UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1997

OR

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

Commission file number 1-5975

HUMANA INC.

(Exact name of registrant as specified in its charter)

Delaware	61-0647538
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
500 West Main Street Louisville, Kentucky	40202
(Address of principal executive offices)	(Zip Code)

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

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

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

YES X NO

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

Class of Common Stock	Outstanding at August 11, 1997
$.16 2/3 par value	163,702,953 shares

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Part I: Financial Information

Item 1. Financial Statements

Condensed Consolidated Statement of Operations

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

	Quarter 1997	Quarter 1996	Six Months 1997	Six Months 1996
Revenues:				
Premiums	$ 1,805	$ 1,578	$ 3,608	$ 3,138
Interest	27	25	53	50
Other income	4	2	7	5
Total revenues	1,836	1,605	3,668	3,193
Operating expenses:				
Medical costs	1,487	1,415	2,971	2,689
Selling, general and administrative	258	228	519	431
Depreciation and amortization	25	24	49	49
Asset write-downs and other unusual charges		81		81
Total operating expenses	1,770	1,748	3,539	3,250
Income (loss) from operations	66	(143)	129	(57)
Interest expense	1	3	4	8
Income (loss) before income taxes	65	(146)	125	(65)
Income tax provision (benefit)	23	(51)	44	(23)
Net income (loss)	$ 42	$ (95)	$ 81	$ (42)

Earnings (loss) per

common share	$ .25	$ (.58)	$ .49	$ (.26)
Shares used in earnings (loss) per common share computation (000)	163,158	162,455	162,980	162,417

See accompanying notes.

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

	June 30, 1997	December 31, 1996
Assets		
Current assets:		
Cash and cash equivalents	$ 55	$ 322
Marketable securities	1,261	1,262
Premiums receivable, less allowance for doubtful accounts $36 - June 30, 1997 and $38 - December 31, 1996	256	211
Deferred income taxes	83	94
Other	125	113
Total current assets	1,780	2,002
Long-term marketable securities	157	143
Property and equipment, net	375	371
Cost in excess of net assets acquired	502	488
Other	144	149
Total assets	$ 2,958	$ 3,153
Liabilities and Common Stockholders' Equity		
Current liabilities:		
Medical costs payable	$ 997	$ 1,099
Trade accounts payable and accrued expenses	370	369
Income taxes payable	66	32
Total current liabilities	1,433	1,500
Long-term debt	3	225
Other long-term obligations	138	136
Total liabilities	1,574	1,861
Contingencies		
Common stockholders' equity:		
Common stock, $.16 2/3 par; authorized 300,000,000 shares; issued and outstanding 163,428,687 shares - June 30, 1997 and 162,681,123 shares - December 31, 1996	27	27
Other	1,357	1,265
Total common stockholders' equity	1,384	1,292
Total liabilities and common stockholders' equity	$ 2,958	$ 3,153

See accompanying notes.

Humana Inc.
Condensed Consolidated Statement of Cash Flows
For the six months ended June 30, 1997 and 1996
Unaudited
(Dollars in millions)

	1997	1996
Cash flows from operating activities:		
Net income (loss)	$ 81	$ (42)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Asset write-downs		70
Depreciation and amortization	49	49
Deferred income taxes	10	(35)
Changes in operating assets and liabilities	(127)	156
Other	2	(12)
Net cash provided by operating activities	15	186
Cash flows from investing activities:		
Purchases and dispositions of property and equipment, net	(33)	(43)
Acquisition of health plan assets	(12)	(3)
Purchases, sales and maturities of marketable securities, net	(17)	(41)
Other	(3)	(11)
Net cash used in investing activities	(65)	(98)
Cash flows from financing activities:		
Repayment of credit revolver		(250)
Change in commercial paper	(223)	173
Other	6	1
Net cash used in financing activities	(217)	(76)
Increase (decrease) in cash and cash equivalents	(267)	12
Cash and cash equivalents at beginning of period	322	182
Cash and cash equivalents at end of period	$ 55	$ 194
Interest payments, net	$ 2	$ 7
Income tax payments (refunds), net	$ (4)	$ 28

See accompanying notes.

Humana Inc.
Notes To Condensed Consolidated Financial Statements
Unaudited

(A) Basis of Presentation

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

The preparation of the Company's condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect

(a) the reported amounts of assets and liabilities, (b) disclosure of contingent assets and liabilities at the date of the financial statements and (c) reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

(B) Contingencies

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

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

(C) Special Charges

During the second quarter of 1996, the Company recognized special charges of $200 million before tax ($130 million after tax or $.80 per share). The special charges included provisions for expected future losses on insurance contracts ($105 million) as well as estimated costs to be incurred in restructuring the Washington, D.C., health plan (which was sold January 31, 1997) and closing markets or discontinuing product lines in 16 market areas. The special charges also included the write-off of miscellaneous assets, a litigation settlement, and other costs. During the quarter ended June 30, 1997, the beneficial effect of these charges was approximately $4 million before tax ($3 million after tax or $.02 per share). Approximately $33 million (of the original $105 million) of the liability for expected future losses on insurance contracts and approximately $4 million of other costs reserves remain at June 30, 1997.

During the fourth quarter of 1996, the Company recognized an additional special charge of $15 million before tax ($10 million after tax or $.06 per share). This charge included severance and facility costs related to planned workforce reductions, scheduled to be completed throughout 1997. Approximately $9 million of the liability remains at June 30, 1997.

(D) Long-Term Debt

During April 1996, the Company implemented a commercial paper program and began issuing debt securities thereunder. The commercial paper program is backed by a $600 million line of credit, which is scheduled to expire in September 2000. At June 30, 1997, there were no borrowings under the commercial paper program.

In June 1997, the Company received a commitment for a revolving credit agreement (the "Credit Agreement") which will provide a revolving line of credit of up to $1.5 billion. The Credit Agreement, which will replace the $600 million revolving line of credit currently in place, is expected to bear a comparable interest rate, and contain customary covenants and events of default. The Credit Agreement is expected to be in place by the end of the third quarter of 1997.

(E) Acquisition and Dispositions

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

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

(F) Future Changes in Generally Accepted Accounting Principles

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

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," ("SFAS No. 130"). SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in the financial statements. Comprehensive income is defined as all changes in equity during a period except those resulting from investments by owners and distributions to owners. This statement is effective for fiscal years beginning after December 15, 1997.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"). SFAS No. 131 requires, if certain quantitative thresholds are met, public companies to report separate financial information about operating segments, as well as certain information about their products and services, the geographic areas in which they operate, and their major customers. This statement is effective for financial statements for periods beginning after December 15, 1997.

SFAS No. 130 and SFAS No. 131 require changes to financial statement presentation and disclosure only, and will not have any impact on the Company's financial position, results of operations or cash flows. All presentations and disclosures required by these statements will be included in the Company's financial statements for periods subsequent to December 15, 1997.

(G) Other Events

On June 2, 1997, the Company entered into a definitive agreement with

Physician Corporation of America ("PCA") pursuant to which, subject to the terms and conditions of the agreement, a wholly-owned subsidiary of the Company will merge with and into PCA. PCA services 1.1 million members and provides comprehensive health care services through its health maintenance organizations ("HMOs") in Florida, Texas and Puerto Rico. The total consideration of approximately $400 million cash consists of $7.00 per share of PCA's outstanding common stock plus the assumption of approximately $130 million in debt.

On June 3, 1997, the Company signed a definitive agreement with ChoiceCare Corporation ("ChoiceCare") pursuant to which, subject to the terms and conditions of the agreement, a wholly-owned subsidiary of the Company will merge with and into ChoiceCare. ChoiceCare serves more than 245,000 members, offering HMO, point-of-service and administrative services products in the greater Cincinnati, Ohio area. The Company will purchase all of ChoiceCare's outstanding common stock for $16.38 per share or a total consideration of approximately $250 million in cash.

The aggregate purchase price of approximately $650 million for the PCA and ChoiceCare acquisitions will be funded through available cash and borrowings under the Credit Agreement discussed in note (D). The acquisitions, which are subject to various regulatory approvals, will be accounted for by the purchase method. The PCA transaction is expected to close in the third quarter of 1997 while ChoiceCare is expected to close near the beginning of the fourth quarter.

On July 10, 1997, the Company signed a definitive agreement to sell its California HMO ("HMO California") to HealthMax, Inc. HMO California has approximately 6,000 members in Southern California. The transaction, which is subject to regulatory approvals, is expected to close in the third quarter of 1997.

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

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

Introduction

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

The Company's HMO and PPO products are marketed primarily to employers and other groups ("Commercial") as well as Medicare and Medicaid-eligible individuals. The products marketed to Medicare-eligible individuals are either HMO products ("Medicare risk") or indemnity insurance policies that supplement Medicare benefits ("Medicare supplement"). The Medicare risk product provides managed care services that include all Medicare benefits and, in certain circumstances, additional managed care services. The Company also offers administrative services ("ASO") to employers who self-insure their employee health benefits.

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

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

Special Charges

During the second quarter of 1996, the Company recognized special charges of $200 million before tax ($130 million after tax or $.80 per share). The special charges included provisions for expected future losses on insurance contracts ($105 million) as well as estimated costs to be incurred in restructuring the Washington, D.C., health plan (which was sold January 31, 1997) and closing markets or discontinuing product lines in 16 market areas. The special charges also included the write-off of miscellaneous assets, a litigation settlement, and other costs. During the quarter ended June 30, 1997, the beneficial effect of these charges was approximately $4 million before tax ($3 million after tax or $.02 per share). Approximately $33 million (of the original $105 million) of the liability for expected future losses on insurance contracts and approximately $4 million of other costs reserves remain at June 30, 1997.

During the fourth quarter of 1996, the Company recognized an additional special charge of $15 million before tax ($10 million after tax or $.06 per share). This charge included severance and facility costs related to planned workforce reductions, scheduled to be completed throughout 1997. Approximately $9 million of the liability remains at June 30, 1997.

The following discussions comparing the quarter ended June 30, 1997 to June 30, 1996, and the six months ended June 30, 1997, to the corresponding six-month period ended June 30, 1996, exclude the special charges described above. The beneficial effect of these charges for the quarters ended June 30, 1997 and 1996, was approximately $.02 and $.04 per share, respectively. The beneficial effect of these charges for the six months ended June 30, 1997 and 1996, was approximately $.06 and $.04 per share, respectively. The beneficial effect consists primarily of charges against reserves for losses on insurance contracts and amounts related to depreciation and amortization on asset write-downs.

Future Changes in Generally Accepted Accounting Principles

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

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," ("SFAS No. 130"). SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in the financial statements. Comprehensive income is defined as all changes in equity during a period except those resulting from investments by owners and distribution to owners. This statement is effective for fiscal years beginning after December 15, 1997.

In June 1997, FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"). SFAS No. 131 requires, if certain quantitative thresholds are met, public companies to report separate financial information about operating segments, as well as certain information about their products and services, the geographic areas in which they operate, and their major customers. This statement is effective for financial statements for periods beginning after December 15, 1997.

SFAS No. 130 and SFAS No. 131 require changes to financial statement presentation and disclosure only, and will not have any impact on the Company's financial position, results of operations or cash flows. All presentations and disclosures required by these statements will be included in the Company's financial statements for periods subsequent to December 15, 1997.

Acquisition and Dispositions

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

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

Results of Operations

Quarters Ended June 30, 1997 and 1996

The Company's premium revenues increased 14 percent to $1.8 billion for the quarter ended June 30, 1997, compared to $1.6 billion for the same period in 1996. Premium revenues increased primarily due to the addition of premium revenues from the Company's CHAMPUS contract which began on July 1, 1996 and was renewed on July 1, 1997. Premium revenues also increased as a result of premium rate increases in the Company's Commercial and Medicare risk products. The impact on premium revenues of Commercial membership declines was offset by Medicare risk membership increases.

Commercial and Medicare risk premium rates increased 3.5 percent and 4.5 percent, respectively, for the quarter ended June 30, 1997. For 1997, excluding the impact of future acquisitions or dispositions, Commercial premium rates are expected to increase approximately 3.5 to 4 percent, while Medicare risk premium rates are expected to increase approximately 4 to 5 percent.

Same-store Commercial membership decreased 5,500 members during the quarter ended June 30, 1997, compared to an increase of 3,500 for the same period in 1996. This same-store membership decline, which excludes the sale of the Company's Alabama operations (effective April 1, 1997), and the Washington, D.C., health plan, and the purchase of Health Direct, was due to the Company's more disciplined product pricing begun in the fall of 1996 and withdrawal from certain unprofitable markets. Same-store Medicare risk membership increased 15,400 members during the quarter compared to a same-store increase of 9,200 members for the same period in 1996. The higher Medicare risk growth rate during the first six months of 1997 is primarily the result of sales in new Medicare markets. Given the competitive large group Commercial pricing environment, the Company's new pricing discipline, the closing or sale of certain markets, and excluding any future acquisitions or dispositions, management expects Commercial membership to be down approximately 5 percent for 1997, while Medicare risk membership is expected to increase approximately 20 percent.

The medical loss ratio for the quarter ended June 30, 1997 was 82.3 percent compared to 82.9 percent for the same period in 1996. The improvement was primarily due to premium rate increases, favorable physician cost trends in Commercial products and Medicare risk products in established markets and a slight improvement in hospital days per thousand trends in both products. These medical cost improvements were partially offset by higher than anticipated medical costs in the Company's new Medicare risk markets (where a large portion of Medicare growth is currently taking place) and increased pharmacy costs system wide.

The administrative cost ratio was 15.7 percent and 15.2 percent for the quarters ended June 30, 1997 and 1996, respectively. The increase was due to planned spending on critical core processes necessary for long-term improvements in the areas of medical management, customer service, information systems and marketing. Management anticipates improvement in the administrative cost ratio in the second half of 1997 as membership increases and the favorable effect of the workforce reduction initiatives are experienced.

Interest income totaled $27 million and $25 million for the quarters ended June 30, 1997 and 1996, respectively. The increase was primarily attributable to increased levels of cash, cash equivalents and marketable securities. The tax equivalent yield on invested assets approximated 8 percent for each of the quarters ended June 30, 1997 and 1996.

The Company's income before income taxes totaled $65 million for the quarter ended June 30, 1997, compared to $54 million for the quarter ended June 30, 1996. Net income was $42 million or $.25 per share and $35 million or $.22 per share for each of the quarters ended June 30, 1997 and 1996, respectively.

Six Months Ended June 30, 1997 and 1996

The Company's premium revenues increased 15 percent to $3.6 billion for the six months ended June 30, 1997, compared to $3.1 billion for the same period in 1996. Premium revenues increased primarily due to premium revenues from the Company's CHAMPUS contract which began on July 1, 1996 and was renewed on July 1, 1997. Premium revenues also increased as a result of premium rate increases in the Company's Commercial and Medicare risk products. The impact on premium revenues of Commercial membership declines was offset by Medicare risk membership increases. Commercial and Medicare risk premium rates increased 3.2 percent and 4.5 percent, respectively, for the six months ended June 30, 1997.

Same-store Commercial membership decreased 110,400 members during the six months ended June 30, 1997, compared to a decrease of 12,900 for the same period 1996. This same-store membership decline, which excludes the sale of the Company's Alabama operations (18,600 members), and the Washington, D.C., health plan (92,500 members) and the purchase of Health Direct (22,100 members), was due to the Company's more disciplined product pricing begun in the fall of 1996 and withdrawal from certain unprofitable markets. Same-store Medicare risk membership increased 30,500 members during the six months ended June 30, 1997, compared to a same-store increase of 19,400 members for the same period in 1996. The higher Medicare growth rate during the first six months of 1997 was primarily the result of sales in new Medicare markets.

The medical loss ratio was 82.3 percent for the six months ended June 30, 1997 and 1996. Increases in premium rates, improvement in Medicare risk days per thousand and favorable physician cost trends in Commercial products and Medicare risk products in established markets were offset by increased pharmacy costs system wide and higher than anticipated medical costs in new Medicare risk markets.

The administrative cost ratio was 15.8 percent and 15.0 percent for the six months ended June 30, 1997 and 1996, respectively. The increase was due to planned spending on critical core processes necessary for long-term improvements in the areas of medical management, customer service, information systems, and marketing.

Interest income totaled $53 million and $50 million for the six months ended June 30, 1997 and 1996, respectively. The increase was primarily attributable to increased levels of cash, cash equivalents and marketable securities. The tax equivalent yield on invested assets approximated 8 percent for each of the six months ended June 30, 1997 and 1996.

The Company's income before income taxes totaled $125 million for the six months ended June 30, 1997, compared to $135 million for the six months ended June 30, 1996. Net income was $81 million or $.49 per share and $88 million or $.54 per share for each of the six months ended June 30, 1997 and 1996, respectively.

Liquidity

Cash provided by the Company's operations totaled $15 million and $186 million for the six months ended June 30, 1997 and 1996, respectively. The decrease in net cash provided by operations was due to changes in operating assets and liabilities relating to the timing of receipts and disbursements for premiums receivable, medical costs, unearned premiums and other liabilities.

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

During April 1996, the Company implemented a commercial paper program and began issuing debt securities thereunder. The commercial paper program is backed by a $600 million line of credit, which is scheduled to expire in September 2000. At June 30, 1997, there were no borrowings under the commercial paper program.

In June 1997, the Company received a commitment for a revolving credit agreement (the "Credit Agreement") which will provide a revolving line of credit of up to $1.5 billion. The Credit Agreement, which will replace the $600 million revolving line of credit currently in place, is expected to bear a comparable interest rate, and contain customary covenants and events of default. The Credit Agreement is expected to be in place by the end of the third quarater of 1997.

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

Capital Resources

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

Excluding acquisitions, planned capital spending in 1997 will be approximately $80 to $90 million for the expansion and improvement of medical care facilities, administrative facilities, and related information systems.

	1997	1996
Quarterly Membership		
Commercial members at:		
March 31	2,631,000	2,862,900
June 30	2,628,600	2,861,900
September 30		2,846,400
December 31		2,814,800
Medicare risk members at:		
March 31	374,200	322,300
June 30	389,600	332,900
September 30		347,400
December 31		364,500
CHAMPUS eligible members at:		
March 31	1,103,100	
June 30	1,107,300	
September 30		1,075,300
December 31		1,103,000
Medicare supplement members at:		

March 31	93,500	109,600
June 30	74,600	106,000
September 30		101,800
December 31		97,700
Administrative services members at:		
March 31	566,300	444,700
June 30	555,000	447,900
September 30		458,300
December 31		471,000
Total medical members at:		
March 31	4,768,100	3,739,500
June 30	4,755,100	3,748,700
September 30		4,829,200
December 31		4,851,000
Specialty members at:		
March 31	2,172,900	1,811,300
June 30	2,127,200	1,863,800
September 30		1,895,900
December 31		1,884,200

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

	1997		
	First	Second	Total
Revenues:			
Premiums:			
Commercial	$ 1,047	$ 1,031	$ 2,078
Medicare risk	550	571	1,121
CHAMPUS	183	184	367
Medicare supplement	23	19	42
Total premiums	1,803	1,805	3,608
Interest	26	27	53
Other income	3	4	7
Total revenues	1,832	1,836	3,668
Operating expenses:			
Medical costs	1,484	1,487	2,971
Selling, general and administrative	261	258	519
Depreciation and amortization	24	25	49
Total operating expenses	1,769	1,770	3,539
Income from operations	63	66	129
Interest expense	3	1	4
Income before income taxes	60	65	125
Provision for income taxes	21	23	44
Net income	$ 39	$ 42	$ 81
Earnings per common share	$ .24	$ .25	$ .49
Medical loss ratio	82.3%	82.3%	82.3%

Administrative cost ratio	15.8%	15.7%	15.8%

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

	1996				
	First	Second(a)	Third	Fourth (b)	Total
Revenues:					
Premiums:					
Commercial	$ 1,082	$ 1,088	$ 1,079	$ 1,077	$ 4,326
Medicare risk	454	466	484	503	1,907
CHAMPUS			170	181	351
Medicare supplement	24	24	23	22	93
Total premiums	1,560	1,578	1,756	1,783	6,677
Interest	25	25	25	26	101
Other income	3	2	3	2	10
Total revenues	1,588	1,605	1,784	1,811	6,788
Operating expenses:					
Medical costs	1,274	1,415	1,460	1,476	5,625
Selling, general and administrative	203	228	249	260	940
Depreciation and amortization	25	24	25	24	98
Asset write-downs and unusual charges		81		15	96
Total operating expenses	1,502	1,748	1,734	1,775	6,759
Income (loss) from operations	86	(143)	50	36	29
Interest expense	5	3	2	1	11
Income (loss) before income taxes	81	(146)	48	35	18
Income tax provision (benefit)	28	(51)	16	13	6
Net income (loss)	$ 53	$ (95)	$ 32	$ 22	$ 12
Earnings (loss) per common share	$ .32	$ (.58)	$ .20	$ .13	$ .07
Medical loss ratio	81.7%	89.7%	83.1%	82.8%	84.3%
Administrative cost ratio	14.7%	16.0%	15.6%	15.8%	15.5%

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

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

Humana Inc.
Part II: Other Information

Item 1: Legal Proceedings

Damages for claims for personal injuries and medical benefit denials are usual in the Company's business. Personal injury claims are covered by insurance from the Company's wholly-owned captive insurance subsidiary and excess carriers, except to the extent that claimants seek punitive damages, which may not be covered by insurance if awarded. Punitive damages generally are not paid where claims are settled and generally are awarded only where a court determines there has been a willful act or omission to act.

Management does not believe that any pending legal actions will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Items 2 - 5: None

Item 6: Exhibits and Reports on Form 8-K

(a) Exhibits

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

Exhibit 27 - Financial Data Schedule

(b) On June 17, 1997, the Company filed a report on Form 8-K regarding the execution of definitive agreements to acquire Physician Corporation of America and ChoiceCare Corporation.

Signatures

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

HUMANA INC.

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

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

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

Arthur P. Hipwell

Senior Vice President and
General Counsel

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
Earnings:				
Income (loss) before income taxes	$ 65	$ (146)	$ 125	$ (65)
Fixed charges	3	5	8	11
	$ 68	$ (141)	$ 133	$ (54)
Fixed charges:				
Interest charged to expense	$ 1	$ 3	$ 4	$ 8
One-third of rent expense	2	2	4	3
	$ 3	$ 5	$ 8	$ 11
Ratio of earnings to fixed charges	20.9	(a)	15.9	(a)

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

(a) Exclusive of the special charges of $200 million before income taxes, the Ratio for the quarter and six months ended June 30, 1996, would have been 12.3 and 13.2, respectively.

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