

EFFECTS OF INFLATION AND CHANGING PRICES

The Company's operations are regulated by various state and federal government agencies. Actuarially determined premium rate increases for Commercial and Medicare supplement products are generally approved by the respective state insurance commissioners, while increases in premiums for Medicare risk products are statutorily established and implemented by the Health Care Financing Administration ("HCFA"). Medicare risk premiums approximated 34 percent, 39 percent and 41 percent of the Company's premium revenues for the years ended December 31, 1995, 1994 and 1993, respectively. The Company's 1996 average rate of increase under the Medicare risk contracts is approximately 8 to 9 percent. Over the last five years, annual increases have ranged from as low as 3 percent in January 1994 to as high as 12 percent in January 1993, with an average of approximately 7 percent, including the January 1996 increase. 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 thereto. Current legislative proposals are being considered which include modification of future reimbursement rates under the Medicare program and proposals which encourage the use of managed health care for 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. The loss of these contracts or significant changes in the Medicare program 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.

OTHER INFORMATION

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 results of operations, financial position or cash flows.

In February 1996, the Company was notified that its South Florida health plan received a full three-year accreditation by the National Committee for Quality Assurance.

CONSOLIDATED BALANCE SHEET
Humana Inc.

Dollars in millions except per share amounts	December 31	
	1995	1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ 182	$ 272
Marketable securities	1,156	609
Premiums receivable, less allowance for doubtful accounts of $36 in 1995 and $20 in 1994	131	74
Deferred income taxes	52	45
Other	72	38
Total current assets	1,593	1,038
Property and equipment, net	382	317
Other assets:		
Long-term marketable securities	180	322
Cost in excess of net assets acquired	536	155
Deferred income taxes	25	56
Other	162	69
Total other assets	903	602
Total Assets	$ 2,878	$ 1,957
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current liabilities:		

Medical costs payable	$ 866	$ 527
Trade accounts payable and accrued expenses	291	233
Income taxes payable	35	56
Total current liabilities	1,192	816
Long-term debt	250	
Professional liability and other obligations	149	83
Total liabilities	1,591	899
Contingencies		
Common stockholders' equity:		
Common stock, $.16 2/3 par; authorized 300,000,000 shares; issued and outstanding 162,099,403 shares - 1995 and 161,330,064 shares - 1994	27	27
Capital in excess of par value	815	803
Retained earnings	439	249
Net unrealized investment gains (losses)	6	(21)
Total common stockholders' equity	1,287	1,058
Total Liabilities and Common Stockholders' Equity	$ 2,878	$ 1,957

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Humana Inc.

Dollars in millions except per share results

	Years Ended December 31,		
	1995	1994	1993
Revenues:			
Premiums	$ 4,605	$ 3,576	$ 3,137
Interest	87	62	48
Other income	10	16	10
Total revenues	4,702	3,654	3,195
Operating expenses:			
Medical costs	3,762	2,918	2,630
Selling, general and administrative	571	436	368
Depreciation and amortization	70	50	47
Unusual charge		18 (a)	
Total operating expenses	4,403	3,422	3,045
Income from operations	299	232	150
Interest expense (recovery)	11	(25)(a)	7
Income before income taxes	288	257 (a)	143
Provision for income taxes	98	81 (a)	54
Net income	$ 190	$ 176 (a)	$ 89
Earnings per common share	$ 1.17	$ 1.10 (a)	$ .56

- ----------

(a) Net income for the year ended December 31, 1994, includes the favorable settlement of tax disputes with the Internal Revenue Service partially offset by the write-down of a nonoperational asset.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS' EQUITY

Humana Inc.

In millions

	Common Stock		Capital In Excess of	Retained	Net Unrealized Investment	Equity	Total Common Stockholders'
	Shares	Amount	Par Value	Earnings	Gains (Losses)	Funding	Equity
Balance, January 1, 1993						$ 376	$ 376
Net income				$ 73		16	89
Capital contributions			$ 408				408
Spinoff capitalization	159	$ 26	366			(392)	
Other	1	1	11		$ 4		16

Balance, December 31, 1993	160	27	785	73	4	889
Net income				176		176
Other	1		18		(25)	(7)
Balance, December 31, 1994	161	27	803	249	(21)	1,058
Net income				190		190
Other	1		12		27	39
BALANCE, DECEMBER 31, 1995	162	$ 27	$ 815	$ 439	$ 6	$ 1,287

The accompanying notes are an integral part of the consolidated financial statements.

12

CONSOLIDATED STATEMENT OF CASH FLOWS

Humana Inc.

Dollars in millions

	Years Ended December 31,		
	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 190	$ 176	$ 89
Adjustments to reconcile net income to net cash provided by operating activities:			
Unusual charge		18	
Depreciation and amortization	70	50	47
Deferred income taxes	13	58	(13)
Changes in operating assets and liabilities:			
Premiums receivable	(27)	(8)	16
Other assets	(4)	8	(16)
Medical costs payable	(9)	36	58
Other liabilities	(83)	67	(18)
Unearned premium revenues		(110)	8
Other		3	14
Net cash provided by operating activities	150	298	185
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of health plan assets	(697)	(162)	(5)
Purchases of property and equipment	(54)	(39)	(28)
Dispositions of property and equipment	5	13	8
Purchases of marketable securities	(402)	(523)	(1,667)
Maturities and sales of marketable securities	731	337	1,299
Other	(33)	(28)	(23)
Net cash used in investing activities	(450)	(402)	(416)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of long-term debt	250		
Repayment of long-term debt	(51)		
Capital contributions			383
Other	11	4	(13)
Net cash provided by financing activities	210	4	370
Increase (decrease) in cash and cash equivalents	(90)	(100)	139
Cash and cash equivalents at beginning of period	272	372	233
Cash and cash equivalents at end of period	$ 182	$ 272	$ 372
Interest payments (refunds), net	$ 12	$ (20)	$ 1
Income tax payments, net	94	21	58

The accompanying notes are an integral part of the consolidated financial statements.

13

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Humana Inc.

1. REPORTING ENTITY

Nature of Operations

Humana Inc. ("Humana" or the "Company") offers managed health care products which integrate management with the delivery of health care services through a network of providers, who in their delivery of quality medical services, may share financial risk or have incentives to deliver cost-effective medical services. These products are marketed primarily through health maintenance

organizations ("HMOs") and preferred provider organizations ("PPOs") that encourage or require the use of contracting providers. HMOs and PPOs control health care costs by various means including the use of utilization controls such as 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 group life, dental, disability income, workers' compensation, and pharmacy management services.

The Company's HMO and PPO products are marketed primarily to employer and other groups ("Commercial") as well as Medicare and Medicaid-eligible individuals. The products marketed to Medicare- eligible individuals are either HMO products that provide managed care services which include all Medicare benefits and, in certain circumstances, additional managed care services that are not included in Medicare benefits ("Medicare risk") or indemnity insurance policies that supplement Medicare benefits ("Medicare supplement").

Basis of Presentation

On March 1, 1993, Humana separated its managed care health plan and acute-care hospital businesses into two independent publicly-held companies (the "Spinoff"), one to operate the managed care health plan business and the other to operate the acute-care hospital business. The Spinoff was effected through the distribution to Humana stockholders of record as of the close of business on March 1, 1993, of all the outstanding shares of common stock of a new hospital company (the "Hospital Company"). Humana retained and continues to operate the managed care health plan business.

The consolidated financial statements contained herein are the separate financial statements of what historically had been the managed care health plan business of Humana and do not correspond with or represent the consolidated financial statements of Humana prior to the Spinoff.

The preparation of the Company's 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include all subsidiaries of the Company. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include cash, money market funds, commercial paper, and certain U.S. Government securities with an original maturity of three months or less.

Marketable Securities

The Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective December 31, 1993.

At December 31, 1995 and 1994, marketable debt and equity securities have been categorized as available for sale and, as a result, are stated at fair value based generally on quoted market prices. Commercial mortgages are carried at cost. Marketable debt and equity securities available for current operations are classified as current assets. Marketable securities being held for the Company's future acquisition, capital spending, professional liability, and long-term insurance product requirements are classified as long-term assets. Unrealized holding gains and losses, net of applicable deferred taxes, are included as a component of common stockholders' equity until realized.

Property and Equipment

Property and equipment is carried at cost and was comprised of the following at December 31, 1995 and 1994:

Dollars in millions	1995	1994
Land	$ 34	$ 29
Buildings	282	231
Equipment	333	278
	649	538
Accumulated depreciation	(267)	(221)
	$ 382	$ 317

Depreciation is computed using the straight-line method over estimated useful lives generally ranging from 3 to 25 years. Depreciation expense was $50 million, $39 million and $35 million, for the years ended December 31, 1995, 1994 and 1993, respectively.

Cost in Excess of Net Assets Acquired

Cost in excess of net assets acquired represents the unamortized excess of cost over the fair value of tangible and identifiable intangible assets acquired and is being amortized on a straight-line basis over periods not exceeding 40 years. The carrying values of all intangible assets are periodically reviewed by management and impairments are recognized when the expected undiscounted future operating cash flows derived from operations associated with such intangible assets are less than their carrying value. Accumulated amortization totaled $8 million and $2 million, at December 31, 1995 and 1994, respectively.

Revenue and Medical Cost Recognition

Premium revenues are recognized as income in the period members are entitled to receive managed care services. Premiums received prior to such periods are recorded as unearned premium revenues. Revenues from specialty and administrative services products are recognized on a pro rata basis over the period of coverage or service.

Medical costs include claim payments, capitation payments, physician salaries,

and various other costs incurred to provide medical care to members, and estimates of future payments to hospitals and others for medical care provided prior to the balance sheet date. Capitation payments represent monthly prepaid fees paid to participating primary care physicians and other providers, who are responsible for providing medical care to members. The estimates of future medical claim payments are developed using actuarial methods and assumptions based upon payment patterns, medical inflation, historical development, and other relevant factors. Estimates of future payments relating to services incurred in the current and prior periods are continually reviewed by management and adjusted as necessary. Management believes the Company's medical costs payable are adequate to cover claims incurred; however, such estimates are subject to changes in assumption, and therefore, the actual liability could differ from amounts provided.

Common Stockholders' Equity

The Company's equity, prior to the Spinoff, was the result of the managed care health plan business net income or loss, as well as funding from the Hospital Company. Therefore, pre-Spinoff equity is referred to as "Equity Funding" in the accompanying consolidated statement of common stockholders' equity.

Earnings per Common Share

Earnings per common share are based upon the weighted average number of common shares outstanding. Shares used in computing earnings per common share were 162,268,815, 160,910,641 and 159,283,680 for the years ended December 31, 1995, 1994 and 1993, respectively.

3. UNUSUAL CHARGES

In June 1994, the Company recorded an $18 million charge before income tax ($11 million or $.07 per share, net of tax) to reduce the net book value of a nonoperational asset to its estimated fair value.

At December 31, 1995, there were liabilities totaling $52 million included in the accompanying consolidated balance sheet, primarily related to contract disputes, for which final resolution is expected in two to three years. Management regularly evaluates the continued reasonableness of these charges, and to the extent adjustments are necessary, current earnings are charged or credited.

4. MARKETABLE SECURITIES

Marketable securities classified as current assets at December 31, 1995 and 1994, included the following:

	1995				1994			
Dollars in millions	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government securities	$ 77	$ 1	$ (1)	$ 77	$ 35		$ (2)	$ 33
Tax exempt municipal bonds	560	6	(3)	563	472	$ 2	(17)	457
Corporate bonds	331	9		340	4			4
Collateralized mortgage obligations	90	2		92	7			7
Marketable equity securities	57	1	(4)	54	52		(5)	47
Other	29	1		30	65		(4)	61
	$ 1,144	$ 20	$ (8)	$ 1,156	$ 635	$ 2	$(28)	$ 609

Marketable securities classified as long-term assets at December 31, 1995 and 1994, included the following:

Dollars in millions	1995 Amortized Cost	1995 Gross Unrealized Gains	1995 Gross Unrealized Losses	1995 Fair Value	1994 Amortized Cost	1994 Gross Unrealized Gains	1994 Gross Unrealized Losses	1994 Fair Value
U.S. Government securities					$ 5			$ 5
Tax exempt municipal bonds	$ 65	$ 1	$ (3)	$ 63	252		$ (9)	243
Redeemable preferred stocks	50			50	2			2
Marketable equity securities	8			8	64		(1)	63
Other	59			59	9			9
	$ 182	$ 1	$ (3)	$ 180	$ 332		$(10)	$ 322

The contractual maturities of debt securities available for sale at December 31, 1995, regardless of their balance sheet classification, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Dollars in millions	Amortized Cost	Fair Value
Due within one year	$ 68	$ 69
Due after one year through five years	435	440
Due after five years through ten years	251	256
Due after ten years	152	154
Not due at a single maturity date	355	355
	$ 1,261	$ 1,274

Gross realized gains and losses for the years ended December 31, 1995 and 1994, were immaterial. For the purpose of determining gross realized gains and losses, the cost of securities sold is based upon specific identification.

5. INCOME TAXES

The provision for income taxes consisted of the following:

Dollars in millions	Years Ended December 31, 1995	1994	1993
Current provision:			
Federal	$ 78	$ 72	$ 57
State	7	11	6
	85	83	63
Deferred provision (benefit):			
Federal	11	(2)	(8)
State	2		(1)
	13	(2)	(9)
	$ 98	$ 81	$ 54

The income tax provision was different from the amount computed using the federal statutory income tax rate due to the following:

	Years Ended December 31,		
Dollars in millions	1995	1994	1993
Income tax provision at federal statutory rate	$ 101	$ 90	$ 50
State income taxes, net of federal benefit	7	7	4
Tax exempt investment income	(12)	(12)	(7)
Amortization	6	1	4
Other items, net	(4)	(5)	3
	$ 98	$ 81	$ 54

Cumulative temporary differences which gave rise to deferred tax assets and liabilities at December 31, 1995 and 1994, were as follows:

	Assets (Liabilities)	
Dollars in millions	1995	1994
Marketable securities	$ (9)	$ 15
Long-term assets	(35)	(4)
Medical costs payable	27	4
Unusual charges	25	25
Professional liability risks	28	25
Other	41	36
	$ 77	$ 101

Management believes that the deferred tax assets ultimately will be realized based primarily on the existence of sufficient taxable income within the allowable carryback periods.

During 1994, the Company received $71 million in income tax refunds for the settlement of disputes with the Internal Revenue Service related to the timing of medical claims deductions and the deductibility of intangible amortization for tax years 1988 through 1991. The Company had previously prepaid tax and interest for these issues for the 1988 and 1989 tax years to stop the accrual of interest on the disputed amounts. As a result of the settlement, the Company recognized a $29 million reduction of interest expense ($18 million or $.11 per share, net of tax) and a $10 million reduction of tax expense ($.06 per share), both of which represented the cumulative effect from 1988 to present of amounts previously provided. During 1995, the Company made a $30 million payment to the IRS to stop the accrual of interest for disputed amounts related to tax periods September 1, 1991 through December 31, 1993.

At December 31, 1995, the Company had net operating loss carryforwards of approximately $31 million related to prior acquisitions. These loss carryforwards, if unused to offset future taxable income of the acquired subsidiaries, will expire in 2002 through 2008.

6. LONG-TERM DEBT

On September 26, 1995, the Company amended and restated its revolving credit agreement (the "Credit Agreement"). The Credit Agreement, which expires in September 2000, provides for a $600 million revolving line of credit. Principal amounts outstanding under the Credit Agreement bear interest depending on the ratio of debt to debt plus net worth at rates ranging from LIBOR plus 16 basis points to LIBOR plus 40 basis points. The interest rate at December 31, 1995, was 6.1 percent. The Credit Agreement, under which $250 million was outstanding at December 31, 1995, contains customary covenants and events of default.

On November 30, 1995, the Company repaid $51 million of long-term debt assumed in connection with the acquisition of EMPHESYS Financial Group, Inc., ("EMPHESYS"). The debt was repaid with EMPHESYS' available cash.

7. PROFESSIONAL LIABILITY AND OTHER OBLIGATIONS

The Company insures substantially all professional liability risks through a wholly owned subsidiary (the "Captive Subsidiary"). Provisions for such risks, including expenses incident to claim settlements, were $27 million, $22 million and $17 million for the years ended December 31, 1995, 1994 and 1993, respectively. The Captive Subsidiary reinsures levels of coverage for losses in excess of its retained limits with unrelated insurance carriers. Allowance for professional liability risks and the equivalent amounts of marketable securities related to the funding thereof included in the accompanying consolidated balance sheet were $78 million and $63 million at December 31, 1995 and 1994, respectively.

In addition to the long-term portion of the allowance for professional liability risks, professional liability and other obligations in the accompanying consolidated balance sheet includes liabilities for disability and other long-term insurance products and the Company's retirement and employee benefit plans. These liabilities totaled $72 million and $18 million at December 31, 1995 and 1994, respectively.

8. COMMON STOCKHOLDERS' EQUITY

For financial reporting purposes, the historical equity of the Company at the time of the Spinoff consisted of the cumulative net income or loss of the managed care health plan business, as well as $408 million of cash and other assets contributed by the Hospital Company.

The Company has plans under which options to purchase common stock have been granted to officers, certain directors and key employees. Options were granted at not less than the market price on the date of grant. Exercise provisions vary, but most options are exercisable in whole or in part one to four years after grant and expire ten years after grant.

The following shares of common stock of the Company were reserved at December 31, 1995:

	Shares
Stock option plans	10,528,648
Other	973,308
	11,501,956

The Company's option plan activity for the years ended December 31, 1995, 1994 and 1993, is summarized below:

	Shares Under Option	Option Price Per Share
Balance, January 1, 1993	3,343,820	$ 4.32 to $ 12.12
Granted	6,467,500	6.56 to 14.44
Exercised	(967,446)	4.32 to 11.01
Cancelled or lapsed	(324,139)	6.56 to 12.12
Balance, December 31, 1993	8,519,735	4.32 to 14.44
Granted	419,500	16.94 to 17.94
Exercised	(931,701)	4.32 to 11.01
Cancelled or lapsed	(337,333)	6.56 to 17.94
Balance, December 31, 1994	7,670,201	4.32 to 17.94
Granted	3,107,000	18.94 to 23.06
Exercised	(751,096)	4.32 to 11.90
Cancelled or lapsed	(190,250)	6.56 to 23.06
Balance, December 31, 1995	9,835,855	$ 4.32 to $ 23.06

At December 31, 1995, options for 2,079,980 shares of common stock were exercisable while 692,793 shares of common stock were available for future grants.

As a result of current and pending state regulatory requirements, the Company must maintain various levels of equity in certain of its subsidiaries which indirectly limit the Company's ability to pay dividends from its subsidiaries to their parent. At December 31, 1995, $369 million of equity was restricted under these regulations.

In 1987, the Company adopted a stockholders' rights plan designed to deter takeover initiatives not in the best interests of the Company's stockholders. On February 14, 1996, the Company amended and restated its stockholder rights plan to increase the exercise price of the rights to $145 per share from $25 per share, extend the plan's expiration to February 14, 2006, from March 4, 1997, and reduce the threshold at which the rights are triggered to 15 percent from 20 percent of the outstanding shares of the Company's common stock. The rights are redeemable by action of the Company's Board of Directors at a price of $.01 per right at any time prior to their becoming exercisable.

9. 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 thereto. Current legislative proposals are being considered which include modification of future reimbursement rates under the Medicare program and proposals which encourage the use of managed health care for 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. The loss of these contracts or significant changes in the Medicare risk program as a result of legislative action, including reductions in payments or increases in benefits without corresponding increases in payments, would have a material adverse affect on the revenues, profitability and business prospects of the Company.

On February 14, 1996, the Company was notified that its South Florida health plan received a full three year accreditation by the National Committee for

Quality Assurance.

During the ordinary course of business, the Company is subject to pending and threatened legal actions. In addition, for periods prior to the Spinoff, the Company assumed liability for specified claims and continues to share risks with the Hospital Company with respect to certain litigation and other contingencies, both identified and unknown, existing at the time of the Spinoff. Management of the Company does not believe that any of these actions will have a material adverse effect on the Company's results of operations, financial position or cash flows.

The Company remains contingently liable as guarantor for approximately $55 million of debt incurred by Humana prior to the Spinoff and retained by the Hospital Company subsequent to the Spinoff.

10. ACQUISITIONS

On October 11, 1995, the Company acquired EMPHESYS, for a total purchase price of approximately $650 million. The purchase was funded with available cash of $400 million and borrowings of $250 million under the Company's Credit Agreement.

On November 30, 1995, the Company acquired certain primary care centers in South Florida and Tampa previously owned by Coastal Physician Group, Inc. for approximately $50 million.

During the year ended December 31, 1994, the Company acquired two health plans for approximately $181 million.

The above acquisitions, and certain other minor acquisitions, were accounted for by the purchase method. In connection with these acquisitions, the Company allocated the acquisition cost to tangible and identifiable intangible assets based upon their fair values. Identifiable intangible assets, which are included in other long-term assets in the accompanying consolidated balance sheet, generally include subscriber and provider contracts, and at December 31, 1995 and 1994, totaled $124 million and $58 million, respectively. Any remaining value not assigned to tangible or identifiable intangible assets was then allocated to cost in excess of net assets acquired. Cost in excess of net tangible and identifiable intangible assets acquired, recorded in connection with the acquisitions, was $387 million in 1995 and $155 million in 1994. Subscriber and provider contracts are amortized over their estimated useful lives (7 to 14 years) while cost in excess of net assets acquired is amortized over periods not exceeding 40 years.

The results of operations for all the previously mentioned acquisitions have been included in the accompanying consolidated statement of income since the date of acquisition. The following unaudited pro forma consolidated results of operations give effect to the above acquisitions as if they had occurred on January 1, 1994:

Dollars in millions except per share results:	Year Ended December 31, 1995	1994
Revenues	$ 5,968	$ 5,243
Net income	200	215
Earnings per common share	1.23	1.33

The unaudited pro forma information may not necessarily reflect future results of operations or what the results of operations would have been had the acquisitions actually been consummated on January 1, 1994.

22
REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Humana Inc.

We have audited the accompanying consolidated balance sheet of Humana Inc. as of December 31, 1995 and 1994, and the related consolidated statements of income, common stockholders' equity and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Humana Inc. as of December 31, 1995 and 1994, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, Humana Inc. adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective December 31, 1993.

COOPERS & LYBRAND L.L.P.
Louisville, Kentucky
February 14, 1996

23
QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Humana Inc.

A summary of the Company's quarterly results of operations follows:

Dollars in millions except per share results	1995			
	First	Second	Third	Fourth (a)
Revenues	$ 1,048	$ 1,070	$ 1,094	$ 1,490
Income before income taxes	80	68	65	75
Net income	53	45	43	49
Earnings per common share	.32	.28	.27	.30

Dollars in millions except per share results	1994			
	First	Second (b)	Third	Fourth
Revenues	$ 869	$ 917	$ 926	$ 942
Income before income taxes	51	57	65	73
Net income	32	37	42	48
Earnings per common share	.20	.23	.27	.30

(a) Includes the results of EMPHESYS Financial Group, Inc. since the date of acquisition.

(b) Excludes $11 million before income tax ($17 million or $.10 per share, net of tax) related to the favorable settlement of income tax disputes with the Internal Revenue Service partially offset by the write-down of a nonoperational asset.

24

DIRECTORS

K. FRANK AUSTEN, M.D. Theodore B. Bayles Professor of Medicine, Harvard Medical School and the Brigham and Women's Hospital	MICHAEL E. GELLERT General Partner, Windcrest Partners, private investment partnership	JOHN R. HALL Chairman of the Board and Chief Executive Officer, Ashland Inc.
DAVID A. JONES Chairman of the Board and Chief Executive Officer, Humana Inc.	DAVID A. JONES, JR. Managing Director, Chrysalis Ventures, Inc., venture capital firm	IRWIN LERNER Retired Chairman of the Board and Executive Committee, Hoffmann-La Roche Inc.
W. ANN REYNOLDS, PH.D. Chancellor - City University of New York	WAYNE T. SMITH President and Chief Operating Officer, Humana Inc.	

EXECUTIVE COMMITTEE

DAVID A. JONES Chairman	MICHAEL E. GELLERT	WAYNE T. SMITH

AUDIT COMMITTEE

MICHAEL E. GELLERT Chairman	K. FRANK AUSTEN, M.D.	JOHN R. HALL
IRWIN LERNER		

COMPENSATION COMMITTEE

K. FRANK AUSTEN, M.D. Chairman	MICHAEL E. GELLERT	IRWIN LERNER
W. ANN REYNOLDS, PH.D.		

INVESTMENT COMMITTEE

W. ANN REYNOLDS, PH.D. Chairwoman	MICHAEL E. GELLERT	JOHN R. HALL
DAVID A. JONES, JR.		

NOMINATING COMMITTEE

JOHN R. HALL Chairman	K. FRANK AUSTEN, M.D.	DAVID A. JONES, JR.
W. ANN REYNOLDS, PH.D.		

25

EXECUTIVE MANAGEMENT

DAVID A. JONES
Chairman of the Board
and Chief Executive Officer

WAYNE T. SMITH
President and
Chief Operating Officer

W. LARRY CASH
Senior Vice President - Finance and Operations

KAREN A. COUGHLIN
Senior Vice President - Region II

W. ROGER DRURY
Chief Financial Officer

PHILIP B. GARMON
Senior Vice President - Region I

ARTHUR P. HIPWELL
Senior Vice President and General Counsel

RONALD S. LANKFORD, M.D.
Senior Vice President - Medical Affairs

GREGORY H. WOLF
Senior Vice President - Sales and Marketing

OFFICERS

JOSE G. ABREU
Vice President - Medicare Sales

GEORGE G. BAUERNFEIND
Vice President - Taxes

DOUGLAS R. CARLISLE
Vice President Operations - Region I

JAMES W. DOUCETTE
Vice President and Treasurer

PHILLIP B. DOUGLAS
Vice President - Venture Capital

ROBERT A. HORRAR
Vice President - Human Resources

GAIL H. KNOPF
Vice President and Chief Information Officer

JOAN O. KROGER
Secretary

HEIDI S. MARGULIS
Vice President - Government Affairs

JERRY L. MCCLELLAN
Vice President - Financial Services

MARY M. MCKINNEY
Vice President - Internal Audit

SHERI E. MITCHELL
Vice President - Quality and Service Excellence

JAMES E. MURRAY
Vice President - Finance

WALTER E. NEELY
Vice President and Associate General Counsel

BRUCE D. PERKINS
Vice President Operations - Region II

R. EUGENE SHIELDS
Vice President - Military Healthcare Services

THOMAS D. STROUD
Vice President - Sales and Marketing

GEORGE W. VIETH, JR.
Vice President - Development and Planning

DAVID W. WILLE
Vice President and Chief Actuary

ADDITIONAL INFORMATION

TRANSFER AGENT

Bank of Louisville
Security Transfer Department
Post Office Box 1497
Louisville, Kentucky 40201
800-925-0810

FORM 10-K

Copies of the Company's Form 10-K filed with the Securities and Exchange Commission may be obtained, without charge, by writing:

Investor Relations
Humana Inc.
Post Office Box 1438
Louisville, Kentucky 40201-1438

Copies of the Company's Form 10-K and other Company information can also be obtained through the Internet at the following address:

http: //www.Humana.com

STOCK LISTING

The Company's common stock trades on the New York Stock Exchange under the symbol HUM. The following table shows the range of high and low closing sales prices as reported on the New York Stock Exchange Composite Tape.

1995	HIGH	LOW
First Quarter	26-1/2	21-7/8
Second Quarter	27-1/8	17-3/8
Third Quarter	20-3/8	17-1/2
Fourth Quarter	28	18-5/8

1994	HIGH	LOW
First Quarter	22-1/8	16-7/8
Second Quarter	20-3/4	16-1/8
Third Quarter	23-5/8	16-3/8
Fourth Quarter	24-7/8	18-1/2

CORPORATE HEADQUARTERS
Humana Inc.
The Humana Building
500 West Main Street
Louisville, Kentucky 40202
(502) 580-1000

ANNUAL MEETING
The Company's Annual Meeting of Stockholders will be held on Thursday, May 9, 1996, at 10:00 a.m. in the Auditorium on the 25th floor of the Humana Building.

Exhibit 21

LIST OF SUBSIDIARIES

ALABAMA

1. Humana Health Plan of Alabama, Inc.

ALASKA

1. Humana Health Plan of Alaska, Inc.

ARKANSAS

1. Humana Health Plan of Arkansas, Inc.

CALIFORNIA

1. Centerstone Insurance and Financial Services (Marketpoint is a Division of CFS)
2. HMO California
3. Humana Medical Plan of California, Inc.

DELAWARE

1. EMPHESYS Financial Group, Inc.
2. Health Value Management, Inc.
3. Humana Compensation Management Source, Inc.
4. Humana Enterprises, Inc.
5. Humana HealthChicago, Inc. - Doing Business As:
    a. HC Services (IL)
    b. Goldcare 65 (IL)
6. Humana Inc. - Doing Business As:
    a. H.A.C. Inc.
7. Humana Military Healthcare Services, Inc. - Doing Business As:
    a. Humana Military Health Services, Inc. (IL)
8. Humrealty, Inc.
9. Managed Prescription Services, Inc.
10. MedBenefixx, Inc.

FLORIDA

1. Bloomingdale Health Management Associates, Inc.
2. Boca Raton Health Management Associates, Inc.
3. Boynton Health Systems, Inc.
4. Canna Corporation of Deerfield
5. Carrollwood Health Care Center, Inc.
6. Coastal Internal Medicine Associates of Dade, Inc. - Doing Business As:
    a. Coastal Internal Medicine Associates of Hialeah
    b. Coastal Internal Medicine Associates of Larkin
    c. Coastal Internal Medicine Associates of Miami
    d. Coastal Internal Medicine Associates of Miami Beach
    e. Coastal Internal Medicine Associates of Miami Lakes
    f. Coastal Internal Medicine Associates of Miami Springs
    g. Coastal Internal Medicine Associates at Midway

(FL - Cont. Next Page)

FLORIDA Cont.

7. Coastal Internal Medicine Associates of the Palm Beaches, Inc. - Doing Business As:
    a. Coastal Internal Medicine Associates of JFK Circle
    b. Coastal Internal Medicine Associates of North Dixie Highway

        c. Coastal Internal Medicine Associates at Riverbridge
        d. Coastal Internal Medicine Associates of South Dixie Highway
8. Coastal Managed Care of Lake Worth, Inc.
9. Coastal Managed Care of West Palm Beach, Inc. - Doing Business As:
        a. Coastal Managed Care of West Palm Beach
10. Coastal Physician Group Management, Inc.
11. Coastal Physician Group of Hillsborough County, Inc.
12. Coastal Physician Group of Jacaranda, Inc.
13. Coastal Physician Group of North Davie, Inc.
14. Coastal Physician Group of Pembroke Pines, Inc.
15. Coastal Physician Group of South Davie, Inc.
16. Coastal Physician Group of South Florida, Inc.
17. Deerfield Health Systems, Inc.
18. Delray Harbor Medical Center, Inc.
19. Delray Beach Health Management Associates, Inc.
20. Health Inclusive Plan of Florida, Inc.
21. Health Management Associates of America, Inc.
22. Humana Health Insurance Company of Florida, Inc.
23. Humana Health Plan of Florida, Inc.
24. Humana Medical Plan, Inc. - Doing Business As:
        a. Advanced Orthopaedics
        b. Apopka Health Care
        c. Atlantic Family Practice
        d. Casselberry Health Care
        e. Coastal Pediatrics
        f. Community Medical Associates
        g. Daytona Gastroenterology
        h. Deland Family Health Care
        i. Edgewood Health Care
        j. Flagler Family Practice
        k. Internal Medicine of Daytona Beach
        l. Ormond Primary Care
        m. Palm Coast Family Health Care
        n. Personal Care Physicians of Casselberry
        o. Personal Care Physicians of Orlando
        p. Personal Care Physicians of St. Mary
        q. Professional Dermatology
        r. Rosemont Health Care
        s. Sugar Mill Medical Associates
        t. Suncoast Medical Associates
25. Lakeside Medical Center Management, Inc. - Doing Business As:
        a. University Medical Center
26. Lantana Health Systems, Inc.
27. Lavernia Enterprises, Inc.
28. Lutz Medical Care, Inc.
29. MA of Deerfield, Inc.
30. Medical Associates Systems, Inc.
31. Medical Associates of Boca Raton, Inc.
32. Medical Associates of West Boca Raton, Inc.
33. Medical Associates of West Palm Beach, Inc.
34. Medical Management Associates, Inc.
35. Medical Management Associates of Coconut Creek, Inc.

(FL - Cont. Next Page)

FLORIDA Cont.

36. Medical Management Associates of Deerfield, Inc.
37. Medical Management Associates of Lauderdale, Inc.
38. Medical Management Associates of Lauderhill, Inc.
39. Medical Management Associates of Margate, Inc.
40. Medical Management Associates of New Port Richey, Inc.
41. Medical Management Associates of Pompano, Inc.
42. Medical Management Associates of Riverland, Inc.
43. Medical Management Associates of Tamarac, Inc.
44. Medical Specialty Associates, Inc.
45. Midtown Health Care Center Management, Inc.

46. NFM Acquisition Company
47. North Federal Medical Center, Inc.
48. North Federal Medical Center II, Inc.
49. Palm Beach Gardens Health Management Associates, Inc.
50. Pompano Health Systems, Inc.
51. Seffner Health Management Associates, Inc.
52. South Dade Mabry Health Care Center, Inc.
53. Southeast Health Systems, Inc.
54. Sun City Health Management Associates, Inc.
55. Trelles Management, Inc.
56. West Boca Raton Health Management Associates, Inc.

GEORGIA

1. EMPHESYS Healthcare of Georgia, Inc.
2. Humana Health Plan of Georgia, Inc.

ILLINOIS

1. Humana HealthChicago Insurance Company
2. Randmark of Illinois, Inc.
3. The Dental Concern, Ltd.

KENTUCKY

1. HMPK, INC.
2. HPLAN, INC.
3. Humana Broadway Corp.
4. Humana Health Plan, Inc. - Doing Business As:
    a. Bluegrass Family Practice
    b. Central Kentucky Family Practice (KY)
    c. Franklin Medical Center
    d. Humana MedFirst (KY)
    e. Humana Health Care Plans of Indiana (IN)
    f. Madison Family and Industrial Medicine
5. KPLAN, Inc. (in process of withdrawing from AZ)
6. Humco, Inc. - Doing Business As:
    a. Eagle Creek Medical Plaza
    b. Humana Hospital - Lexington
7. Randmark, Inc.

LOUISIANA

1. Humana Health Plan of Louisiana, Inc.

MARYLAND

1. Humana Health Plan of Maryland, Inc.

MICHIGAN

1. Humana Health Plan of Michigan, Inc.

MISSOURI

1. Humana Kansas City, Inc. - Doing Business As:
    a. Humana Prime Health Plan

2. Humana Insurance Company - Doing Business As:
    a. Dental Care Affiliates (GA)
    b. Managed Prescription Services (CA)
    c. Managed Prescription Services (MO)
    d. Managed Prescription Services, Inc. (NJ)
3. Humana/Med-Pay, Inc.

NEVADA

1. Humana Health Insurance of Nevada, Inc.

NORTH CAROLINA

1. Humana Health Plan of North Carolina, Inc.

OHIO

1. Humana Health Plan of Ohio, Inc.

PENNSYLVANIA

1. Humana Health Plan of Pennsylvania, Inc.

TEXAS

1. Humana HMO Texas, Inc.
2. Humana Health Plan of Texas, Inc. - Doing Business As:
    a. Humana Health Plan of Corpus Christi
    b. Humana Health Plan of Dallas
    c. Humana Health Plan of Houston
    d. Humana Health Plan of San Antonio
    e. Humana Regional Service Center
    f. Leon Valley Health Center
    g. MedCentre Plaza Health Center
    h. Nacogdoches Family Medical Center
    i. Perrin Oaks Health Center
    j. Val Verde Health Center
    k. West Lakes Health Center
    l. Wurzbach Family Medical Center

3. Prescription Benefits, Inc.

UTAH

1. Humana Health Plan of Utah, Inc.

VERMONT

1. Managed Care Indemnity, Inc. - Doing Business As:
    a. Witherspoon Parking Garage (KY)

VIRGINIA

1. Humana Group Health Plan, Inc.

WASHINGTON

1. Humana Health Plan of Washington, Inc.

WISCONSIN

1. CareNetwork, Inc. - Doing Business As:
    a. CARENETWORK
2. EMPHESYS Wisconsin Insurance Company
3. Employers Health Insurance Company
4. Humana Wisconsin Health Organization Insurance Corporation - Doing Business As:
    a. WHOIC
    b. WHO
5. Independent Care, Inc.
6. Network EPO, Inc.
7. The Barrington Group, LTD (f/k/a Plan Management Administrators, Inc./now a Div. of TBG)
8. Wisconsin Employers Group, Inc.

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Humana Inc. on Form S-8 (Registration No. 2-39061, No. 2-79239, No. 2-96154, No. 33-33072, No. 33-49305, No. 33-52593 and No. 33-54455), of our report dated February 14, 1996, which includes an explanatory paragraph relating to a change in 1993 in the method of accounting for certain investments in debt and equity securities, on our audits of the consolidated financial statements and financial statement schedules of Humana Inc. as of December 31, 1995 and 1994, and for the years ended December 31, 1995, 1994 and 1993, which report is incorporated by reference in this Annual Report on Form 10-K.

Coopers & Lybrand L.L.P.
Louisville, Kentucky
March 29, 1996

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM HUMANA INC.'S FORM 10-K FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENT.
</LEGEND>
<CIK> 0000049071
<NAME> HUMANA INC.
<MULTIPLIER> 1,000,000

<PERIOD-TYPE>	12-MOS	
<FISCAL-YEAR-END>		DEC-31-1995
<PERIOD-START>		JAN-01-1995
<PERIOD-END>		DEC-31-1995
<CASH>		182
<SECURITIES>		1,156
<RECEIVABLES>		167
<ALLOWANCES>		36
<INVENTORY>		0
<CURRENT-ASSETS>		1,593
<PP&E>		649
<DEPRECIATION>		267
<TOTAL-ASSETS>		2,878
<CURRENT-LIABILITIES>		1,192
<BONDS>		250
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		27
<OTHER-SE>		1,260
<TOTAL-LIABILITY-AND-EQUITY>		2,878
<SALES>		4,605
<TOTAL-REVENUES>		4,702
<CGS>		3,762
<TOTAL-COSTS>		4,403
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		11
<INCOME-PRETAX>		288
<INCOME-TAX>		98
<INCOME-CONTINUING>		190
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		190
<EPS-PRIMARY>		1.17
<EPS-DILUTED>		1.17