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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

OR

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

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 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 (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 [_]

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

The aggregate market value of voting stock held by non-affiliates of the Registrant as of February 27, 1998 was $3,943,071,262 calculated using the average price on such date of $25.47. The number of shares outstanding of the Registrant's Common Stock as of February 27, 1998 was 165,210,259.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Part II and Part IV incorporate herein by reference the Registrant's 1997 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 14, 1998.

The Exhibit Index begins on page 16.

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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 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, 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 contract with the federal government to administer the TRICARE program (formerly the Civilian Health and Medical Program of the Uniformed Services), renewal of the Company's Medicaid contracts with various state governments and the Commonwealth of Puerto Rico, and the effects of other general business conditions, including but not limited to the Company's ability to integrate its acquisitions, the Company's ability to appropriately address the "Year 2000" computer system issue, 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, the ability of health care providers to assume financial risk, 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.

Since 1983, the Company has offered 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 encourage or require the use of contracting providers. HMOs and PPOs control health care costs by various means, including pre-admission approval for hospital inpatient services and pre-authorization of outpatient surgical procedures. The Company also offers various specialty and administrative service products including dental, group life and workers' compensation.

The Company's HMO and PPO products are marketed primarily to employer and other groups ("Commercial"), as well as Medicare- and Medicaid-eligible individuals. At December 31, 1997, the Company had a total of 3,258,600 fully insured Commercial customers, with an average group size of 26 members. 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. At December 31, 1997, the Company had 480,800 Medicare risk members and 68,800 Medicare supplement members. The Company maintains annual contracts with various states and a two-year contract with the Commonwealth of Puerto Rico, expiring March 31, 1999, to provide health care to Medicaid-eligible individuals. At December 31, 1997, the Company had 635,200 Medicaid members. The Company also offers administrative services ("ASO") to employers who self-insure their employee health plans. At December 31, 1997, the Company provided claims processing, utilization review and other administrative services to 651,200 ASO members. In total, the Company's products are licensed in 47 states, the District of Columbia and Puerto Rico.

On July 1, 1996, the Company began providing managed health care services to approximately 1.1 million eligible beneficiaries under a contract with the United States Department of Defense under the TRICARE program. The government exercised its option to extend the contract for one year effective July 1, 1997. Under

the TRICARE contract, which is renewable annually for up to three additional years, the Company provides managed care services to the beneficiaries of active military personnel and retired military personnel and their beneficiaries located in the southeastern United States. The Company has subcontracted with third parties to provide certain administration and specialty services under the contract. Three health benefit options are available to TRICARE beneficiaries. In addition to a traditional indemnity option, participants may enroll in an HMO-like plan with a point-of-service option or take advantage of reduced co-payments by using a network of preferred providers.

On October 17, 1997, the Company acquired ChoiceCare Corporation ("ChoiceCare") for approximately $250 million in cash. The purchase was funded with borrowings under the Company's commercial paper program. ChoiceCare provides health care services products to approximately 250,000 medical members in the Greater Cincinnati, Ohio, area.

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

On February 28, 1997, the Company acquired Health Direct, Inc. ("Health Direct") from Advocate Health Care for $23 million in cash. This transaction added approximately 50,000 medical members to the Company's Chicago, Illinois, 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, exclusive of its small group business and Alabama TRICARE operations, to PrimeHealth of Alabama, Inc. On October 31, 1997, the Company also sold The Lexington Hospital in Lexington, Kentucky, to Jewish Hospital Healthcare Services, Inc. These sale transactions did not have a material

impact on the Company's financial position, results of operations or cash flows.

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 generally 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, 1997, the Company owned and operated 18 HMOs, which contracted with approximately 73,500 physicians (including approximately 21,500 primary care physicians) and approximately 1,100 hospitals. In addition, the Company had approximately 7,000 contracts with other providers to provide services to HMO members. The Company also employed approximately 450 providers in its staff model HMOs at December 31, 1997.

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, 1997, Commercial HMO premium revenues totaled approximately $1.8 billion or 23 percent of the Company's total premium revenues. Approximately $181 million of the Company's Commercial HMO premium revenues for the year ended December 31, 1997 were derived from contracts with the United States Office of Personnel Management ("OPM"), under which the Company provides health care benefits to approximately 113,000 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 at 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 financial position, results of operations 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, 1997, approximately 55,000 physicians and approximately 750 hospitals contracted directly with the Company to provide services to PPO members. The Company also had approximately 5,500 contracts (including certain contracts which also service the Company's HMOs) with other providers to provide services to PPO members. In addition, the Company had access to 35 leased provider networks throughout the country.

For the year ended December 31, 1997, Commercial PPO premium revenues totaled approximately $2.3 billion or 29 percent of the Company's total premium revenues.

The Company expects that 1998 Commercial premium rates will increase approximately 4 to 5 percent from 1997 levels. Over the last four years, changes in the Company's Commercial premium rates have ranged between an approximate 2 percent decrease for the year ended December 31, 1995, to an approximate 5 percent increase for the year ended December 31, 1994, with an average increase of approximately 2 percent.

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 care 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 coinsurance amounts. They may, if they choose, supplement their Medicare coverage by purchasing Medicare supplement policies which pay these deductibles and coinsurance 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 the federal government's Health Care Financing Administration ("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 coinsurance 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. 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, 1997, approximately 40,000 members in 16 markets were paying premiums which totaled approximately $29 million for the year ended December 31, 1997.

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 by formula established in federal law.

As of January 1, 1998, the Company provides Medicare risk services under 16 contracts with HCFA in 11 states. Management believes that additional Medicare risk growth opportunities exist because only approximately 15 percent of the country's Medicare-eligible beneficiaries are enrolled in managed care programs similar to those offered by the Company. The Company intends to pursue those opportunities in under-penetrated markets which meet the Company's long-term growth strategies.

At December 31, 1997, HCFA Contracts covered approximately 480,800 Medicare risk members for which the Company received premium revenues of approximately

$2.4 billion or 31 percent of the Company's total premium revenues for the year ended December 31, 1997. At December 31, 1997, one such HCFA Contract covered approximately 249,000 members in Florida and accounted for premium revenues of approximately $1.5 billion, which represented 62 percent of the Company's HCFA premium revenues or 19 percent of the Company's total premium revenues for the year ended December 31, 1997. HCFA Contracts are renewed for a one-year term each December 31 unless terminated 90 days prior thereto. Management believes termination of the HCFA Contract covering the members in Florida would have a material adverse effect on the revenues, profitability and business prospects of the Company.

The Company's 1998 average rate of statutory increase under the HCFA Contracts will approximate 2 percent. Over the last five years, annual increases have ranged from as low as the January 1998 increase of 2 percent to as high as 9 percent in January 1996, with an average of approximately 5 percent, including the January 1998 increase.

The Balanced Budget Act of 1997 adopted certain changes to the Medicare program that can be expected to affect the Company's Medicare risk program. These include provisions that affect the methodology for payment and expand the options available to Medicare beneficiaries by permitting HCFA to contract with a variety of types of managed care plans, including provider sponsored networks. HCFA is expected to publish regulations implementing the Balanced Budget Act on June 1, 1998. (See "Health Care Reform--National.") Management is unable to predict the effect of these regulations on the Company's financial position, results of operations or cash flows. The loss of the Company's HCFA 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 effect on the revenues, profitability and business prospects of the Company.

Medicare Supplement

The Company's Medicare supplement product is an insurance policy which pays for hospital deductibles, co-payments and coinsurance 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, 1997, the Company provided Medicare supplement benefits to approximately 68,800 members. For the year ended December 31, 1997, Medicare supplement premium revenues totaled approximately $79 million or 1 percent of the Company's total premium revenues.

MEDICAID PRODUCT

Medicaid is a federal program that is state-operated 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 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 program are similar to the risks associated with the Medicare risk product discussed previously. 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. Due to

the increased emphasis on state health care reform and budgetary constraints, more states are utilizing a managed care product in their Medicaid programs. The Company also maintains a two-year contract with the Commonwealth of Puerto Rico, expiring March 31, 1999, to provide health care to Medicaid-eligible individuals. For the year ended December 31, 1997, premium revenues from the Company's Medicaid products totaled approximately $224 million or 3 percent of the Company's total premium revenues. It is anticipated that Medicaid premium revenues will be approximately 6 percent of the Company's total 1998 premium revenues. At December 31, 1997, the Company had approximately 635,200 Medicaid members in four states and the Commonwealth of Puerto Rico.

TRICARE

In 1993, the Company established Humana Military Healthcare Services, Inc. (a wholly-owned subsidiary of the Company), to enter in contracts to provide managed care services to the beneficiaries of active military personnel and retired military personnel and their beneficiaries. In November 1995, the United States Department of Defense awarded the Company its first TRICARE contract covering approximately 1.1 million eligible beneficiaries in Florida, Georgia, South Carolina, Mississippi, Alabama, Tennessee and Eastern Louisiana.

On July 1, 1996, the Company began providing managed health care services to these approximate 1.1 million eligible beneficiaries under a potential five-year contract (a one-year contract originally renewable annually for up to four additional years). The government exercised its option to extend the contract for one year effective July 1, 1997. The Company has subcontracted with third parties to provide certain administration and specialty services under the contract. Three health benefit options are available to TRICARE beneficiaries. In addition to a traditional indemnity option, participants may enroll in an HMO-like plan with a point-of-service option or take advantage of reduced co-payments by using a network of preferred providers. TRICARE premium revenues were approximately $764 million or 10 percent of the Company's total premium revenues for the year ended December 31, 1997.

The Company will actively seek opportunities to provide managed care services to beneficiaries of federal and state programs, including other TRICARE contracts.

OTHER RELATED PRODUCTS

The Company offers various specialty and administrative services products including dental, group life and workers' compensation. Specialty membership at December 31, 1997 totaled approximately 2.4 million members, including approximately 884,000 members for which the Company provides only administrative services. Specialty product premium revenues were approximately $230 million or 3 percent of the Company's total premiums for the year ended December 31, 1997.

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. Under these

arrangements, physicians are paid a fixed amount to provide services to their members. These contracts typically obligate primary care physicians to provide or make referrals to other health care providers for the provision of all covered managed health care services to HMO members. These services include services provided by specialty physicians and other providers. The capitation payment does not vary with the nature or extent of services to the member and is generally designed to shift a portion of the HMOs' financial risk to the primary care physician. The degree to which the Company uses capitation arrangements varies by provider. The Company also employs approximately 450 providers in markets where it operates staff model HMOs.

The Company also contracts with medical specialists and other providers to which a primary care physician may refer a member. The contracts with specialists may be capitation arrangements or may provide for payment on a fee-for-service basis based on negotiated fees. Typically, payments by the Company to these specialists and other providers reduce the ultimate payment that otherwise would be made to primary care physicians. The Company's HMOs also have arrangements under which physicians can earn bonuses when certain target goals relating to quality and cost effectiveness in the provision of patient care are met. The Company's contracts with capitated physicians generally provide for stop-loss coverage so that a physician's financial risk for any single member is limited to a certain amount on an annual basis.

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. These providers are generally paid on a negotiated fee-for-service basis. 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 or 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, 1997, approximately 41 percent of the Company's total medical costs were for services provided to its members in hospitals or related facilities.

The Company has certain risk-sharing contracts whereby the providers assume a specified level of risk for covered managed care services to its members. Included in these contracts are full risk capitation arrangements ("global capitation"), the majority of which were assumed as part of the PCA acquisition. Under global capitation contracts, providers are paid a monthly capitation payment per covered member to assume financial risk for the delivery of all health care services. These payments are based on a specified percentage of premiums (typically 78 to 88 percent depending on the contract). At December 31, 1997, approximately 168,400 Commercial members, 40,800 Medicare risk members and 546,800 Medicaid members were covered under these global capitation contracts.

Under all of its arrangements, the Company remains financially responsible for the provision of or payment for covered medical services if its contractors fail to perform their obligations under the contract.

In March 1998, the Company reached an agreement in principle with the Advocate Health Care System ("Advocate") under which Advocate will assume operations of 13 of the Company's staff model centers in the Chicago, Illinois, area and will provide health care services under a long-term provider agreement with the Company. This agreement encompasses 165 providers employed by Humana and approximately 164,000 members of the Company.

During 1997, the Company continued its Hospital Inpatient Management System ("HIMS") which allows specially trained physicians to manage the entire range of medical care while each HMO member is in the hospital, and coordinate the member's discharge and care after discharge. The Company has also implemented a Demand Management program which provides members telephone access to registered nurses 24 hours a day, seven days a week. As of December 31, 1997, the Demand Management program was available to the majority

of the Company's fully insured members. The Company continues to implement several disease management programs in various markets. Under these arrangements, the Company provides financial incentives for contractors to

provide the full range of care to members with respect to a particular high risk or chronic disease in a quality, cost-effective manner. These disease management programs include congestive heart failure, prenatal and premature infant care, end stage renal disease, diabetes and breast cancer screening.

QUALITY ASSESSMENT AND CUSTOMER SERVICE

Access to high quality health care services is an important element of the Company's business. All of the Company's contracts require that the provider participate in the Company's quality assurance program. 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 or contracts for 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. Each HMO has in place a peer review procedure which is implemented by a quality management committee ("QMC"). This committee is headed by the HMO's medical director and is composed of physicians and physician group representatives. The QMC performs an initial evaluation of applicants for credentialing and reviews all providers on a periodic basis to monitor the appropriateness of members' care.

HEALTH MAINTENANCE ORGANIZATION ACCREDITATION

With the increasing significance of managed care in the health care industry, several independent organizations have been formed for 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"). In the states of Kansas and Florida, accreditation or external review by an accrediting organization is mandatory and generally required for licensure.

NCQA performs site reviews of standards established for quality assurance, credentialing, utilization management, medical records, preventive services and members rights and responsibilities. As of January 31, 1998, thirteen of Humana's HMOs have achieved various levels of accreditation from NCQA. Humana Medical Plan, Inc. in its South Florida, Northeast Florida, Tampa Bay and Central Florida markets, Humana Health Plan, Inc. in its Chicago market, Humana Health Plan of Texas, Inc. in its San Antonio market (which includes Houston, Austin and Dallas) and Humana Kansas City, Inc. all received full accreditation status. Humana Health Plan of Ohio, Inc. has received one-year accreditation. During 1997, Humana acquired ChoiceCare Health Plans, Inc. and PCA Health Plans of Florida, Inc.-Central, Northern and Southern regions and PCA Health Plans of Texas, Inc. These plans had previously achieved full accreditation from NCQA. The Company is currently preparing for NCQA accreditation for the remainder of its HMO plans, beginning with the review of Humana Health Plan, Inc. in Louisville scheduled for May 1998 and Humana Wisconsin Health Organization in Milwaukee, which is scheduled for May 1999.

JCAHO reviews rights, responsibilities and ethics, continuum of care, education and communication, leadership, management of information and human resources, and network performance. JCAHO also evaluates the mechanisms the organization has established to ensure continuous quality improvement. As of December 31, 1997, Humana Medical Plan, Inc. in its Fort Walton market received three-year accreditation from JCAHO.

MANAGEMENT INFORMATION SYSTEMS

The Company's managed care health plans use centralized, 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. The Company is currently in the process of integrating PCA and ChoiceCare on to these centralized systems.

Key to the Company's information systems are operational reports, 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 upgraded to support new products in an integrated manner, as well as to take advantage of the latest advances in technology.

The Company has conducted an assessment of its computer systems to identify the systems that could be affected by the "Year 2000" issue, which results from computer programs having been written to define the applicable year using two digits rather than four digits. The Company believes that, with modifications to existing software, the Year 2000 issue will not pose significant operational problems for its computer system as so modified. The Company plans to complete the majority of the Year 2000 modifications by December 31, 1998. At present, the Company anticipates that the incremental costs incurred in connection with the Year 2000 project will approximate $12 to $15 million.

The costs of the project and the date on which the Company plans to complete the necessary Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, the ability of the Company's significant suppliers, customers and others with which it conducts business, including federal and state governmental agencies, to identify and resolve their own Year 2000 issues and similar uncertainties.

SALES AND 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, 1997, the Company used approximately 44,600 licensed independent brokers and agents and approximately 500 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.

At December 31, 1997, the Company used approximately 3,500 licensed independent brokers for referrals and approximately 1,000 employed sales representatives, who are each paid a salary and/or per member commission, to market the Company's Medicaid and Medicare products. The Company also used approximately 600 telemarketing representatives who assisted 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, 1997, by state and product:

MEDICAL MEMBERSHIP
(IN THOUSANDS)

	COMMERCIAL								
	PPO	HMO	MEDICARE RISK	MEDICAID	TRICARE	MEDICARE SUPPLEMENT	ASO	TOTAL	PERCENT OF TOTAL
Florida	192.2	387.6	282.6	128.8	422.2	6.7	6.3	1,426.4	23.0%
Texas	238.4	311.8	68.6	39.0	--	8.0	16.7	682.5	11.0%
Illinois	213.2	306.8	57.7	16.4	--	0.2	57.1	651.4	10.5%
Puerto Rico	75.8	25.4	--	431.4	--	--	--	532.6	8.6%
Wisconsin	85.7	117.0	--	19.6	--	--	241.6	463.9	7.5%
Kentucky	135.8	113.0	12.0	--	--	32.4	128.1	421.3	6.8%
Georgia	85.0	4.2	--	--	266.8	4.4	1.5	361.9	5.8%
Ohio	82.1	191.8	6.6	--	--	--	58.4	338.9	5.5%
Missouri/Kansas	48.9	114.0	21.7	--	--	6.7	47.8	239.1	3.8%
Indiana	97.5	25.1	1.1	--	--	1.7	26.2	151.6	2.4%
South Carolina	7.7	--	--	--	139.1	--	1.1	147.9	2.4%
Tennessee	49.7	--	--	--	71.7	0.8	6.0	128.2	2.1%
Other	346.5	3.4	30.5	--	212.4	7.9	60.4	661.1	10.6%
Total	1,658.5	1,600.1	480.8	635.2	1,112.2	68.8	651.2	6,206.8	100.0%

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 HCFA regulations require the Company to accept all eligible Medicare 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 TRICARE contract, no underwriting techniques are employed because the Company must accept all eligible beneficiaries who 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, including provider sponsored networks. Many of the Company's competitors have larger membership in local markets or greater financial resources. 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 18 licensed HMO subsidiaries, nine are qualified under the Federal Health Maintenance Organization Act of 1973, as amended. Ten subsidiaries are parties to HCFA contracts to provide Medicare risk HMO products in 11 states.

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 conducts audits of 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, 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. In 1998, it is possible to seek a federal waiver of this requirement and in 1999 this requirement ceases to exist. The Company has applications for waivers pending in its Florida, Las Vegas, Nevada, and Phoenix, Arizona, markets, and intends to seek additional waivers during 1998. HCFA also requires 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.

In addition, HCFA requires certain disclosures to HCFA and to Medicare beneficiaries concerning the financial arrangements which managed care organizations have with physicians with whom they contract. These rules also require certain levels of stop-loss coverage to protect contracted physicians against major losses relating to patient care, depending on the amount of financial risk they assume. HCFA also requires the reporting of certain health care data contained in HEDIS.

The Company's Medicaid products are regulated by the applicable state agency in the state in which the Company sells a Medicaid product and the Commonwealth of Puerto Rico, in conformance with federal approval of the applicable state plan, and are subject to periodic reviews by these agencies. The reviews are similar in nature to those performed by HCFA.

Laws in each of the states (and the Commonwealth of Puerto Rico) in which the Company operates its HMOs, PPOs and other health insurance-related services 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 HMO, PPO and other health insurance-related products offered by the Company are sold under licenses issued by the applicable insurance regulators. The Company's HMOs, PPOs and other health insurance-related services 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 health insurance companies 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 and Commonwealth of Puerto Rico regulations. These regulations require, among other things, prior approval and/or notice of certain material transactions, including dividend payments, intercompany agreements 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 continue 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

In 1997, Congress passed the Balanced Budget Act ("Act") which revised the structure of and reimbursement for private health plan options for Medicare enrollees. The Act seeks to expand the options available to Medicare enrollees by permitting HCFA to contract with a variety of types of managed care plans, creating a new Medicare fee-for-service option and establishing a Medicare Medical Savings Account Demonstration Program. The legislation also encourages provider sponsored organizations to contract directly with HCFA to provide coverage for Medicare enrollees. Federal reimbursement was modified so that the premiums paid by HCFA will be adjusted to take into account, on an increasing basis, a blend of national and local health care cost factors, rather than only local costs--starting with a 10% national factor in 1998 and moving to a 50% national factor by 2003. Congress also provided for gradual removal of a graduate medical education factor in determining reimbursement. In addition, effective January 1, 1998, the Company's Medicare reimbursement has been reduced through the assessment of .4 percent of premium (approximately $12 to $14 million). This assessment was designed to fund a national senior education program.

Also in 1997, Congress provided states with funding for expansion of private health plan coverage for children who currently are uninsured. Approximately $20 billion over five years will be made available for states to offer such coverage to uninsured children.

Current legislative proposals under consideration include greater government oversight over private health insurance. Such proposals include creating liability for medical decision making and setting minimum quality standards and service delivery requirements for plan enrollees. In addition, the President and the President's Advisory Commission on Consumer Protection and Quality in the Health Care Industry have made recommendations for enhancing certain consumer health insurance rights.

Congress is also evaluating whether to extend health insurance to certain uninsured groups, such as early retirees and the unemployed. Such matters under discussion include permitting individuals over the age of 62 to purchase coverage under the Medicare program if no other plan is available and extending coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") to individuals who accept early retirement after the age of 55. Management believes that continuing concerns over health care accessibility, costs, and quality will result in additional legislative and regulatory efforts to reform the health care system.

State

Legislation enacted in the states has included, among other things, conforming existing state law to the federally enacted Health Insurance Portability and Affordability Act ("HIPAA"), mental health parity and maternity length of stay laws. Issues relating to managed care consumer protection standards, including increased plan information disclosure, expanded emergency room services coverage, expedited appeals procedure, third party review of certain medical decisions, health plan liability, access to specialists and confidentiality of medical records continue to be under discussion. Further, proposals that place restrictions on the selection and termination of participating health care providers also are receiving review.

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 revenues, profitability and business prospects of the Company.

OTHER

Captive Insurance Company

The Company insures substantially all professional liability risks through a wholly-owned 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 unrelated insurance carriers.

Centralized Management Services

Centralized management services are provided to each health plan from the Company's headquarters and service centers. 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, 1997, the Company had approximately 19,500 employees, including approximately 600 employees 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 1,500 to 80,000 square feet. The Company's administrative market offices are generally leased, with square footage ranging from approximately 700 to 89,000. The following chart lists the location of properties used in the operation of the Company at December 31, 1997:

	MEDICAL CENTERS	ADMINISTRATIVE OFFICES

	OWNED	LEASED	OWNED	LEASED	TOTAL
Florida	7	91	3	47	148
Illinois	8	18	--	10	36
Texas	5	4	1	16	26
Puerto Rico	--	--	--	24	24
Kentucky	8	4	2	2	16
Missouri/Kansas	3	6	--	6	15
Ohio	--	--	--	9	9
California	--	--	--	8	8
Wisconsin	--	--	--	8	8
Other	1	3	1	42	47
Total	32	126	7	172	337

In addition, the Company owns buildings in Louisville, Kentucky, San Antonio, Texas and Green Bay, Wisconsin, and leases facilities in Jacksonville, Florida and Madison, Wisconsin, 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.

ITEM 3. LEGAL PROCEEDINGS

A class action lawsuit styled Mary Forsyth, et al v. Humana Inc., et al, Case #CV-5-89-249-PMP (L.R.L.), was filed on March 29, 1989, in the United States District Court for the District of Nevada. On August 18, 1997, the Company filed a Petition for Writ of Certiorari in the United States Supreme Court ("Petition") requesting

the Supreme Court to reverse part of a ruling by the Court of Appeals for the Ninth Circuit which had reinstated certain claims that had been dismissed by the U.S. District Court in Nevada in the case involving claims arising out of the method of calculation of coinsurance for Nevada insureds prior to 1988. The Petition requested the Supreme Court to reverse the Ninth Circuit's decision to reinstate the claim under the Racketeer Influenced and Corrupt Organizations Act ("RICO") on behalf of a class of insureds who paid coinsurance at Humana hospitals (the "Co-Payer Class"). The petition is pending before the Supreme Court. The Ninth Circuit, in a decision issued on May 23, 1997, in response to the Company's Petition for Reconsideration on Rehearing En Banc following its original November 4, 1996 decision, ruled that the damages in the Co-Payer Class's RICO claim, before any trebling, were correctly limited to the amount of overpayment of the coinsurance, which totaled approximately $1.6 million plus interest. The Ninth Circuit also reinstated an antitrust claim that had been dismissed by the District Court. The Company requested summary judgment in the District Court on that Claim on October 6, 1997. On September 22, 1997, plaintiffs filed their Fourth Amended Complaint. On October 1, 1997, the plaintiffs filed a motion in the District Court for leave to file a Fifth Amended Complaint reasserting an ERISA claim and adding new RICO and antitrust claims. The Company filed a motion to dismiss the amended complaint and a motion opposing the plaintiffs' request to file the amended complaint. The motions are pending before the District Court. Oral arguments on the plaintiffs' and Company's motions were held on January 30, 1998. The trial which was scheduled to begin on February 23, 1998 on all of the remaining claims has been postponed.

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. The action was purportedly brought on behalf of the Company and Galen Health Care, Inc. ("Galen") against all of the directors of both companies at the time Galen was spun off from the Company alleging, among other things, that the defendants had improperly amended the Company's

existing stock option plans to bifurcate their existing options to allow employees of each company to receive options in the stock of the other company. The challenged amendment to the plan was approved by the Company's stockholders at the 1993 Annual Meeting of Stockholders. There has been little activity in this case. The defendants filed a motion to dismiss the case in October 1995, which is still pending. The Company believes that the complaint is without merit.

Between November 19, 1997 and December 11, 1997, three related, purported class action complaints entitled (i) Medhat Reiser v. PCA, et al, Civil Action No. 97-3678 (S.D. Fla.) (Middlebrooks, J.), (ii) Janice Wells and Stewart Colton v. PCA, et al, Civil Action No. 97-3832 (King, J.), and (iii) David Applestein v. PCA, et al, Civil Action No. 97-4030 (Nesbitt, J.), were filed in the United States District Court for the Southern District of Florida by purported former stockholders of Physician Corporation of America ("PCA") against PCA and certain of its former directors and officers. By order entered February 13, 1998, the three actions were consolidated into a single action entitled In re Physician Corporation of America Securities Litigation, Civil Action No. 97-3678 (S.D. Fla.) (Middlebrooks, J.). The Reiser, Wells and Applestein complaints (a consolidated amended complaint has not yet been filed) contain the same or substantially similar allegations; namely, that PCA and the individual defendants knowingly or recklessly made false and misleading statements in press releases and public filings with respect to the financial and regulatory difficulties of PCA's workers' compensation business. Count I of all three complaints is premised on alleged violations of Section 10(b) of the Securities Exchange Act of 1934 (the "1934 Act") and SEC Rule 10b-5, and Count II on alleged violations of Section 20(a) of the 1934 Act. All three complaints seek certification of a class of stockholders who purchased shares of PCA common stock from May 1996 through March 1997, as well as money damages plus prejudgment interest in an unspecified amount, and costs and expenses including attorneys fees. The Company believes that the allegations in the above complaints are without merit and intends to pursue the defense of the consolidated action vigorously.

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 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.

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 February 27, 1998, their positions, and the date first elected an officer of the Company:

NAME	AGE	POSITION	FIRST ELECTED OFFICER
Gregory H. Wolf.....	41	President and Chief Executive Officer	10/95(1)
Victor M. Agruso.....	38	Vice President--Organization Development and Corporate Relations	08/97(2)
David R. Astar.....	45	Vice President--Customer Service	09/96(3)
Kenneth J. Fasola.....	38	Vice President--Sales and Marketing	05/96(4)
Arthur P. Hipwell.....	49	Senior Vice President and General Counsel	08/90(5)
Michael B. McCallister..	45	Senior Vice President--Health System Management	09/89(6)

James E. Murray.....	44	Vice President and Chief Financial Officer	08/90(7)
David R. Nelson.....	43	Vice President and Chief Actuary	09/96(8)
Bruce D. Perkins.....	43	Senior Vice President--National Contracting	09/94(9)
Jerry D. Reeves, M.D....	53	Senior Vice President and Chief Medical Officer	01/97(10)
Kirk E. Rothrock.....	39	Vice President--Specialty Products and Businesses	05/96(11)
George W. Vieth, Jr.....	42	Vice President--Strategy and Systems Development	12/95(12)

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(1) Mr. Wolf currently serves as President, Chief Executive Officer and Director of the Company having been elected to this position December 1997. Mr. Wolf previously served as President and Chief Operating Officer from September 1996 until December 1997 and served as Chief Operating Officer of the Company since July 1996. Mr. Wolf was initially elected an officer of the Company at the time of the acquisition of EMPHESYS in 1995. Mr. Wolf had 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 Company ("EHIC") (a wholly-owned subsidiary of EMPHESYS) in 1993 and was named Senior Vice President for EHIC in 1990 for Marketing, Sales and Business Development.

(2) Mr. Agruso was elected to the above position in August 1997. Before joining the Company, Mr. Agruso was Global Director--Footwear Human Resources at Nike, Inc. in Portland, Oregon in 1997. From the spring of 1995 until the fall of 1996, Mr. Agruso was Vice President--People Services at Secura Insurance Companies in Appleton, Wisconsin. In 1995 and 1996, he also performed consulting services for various clients. Prior to that, he was Director of Organization and Human Resource Development at Hallmark Cards, Inc. in Kansas City, Missouri from 1992 through April 1995.

(3) Mr. Astar currently serves as Vice President--Customer Service and was elected to this position in September 1996. Prior to that, Mr. Astar was Vice President of Customer Service of EHIC since 1990.

(4) Mr. Fasola currently serves as Vice President--Sales and Marketing and was elected an officer of the Company in May 1996. Prior to that, Mr. Fasola was Vice President and National Sales Manager of EHIC since 1989.

(5) Mr. Hipwell was initially elected an officer of the Company in 1990 and previously served in this same capacity from July 1992, until the spinoff of Galen Health Care Inc. ("Galen"), when he became Senior Vice President and General Counsel of Galen. Mr. Hipwell returned to the Company in January 1994 and was named Senior Vice President and General Counsel of the Company in June 1994.

(6) Mr. McCallister currently serves as Senior Vice President--Health System Management and was elected to this position January 1998. Prior to that, Mr. McCallister served as Division I President from July 1996 to January 1998. Mr. McCallister joined the Company in June 1974 as a Financial Specialist and has served in several positions throughout the Company.

(7) Mr. Murray currently serves as Vice President and Chief Financial Officer and was elected to this position January 1997. Prior to that, Mr. Murray served as Vice President--Finance from August 1990 to January 1997. Mr. Murray joined the Company as Controller in October 1989.

(8) Mr. Nelson was elected to the above position in September 1996. Prior to that, Mr. Nelson was Vice President and Chief Actuary of EHIC since 1992.

(9) Mr. Perkins currently serves as Senior Vice President--National Contracting and was elected to this position January 1998. Prior to that, Mr. Perkins served as Senior Vice President--Provider Affairs and Reengineering from August 1996 to January 1998. He served as President of the South/West Division from May 1996 to August 1996 and Vice President--Region II from August 1994 to May 1996. Mr. Perkins joined the Company in

May 1978.

(10) Dr. Reeves, a pediatric oncologist, joined the Company in January 1997 in the above position. Prior to that, Dr. Reeves was Senior Vice President--Health Care Operations and Chief Medical Officer at Sierra Health Services, Inc. in Las Vegas, Nevada. Dr. Reeves was employed by Sierra for eight years.

(11) Mr. Rothrock was elected to the above position in May 1996. Prior to that, Mr. Rothrock served in a similar capacity as Vice President for EHIC since 1993 and as an Assistant Vice President since 1991.

(12) Mr. Vieth currently serves as Vice President--Strategy and Systems Development and was elected to this position in January 1998. Prior to that, Mr. Vieth served as Vice President--Development and Planning beginning in December 1995. Mr. Vieth joined the Company in November 1992 as Director of Development and Planning. Before joining the Company, Mr. Vieth was Vice President and General Counsel of Glenmore Distilleries in Louisville, Kentucky since 1989.

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 executive officers of the Company.

PART II

Certain information for Items 5 through 8 of this report, which appears in the 1997 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 14, 1998, appearing under the caption "ELECTION OF DIRECTORS OF THE COMPANY FOR 1998" 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 scheduled to be held on May 14, 1998, 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 scheduled to be held on May 14, 1998, 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 scheduled to be held on May 14, 1998, 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) Index to Consolidated Financial Statement Schedules:

Consolidated Schedules as of and for the years ended December 31, 1997, 1996 and 1995:

I Parent Company Financial Information

II Valuation and Qualifying Accounts

All other schedules have been omitted because they are not applicable.

(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.

3(b) By-laws, as amended filed herewith.

4(a) Form of Amended and Restated Rights Agreement dated February 14, 1996, between Humana Inc. and Mid-America Bank of Louisville and Trust Company. 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.

(b) 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 1997 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 Annual Report on Form 10-K for the fiscal 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 Annual Report on Form 10-K for the fiscal year ended December 31, 1993, is incorporated by reference herein.

(i)* 1996 Stock Incentive Plan for Employees. Annex A to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on May 9, 1996, is incorporated by reference herein.

(j)* 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.

(k)* Humana Inc. 1997 Management Incentive Plan for Executive Management. Annex A to the Company's Proxy Statement covering the Annual Meeting of Stockholders held on May 8, 1997, is incorporated by reference herein.

(l)* Humana Inc. 1997 Management Incentive Plan for Employees. Exhibit 10 to the Company's Form 10-Q for the quarter ended March 31, 1997, is incorporated by reference herein.

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

10(m)* Restated agreement providing for termination benefits in the event of a change of control, filed herewith.

(n)* Humana Inc. 1998 Management Incentive Compensation Plan, filed herewith.

(o)* Employment Agreement--Gregory H. Wolf, dated December 1, 1997, filed herewith.

(p)* Humana Officers' Target Retirement Plan, as amended, filed herewith.

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

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

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

(t)* Letter agreement with Company officers concerning health insurance availability. Exhibit 10(mm) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, is incorporated by reference herein.

(u)* Form of Retention Bonus Agreement between each of Gregory H. Wolf and certain other executive officers and the Company. Exhibit 10(w) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is incorporated by reference herein.

(v) 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.

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

(x) The $1.5 Billion Credit Facility between the Company and Chase Manhattan Bank. Exhibit 10 to the Company's Current Report on Form 8-K filed on September 23, 1997, is incorporated by reference herein.

(y) The $1.5 Billion Commercial Paper Private Placement Memorandum between the Company and Chase Securities, Inc. Exhibit 4a to the Company's Current Report on Form 8-K filed on September 23, 1997, is incorporated by reference herein.

(z) The $1.5 Billion Commercial Paper Private Placement Memorandum between the Company and Merrill Lynch Money Markets, Inc. Exhibit 4b to the Company's Current Report on Form 8-K filed on September 23, 1997, is incorporated by reference herein.

(aa) Assumption of Liabilities and Indemnification Agreement between the Company and Galen Health Care, Inc. ("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) Agreement between the United States Department of Defense and Humana Military Healthcare Services, Inc., a wholly-owned subsidiary of the Company. Exhibit 10(dd) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is incorporated by reference herein.

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

12 Statement re: Computation of Ratio of Earnings to Fixed Charges, filed herewith.
13 1997 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:

No reports on Form 8-K were filed by the Company during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 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.

/s/ James E. Murray
By: ----------
James E. Murray
Chief Financial Officer

Date: March 31, 1998

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 date indicated.

SIGNATURES	TITLE	DATE
/s/ James E. Murray - ---------- James E. Murray	Chief Financial Officer (Principal Accounting Officer)	March 31, 1998
/s/ David A. Jones - ---------- David A. Jones	Chairman of the Board	March 31, 1998
/s/ David A. Jones, Jr. - ---------- David A. Jones, Jr.	Vice Chairman of the Board	March 31, 1998
/s/ K. Frank Austen, M.D. - ---------- K. Frank Austen, M.D.	Director	March 31, 1998
/s/ Michael E. Gellert - ---------- Michael E. Gellert	Director	March 31, 1998

/s/ John R. Hall - ------------------------ John R. Hall	Director	March 31, 1998
/s/ Irwin Lerner - ------------------------ Irwin Lerner	Director	March 31, 1998
/s/ W. Ann Reynolds, Ph.D. - ------------------------ W. Ann Reynolds, Ph.D.	Director	March 31, 1998
/s/ Gregory H. Wolf - ------------------------ Gregory H. Wolf	Director, President and Chief Executive Officer	March 31, 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Humana Inc.

Our report on our audits of the consolidated financial statements of Humana Inc. dated February 10, 1998 has been incorporated by reference in this Form 10-K from page 44 of the 1997 Annual Report to Stockholders of Humana Inc. In connection with our audits of such financial statements, we have also audited the related financial statement schedules listed in the index in Item 14(a)(2) of this Form 10-K.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Louisville, Kentucky
February 10, 1998

HUMANA INC.

SCHEDULE I--PARENT COMPANY FINANCIAL INFORMATION(a)
CONDENSED BALANCE SHEETS
DECEMBER 31, 1997 AND 1996
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	DECEMBER 31,	
ASSETS	1997	1996
Receivables from operating subsidiaries	$ 162	$ 158
Other current assets	11	42
Property and equipment, net	167	153
Investments in subsidiaries	2,251	1,342
Other	60	61
TOTAL ASSETS	$2,651	$1,756

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	$ 229	$ 223
Long-term debt	889	222
Other	32	19
Total liabilities	1,150	464
Contingencies(b)		
Preferred stock, $1 par; authorized 10,000,000 shares; none issued	--	--
Common stock, $.16 2/3 par; authorized 300,000,000 shares; issued and outstanding 164,058,225 shares--1997 and 162,681,123 shares--1996	27	27
Other stockholders' equity	1,474	1,265
Total stockholders' equity	1,501	1,292
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,651	$1,756

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(a) Parent company financial information has been derived from the consolidated financial statements of the Company and excludes the accounts of all operating subsidiaries. This information should be read in conjunction with the consolidated financial statements of the Company.

(b) In the normal course of business, the parent company indemnifies certain of its subsidiaries for health plan obligations its subsidiaries may be unable to meet.

HUMANA INC.

SCHEDULE I--PARENT COMPANY FINANCIAL INFORMATION(a)
CONDENSED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(DOLLARS IN MILLIONS)

	YEARS ENDED DECEMBER 31,		
	1997(b)	1996	1995(c)
Revenues:			
Management fees charged to operating subsidiaries	$228	$170	$181
Interest income	5	3	23
	233	173	204
Expenses:			
Selling, general and administrative	201	189	146
Depreciation and amortization	26	21	20
Interest expense	17	9	14
	244	219	180
Income (loss) before income taxes and equity in income of subsidiaries	(11)	(46)	24
Income tax (expense) benefit	9	18	(9)
Income (loss) before equity in income of subsidiaries	(2)	(28)	15
Equity in income of subsidiaries	175	40	175

Net income	$173	$ 12	$190

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(a) Parent company financial information has been derived from the consolidated financial statements of the Company and excludes the accounts of all operating subsidiaries. This information should be read in conjunction with the consolidated financial statements of the Company.

(b) Includes the operations of Health Direct, Inc., Physician Corporation of America and ChoiceCare Corporation since their dates of acquisition, February 28, 1997, September 8, 1997 and October 17, 1997, respectively.

(c) Includes the operations of EMPHESYS Financial Group, Inc. since October 11, 1995, the date of acquisition.

HUMANA INC.

SCHEDULE I--PARENT COMPANY FINANCIAL INFORMATION(a)
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(DOLLARS IN MILLIONS)

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Net cash provided by operating activities(b)	$ 191	$ 57	$ 186
Cash flows from investing activities:			
Purchases of property and equipment	(38)	(32)	(24)
Purchases of marketable securities	(6)	(6)	(65)
Maturities and sales of marketable securities	1	5	303
Parent funding of operating subsidiaries	(209)	(46)	(31)
Acquisitions of health plans	(656)	--	(657)
Other	17	(8)	(25)
Net cash used in investing activities	(891)	(87)	(499)
Cash flows from financing activities:			
Issuance of long-term debt	300	--	250
Repayment of long-term debt	--	(250)	--
Net commercial paper borrowings	367	222	--
Other	33	58	63
Net cash provided by financing activities	700	30	313
Change in cash and cash equivalents	--	--	--
Cash and cash equivalents at beginning of period	--	--	--
Cash and cash equivalents at end of period	$ --	$ --	$ --

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(a) Parent company financial information has been derived from the consolidated financial statements of the Company and excludes the accounts of all operating subsidiaries. This information should be read in conjunction with the consolidated financial statements of the Company.

(b) During the years ended December 31, 1997, 1996 and 1995, the Company received dividends from its operating subsidiaries totaling $146 million,

$140 million and $145 million, respectively.

HUMANA INC.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(DOLLARS IN MILLIONS)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	ACQUIRED BALANCES	DEDUCTIONS OR WRITE-OFFS	BALANCE AT END OF PERIOD
Allowance for loss on premiums receivable:					
Year ended December 31, 1995	$20	$ 4	$13	$(1)	$36
Year ended December 31, 1996	36	11	--	(9)	38
Year ended December 31, 1997	38	10	9	(9)	48

Exhibit 3(b)

Restated November 12, 1997

BY-LAWS OF

HUMANA INC.

ARTICLE I
Meetings of Stockholders

Section 1.1 Annual Meetings. The annual meeting of the stockholders for the election of directors and for the transaction of such other business as properly may come before such meeting shall be held on such date, and at such time and place within or without the State of Delaware as may be designated by the Board of Directors.

Section 1.2 Special Meetings. Special meetings of the stockholders for any purpose or purposes, unless otherwise prescribed by law, may be called at any time by the Board of Directors, the Chairman of the Board, the Chief Executive Officer, or the President, to be held on such date, and at such time and place within or without the State of Delaware as the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President, whichever has called the meeting, shall direct. A special meeting of the stockholders shall be called by the Chairman of the Board, the Chief Executive Officer, or the President whenever stockholders owning one-fourth of the shares of the Corporation then issued and outstanding and entitled to vote on matters to be submitted to stockholders of the Corporation shall make application therefor in writing. Any such written request shall state a proper purpose or purposes of the meeting and shall be delivered to the Chairman of the Board, the Chief Executive Officer or the President.

Section 1.3 Notice of Meeting. Written notice of every meeting of the stockholders shall be given by, or at the direction of, the person authorized to call the meeting, to each stockholder of record entitled to vote at the meeting, at his address appearing on the books of the Corporation or supplied by him to the Corporation for the purpose of notice. The notice of every meeting of the stockholders shall specify the place, day and hour of the meeting and, in the case of a special meeting, the matter or matters to be acted upon at such meeting. Only the matter or matters specified in the notice of a special meeting shall be acted upon thereat. All notices of meetings of the stockholders shall be mailed at least ten days before the time of the meeting.

The notice of every meeting of the stockholders may be accompanied by a form of proxy approved by the Board of Directors in favor of such person or persons as the Board of Directors may select.

Section 1.4 Quorum. Except where otherwise provided by law or these By-laws, the presence at any meeting, in person or by proxy, of the holders of record of a majority of the shares then issued and outstanding and entitled to vote shall be necessary and sufficient to constitute a quorum for the transaction of business.

Section 1.5 Adjournments. In the absence of a quorum, a majority in interest of the stockholders entitled to vote, present in person or by proxy, or, if no stockholder entitled to vote is present in person or by proxy, any officer entitled to preside or act as secretary of such meeting, may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 1.6 Voting. Directors shall be chosen by a plurality of the votes cast at the election, and, except where otherwise provided by law, all other questions shall be determined by a majority of the votes cast on such

question. All voting shall be on a non-cumulative basis.

Section 1.7 Proxies. Any stockholder entitled to vote may vote by proxy, provided that the instrument authorizing such proxy to act shall have been executed in writing (which shall include telegraphing or cabling) by the stockholder or by his duly authorized attorney-in-fact and filed with the Secretary of the Corporation.

Section 1.8 Judges of Election. The Board of Directors may appoint judges of election to serve at any election of directors and at balloting on any other matter that may properly come before a meeting of stockholders. If no such appointment shall be made, or if any of the judges so appointed shall fail to attend, or refuse to or be unable to serve, then such appointment may be made by the presiding officer at the meeting.

Section 1.9 Stockholder Proposals. At an annual meeting of stockholders only such business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before the annual meeting of stockholders (a) by, or at the direction of, the Board of Directors or (b) by a stockholder of the Corporation who complies with the procedures set forth in this Section 1.9. For business or a proposal to be properly brought before an annual meeting of stockholders by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the scheduled date of the annual meeting, regardless of any postponement, deferral or adjournment of that meeting to a later date; provided, however, that if less than 70 days' notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by the stockholder to be timely must be so delivered or received not later than the close of business on the 10th day following the earlier of (i) the day on which such notice of the date of the meeting was mailed or (ii) the day on which such public disclosure was made.

A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before an annual meeting of stockholders (i) a description, in 500 words or less, of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the stockholders known by such stockholder to be supporting such proposal, (iii) the class and number of shares of the Corporation which are beneficially owned by such stockholder on the date of such stockholder's notice and by any other stockholders known by such stockholder to be supporting such proposal on the date of such stockholder's notice, (iv) a description, in 500 words or less, of any interest of the stockholder in such proposal, and (v) a representation that the stockholder is a holder of record of stock of the Corporation and intends to appear in person or by proxy at the meeting to present the proposal specified in the notice. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at a meeting of stockholders except in accordance with the procedures set forth in this Section 1.9.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that the business was not properly brought before the meeting in accordance with the procedures prescribed by this Section 1.9, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing, nothing in this Section 1.9 shall be interpreted or construed to require the inclusion of information about any such proposal in any proxy statement distributed by, at the direction of, or on behalf of, the Board of Directors.

The provisions of this Section 1.9 shall be applicable to annual meetings of stockholders after the 1993 annual meeting of stockholders.

Section 1.10 Stockholder Nominations. Subject to the rights, if any, of the holders of any series of Preferred Stock then outstanding, only persons nominated in accordance with the procedures set forth in this Section 1.10 shall be eligible for election as directors. Nominations of persons for election to the Board may be made at an annual meeting of stockholders or special meeting of stockholders called by the Board of Directors for the purpose of electing directors (i) by or at the direction of the Board or (ii) by any stockholder of the Corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Section 1.10. Such nominations, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the scheduled date of the meeting, regardless of any postponement, deferral or adjournment of that meeting to a later date; provided, however, that if less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so delivered or received not later than the close of business on the 10th day following the earlier of (i) the day on which such notice of the date of the meeting was mailed or (ii) the day on which such public disclosure was made.

A stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director (a) the name, age, business address and residence address of such person, (b) the principal occupation or employment of such person, (c) the class and number of shares of the Corporation which are beneficially owned by such person on the date of such stockholder's notice and (d) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, or any successor statute thereto (the "Exchange Act") (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to the stockholder giving the notice (a) the name and address, as they appear on the Corporation's books, of such stockholder and any other stockholders known by such stockholder to be supporting such nominee(s), (b) the class and number of shares of the Corporation which are beneficially owned by such stockholder on the date of such stockholder's notice and by any other stockholders known by such stockholder to be supporting such nominee(s) on the date of such stockholder's notice, (c) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; and (iii) a description of all arrangements or understandings between the stockholder and each nominee and other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 1.10. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by this Section 1.10, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

The provisions of this Section 1.10 shall be applicable to meetings of stockholders after the 1993 annual meeting of stockholders.

Section 1.11 Record Date for Written Consents. In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date

shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the Corporation having custody of the book in which proceedings of stockholders meetings are recorded, to the attention of the Secretary of the Corporation. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

ARTICLE II
Board of Directors

Section 2.1 Number. The number of directors which shall constitute the whole Board of Directors shall be fixed from time to time by resolution of the Board of Directors or stockholders (any such resolution of either the Board of Directors or stockholders being subject to any later resolution of either of them) but in no event shall such number be less than three or more than fifteen.

Section 2.2 Election and Term of Office. Directors shall be elected at the annual meeting of the stockholders. Each director (whether elected at an annual meeting or to fill a vacancy or otherwise) shall continue in office until his successor shall have been elected or until his earlier death, resignation or removal in the manner hereinafter provided.

Section 2.3 The Chairman of the Board. The Chairman of the Board shall be elected from among the members of the Board of Directors. If present, he shall preside at all meetings of stockholders and the Board of Directors and he shall see that all orders and resolutions of the Board of Directors are carried into effect. He may sign, with any officer thereunto duly authorized, certificates of stock of the Corporation the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature). He shall also perform such other duties as are given to him by these By-laws or as from time to time may be assigned to him by the Board of Directors.

Section 2.4 Vice Chairman of the Board. The Vice Chairman of the Board shall, in the absence of the Chairman of the Board, preside at all meetings of stockholders and the Board of Directors. He shall preform such other duties as may be assigned to him by these By-laws, the Board of Directors or the Chairman of the Board.

Section 2.5 Vacancies and Additional Directorships. If any vacancy shall occur among the directors by reason of death, resignation, or removal, or as the result of an increase in the number of directorships, the directors then in office shall continue to act and may fill any such vacancy by a vote of the directors then in office, though less than a quorum. If the whole board shall resign, said

board, prior to their resignations, may elect their successors who will take office upon such resignations.

Section 2.6 Meetings. A meeting of the Board of Directors shall be held for organization, for the election of officers and for the transaction of such other business as may properly come before the meeting, within thirty days after each annual election of directors. The Board of Directors by resolution may provide for the holding of regular meetings and may fix the time and places at which such meetings shall be held. Notice of regular meetings shall not be required to be given, provided that whenever the time or place of regular meetings shall be fixed or changed, notice of such action shall be mailed promptly to each director who shall not have been present at the meeting at which such action was taken, addressed to him at his residence or usual place of business. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer, the President, or any three directors. Except as otherwise required by statute, notice of each special meeting shall be mailed to each director addressed to him at his residence or usual place of business, or shall be sent to him at such place by telegram, radio or cable, or telephoned or delivered to him personally, not later than two days before the day on which the meeting is to be held. Such notice shall state the time and place of such meeting but, unless otherwise required by statute, the Certificate of Incorporation of the Corporation or these By-laws, need not state the purposes thereof. Notice of any meeting need not be given to any director who shall attend such meeting in person or who shall waive notice thereof, before or after such meeting in writing or by telegram, radio or cable. Meetings of the directors may be held by the directors participating in the same by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting in such manner shall constitute presence in person by all persons so participating. Meetings may also be held in such other manner authorized or permitted by Delaware law. Whenever the laws of the State of Delaware authorize or permit directors to act other than at a meeting, including, but not limited to, acting through unanimous or other written consents, then such actions shall be as effective as if taken by the directors at a meeting.

Section 2.7 Quorum. A majority of the total number of members of the Board of Directors as constituted from time to time shall be necessary and sufficient to constitute a quorum for the transaction of business. In the absence of a quorum, a majority of those present at the time and place of any meeting may adjourn the meeting from time to time until a quorum shall be present and the meeting may be held as adjourned without further notice. Except as otherwise provided by law, the Certificate of Incorporation or by these By-Laws, a majority of the Directors present at any meeting at which a quorum is present may decide any question properly brought before such meeting.

Section 2.8 Resignation of Directors. Any director may resign at any time by giving written notice of such resignation to the Board of Directors, the Chairman of the Board or the Chief Executive Officer or the President. Any such resignation shall take effect at the time specified therein or, if no time is specified, upon receipt thereof by the Board of Directors or one of the above named officers; and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 2.9 Removal of Directors. At any special meeting of the stockholders, duly called as provided in these By-laws, any director or directors may, by the affirmative vote of the holders of a majority of all the shares of stock outstanding and entitled to vote for the election of directors, be removed from office, either with or without cause. At such meeting a successor or successors may be elected by a plurality of the votes cast, or if any such vacancy is not so filled, it may be filled by the directors as provided in Section 2.5.

Section 2.10 Compensation of Directors. Directors shall receive such reasonable compensation for their services as such, whether in the form of salary of a fixed fee for attendance at meetings, with expenses, if any, as the Board of Directors may from time to time determine. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any

other capacity and receiving compensation therefor.

ARTICLE III
Committees of the Board

Section 3.1 Executive Committee. There shall be an Executive Committee of the Corporation, consisting of not less than three nor more than seven members of the Board of Directors, including the Chairman of the Board, as may be determined from time to time by the Board of Directors. The Board of Directors, by resolution adopted by a majority of the whole Board, shall elect the members of the Executive Committee and shall fill any vacancy in the Executive Committee. The members of the executive Committee shall hold office until the first meeting of the Board of Directors after the next succeeding annual meeting of the stockholders and until their successors are elected.

All action of the Executive Committee shall be reported to the Board of Directors, and, when the Board of Directors of the Corporation is not in session, the Executive Committee shall have and exercise the authority of the Board of Directors in the management of the business, affairs and property of the Corporation.

Section 3.2 Other Committees. The Board of Directors may from time to time appoint such further standing or special committees as it may deem for the best interest of the Corporation, but no such committee shall have any powers, except such as are expressly conferred upon it by the Board of Directors. Each committee referred to in this Article III shall act only as a committee and the individual members shall have no power as such.

Section 3.3 Meetings, Notices and Records. Each committee may provide for the holding of regular meetings, with or without notice, and may fix the time and place at which such meetings shall be held. Special meetings of each committee shall be held upon call by or at the direction of its chairman or, if there be no chairman, by or at the direction of any two of its members, at the time and place specified in the respective notices or waivers of notice thereof. Notice of each special meeting of a committee shall be mailed to each member of such committee, addressed to him at his residence or usual place of business, at least two days before the day on which the meeting is to be held, or shall be sent by telegram, radio or cable, addressed to him at such place, or telephoned or delivered to him personally, not later than the day before the day on which the meeting is to be held. Notice of any meeting of a committee need not be given to any member thereof who shall attend the meeting or who shall waive notice thereof by telegram, radio, cable or other writing. Notice of any adjourned meeting need not be given. Each committee shall keep a record of its proceedings, and report the same to the Board of Directors when required. Meetings of the committees may be held by the members of the committees participating in the same by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting in such manner shall constitute presence in person by all persons so participating. Meetings may also be held in such other manner authorized or permitted by Delaware law. Whenever the laws of the State of Delaware authorize or permit members of the committees to act other than at a meeting, including but not limited to acting through unanimous or other written consents, then such actions shall be as effective as if taken by the committee at a meeting.

Section 3.4 Quorum and Manner of Acting. At each meeting of any committee the presence of a majority but not less than two of its members then in office shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the

members present at any meeting at which a quorum is not present at the time and place of any meeting may adjourn the meeting from time to time and until a quorum shall be present. Subject to the foregoing and other provisions of these By-laws and except as otherwise determined by the Board of Directors, each committee may make rules for the conduct of its business. Any determination made

in writing and signed by all the members of such committee shall be as effective as if made by such committee at a meeting.

Section 3.5 Resignations. Any member of a committee may resign at any time by giving written notice of such resignation to the Board of Directors, the Chairman of the Board, the Chief Executive Officer, or the President. Unless otherwise specified in such notice, such resignation shall take effect upon receipt thereof by the Board or any such officer.

Section 3.6 Removal. Any member of any committee may be removed at any time by the Board of Directors with or without cause.

Section 3.7 Vacancies. If any vacancy shall occur in any committee by reason of death, resignation, disqualification, removal or otherwise, the remaining members of such committee, though less than a quorum, shall continue to act until such vacancy is filled by the Board of Directors.

Section 3.8 Compensation. Committee members shall receive such reasonable compensation for their services as such, whether in the form of salary or a fixed fee for attendance at meetings, with expenses, if any, as the Board of Directors may from time to time determine. Nothing herein contained shall be construed to preclude any committee member from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV
Officers

Section 4.1 Number. The officers of the Corporation shall be a Chief Executive Officer, a President, such Vice-Presidents (including Executive Vice-Presidents or Senior Vice-Presidents) as may from time to time be necessary or desirable, a Secretary, who may have one or more assistant secretaries, a Treasurer, who may have one or more assistant treasurers, and such other officers as the Board of Directors may from time to time determine. Any two or more offices may be held by the same person.

Section 4.2 Election, Term of Office and Qualifications. Each officer (except such officers as may be appointed in accordance with the provisions of Section 4.3) shall be elected by the Board of Directors. Each such officer (whether elected at the first meeting of the Board of Directors after the annual meeting of stockholders or to fill a vacancy or otherwise) shall hold his office until the first meeting of the Board of Directors after the next annual meeting of stockholders and until his successor shall have been elected, or until his death, or until he shall have resigned in the manner provided in Section 4.4 or shall have been removed in the manner provided in Section 4.5.

Section 4.3 Subordinate Officers and Agents. The Board of Directors from time to time may appoint other officers or agents to hold office for such period, have such authority and perform such duties as are provided in these By-laws or as may be provided in the resolutions appointing them. The Board of Directors may delegate to any officer or agent the power to appoint any such subordinate officers or agents and to prescribe their respective terms of office, authorities and duties, and unless such power is removed by the Board, the Chairman of the Board, the Chief Executive Officer and the President shall have the power to appoint and remove Assistant Secretaries and Assistant Treasurers.

Section 4.4 Resignations. Any officer may resign at any time by giving written notice of such resignation to the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board of Directors or any such officer.

Section 4.5 Removal. Any officer may be removed at any time, with or without cause, at any meeting of the Board of Directors by the vote of a

majority of all the directors then in office. Any officer or agent appointed in accordance with the provisions of Section 4.3 may be removed, with or without cause, by the Board of Directors at any meeting, by the vote of a majority of the directors present at such meeting, or by any officer or agent upon whom such power of removal shall have been conferred by the Board of Directors.

Section 4.6 Vacancies. A vacancy in any office by reason of death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed by these By-laws for regular election or appointment to such office.

Section 4.7 The Chief Executive Officer. The Chief Executive Officer shall be the principal executive officer of the Corporation and may be elected from among the members of the Board of Directors. The Chairman of the Board or President may be the Chief Executive Officer of the Corporation. Subject to the direction of the Board of Directors, he shall have general charge of the business, affairs and property of the Corporation and general supervision over its officers and agents. In the absense of the Chairman of the Board and the Vice Chairman of the Board, he shall preside at all meetings of stockholders and he shall see that all orders and resolutions of the Board of Directors are carried into effect. He may sign, with any other officer thereunto duly authorized, certificates of stock of the Corporation the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature), He may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts, agreements or other instruments duly authorized by the Board of Directors except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent. From time to time, he shall report to the Board of Directors all matters within his knowledge which the interests of the Corporation may require to be brought to its attention. He shall also perform such other duties as are given to him by these By-laws or as from time to time may be assigned to him by the Board of Directors.

Section 4.8 The President. The President shall be an executive officer of the Corporation and may also be the Chief Executive Officer, as determined by the Board of Directors. Subject to the direction of the Board of Directors and the Chief Executive Officer, the President shall have supervision of the business of the Corporation and its other officers and agents. He may sign, with any other officer thereunto duly authorized, certificates of stock of the Corporation the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature), and may sign and execute in the name of the Corporation, deeds, mortgages, bonds, contracts, agreements or other instruments duly authorized by the Board of Directors except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent. From time to time, he shall report to the Board of Directors all matters within his knowledge which the interests of the Corporation may require to be brought to its attention. He shall also perform such other duties as are given to him by these By-laws, or from time to time may be assigned to him by the Chief Executive Officer or the Board of Directors.

Section 4.9 The Vice Presidents. The Vice Presidents shall perform such duties and exercise such authority as shall from time to time may be assigned to them by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President, and, in the order of their seniority, or in any other order as the Board of Directors may from time to time determine, shall, in the absence of the President, have all the powers of and be subject to all restrictions upon the President.

Section 4.10 The Secretary. The Secretary shall

(a) Record all the proceedings of the meetings of the stockholders, the Board of Directors, and any committees in a book or books to be kept for that purpose;

(b) Cause all notices to be duly given in accordance with the provisions of these By-laws and as required by statute;

(c) Whenever any committee shall be appointed in pursuance of a resolution of the Board of Directors, furnish the chairman of such committee with a copy of such resolution;

(d) Be custodian of the records and of the seal of the Corporation, and cause such seal to be affixed to all certificates representing stock of the Corporation prior to the issuance thereof and to all instruments the execution of which on behalf of the Corporation under its seal shall have been duly authorized;

(e) See that the lists, books, reports, statements, certificates and other documents and records required by statute are properly kept and filed;

(f) Have charge of the stock and transfer books of the Corporation, and exhibit such stock book at all reasonable times to such persons as are entitled by statute to have access thereto;

(g) Sign (unless the Treasurer or an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature); and

(h) In general, perform all duties incident to the office of the Secretary and such other duties as are given to him by these By-laws or as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President.

Section 4.11 Assistant Secretaries. At the request of the Secretary or in his absence or disability, the Assistant Secretary designated by him (or in the absence of such designation, the Assistant Secretary designated by the Board of Directors or the Chairman of the Board, the Chief Executive Officer or the President) shall perform all duties of the Secretary, and, when so acting, shall have all the powers of and be subject to all restrictions upon the Secretary. The Assistant Secretaries shall perform such other duties as from time to time may be assigned to them respectively by the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President or the Secretary.

Section 4.12 The Treasurer. The Treasurer shall

(a) Have charge of and supervision over and be responsible for the funds, securities, receipts and disbursements of the Corporation;

(b) Cause the moneys and other valuable effects of the Corporation to be deposited in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositaries as shall be selected in accordance with Section 5.3 of these By-laws or to be otherwise dealt with in such manner as the Board of Directors may direct;

(c) Cause the funds of the Corporation to be disbursed by checks or drafts upon the authorized depositaries of the Corporation, and cause to be taken and preserved proper vouchers for all moneys disbursed;

(d) Render to the Board of Directors or the Chairman of the Board, the Chief Executive Officer or the President, whenever requested, a statement of the financial condition of the Corporation and of all his transactions as Treasurer;

(e) Cause to be kept at the Corporation's principal office correct books of account of all its business and transactions and such duplicate books of account as he shall determine and upon application cause such books or duplicates thereof to be exhibited to any director;

(f) Be empowered, from time to time, to require from the officers or

agents of the Corporation, reports or statements giving such information as he may desire with respect to any and all financial transactions of the Corporation;

(g) Sign (unless the Secretary or an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation, the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature); and

(h) In general, perform all duties incident to the office of Treasurer and such other duties as are given to him by these By-laws or as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President.

Section 4.13 Assistant Treasurers. At the request of the Treasurer or in his absence or disability, the Assistant Treasurer designated by him (or in the absence of such designation, the Assistant Treasurer designated by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President) shall perform all the duties of the Treasurer, and, when so acting, shall have all the powers of and be subject to all restrictions upon the Treasurer. The Assistant Treasurers shall perform such other duties as from time to time may be assigned to them respectively by the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President or the Treasurer.

Section 4.14 Surety Bonds. If the Board of Directors shall so require, any officer or agent of the Corporation shall execute to the Corporation a bond in such sum and with such surety or sureties as the Board of Directors may direct, conditioned upon the faithful discharge of his duties, including responsibility for negligence and for the accounting for all property, funds or securities of the Corporation which may come into his hands.

ARTICLE V
Execution of Instruments and Deposit of Corporate Funds

Section 5.1 Execution of Instruments Generally. The Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Secretary or the Treasurer, subject to the approval of the Board of Directors, may enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. The Board of Directors may authorize any officer or officers, or agents or agent, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authorization may be general or confined to specific instances. Such authorization may include, but shall not be limited to, the power to fix the price at which any shares, debentures or other securities are to be sold by the Corporation.

Section 5.2 Borrowing. No loans or advances shall be obtained by or contracted for, by or on behalf of the Corporation and no negotiable paper shall be issued in its name, unless and except as authorized by the Board of Directors. Such authorization may be general or confined to specific instances. Any officer or agent of the Corporation thereunto so authorized may obtain loans and advances, may make, execute and deliver promissory notes, bonds or other evidences of indebtedness

of the Corporation and, in connection therewith, may fix the interest rate payable by the Corporation thereunder. Any officer or agent of the Corporation thereunto so authorized may pledge, hypothecate or transfer as security for the payment of any and all loans, advances, indebtedness and liabilities of the Corporation, and any and all stocks, bonds, other securities and other personal property at any time held by the Corporation, and to that end may endorse, assign and deliver the same and do every act and thing necessary or proper in connection therewith.

Section 5.3 Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time its credit in such banks or trust companies or with such bankers or other depositaries as the Board of Directors may select, or as may be selected by any officer or officers or agent or agents authorized so to do by the Board of Directors. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositaries shall be made in such manner as the Board of Directors from time to time may determine.

Section 5.4 Checks, Drafts, and Orders. All checks, drafts, or other orders for the payment of money, and all notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers or agent or agents of the Corporation, and in such manner, as from time to time shall be determined by the Board of Directors.

Section 5.5 Proxies. Proxies to vote with respect to shares of stock of other corporations owned by or standing in the name of the Corporation may be executed and delivered from time to time on behalf of the Corporation by the Chairman of the Board, the Chief Executive Officer, the President or by any other person or persons thereunto authorized by the Board of Directors.

ARTICLE VI
Record Dates

Section 6.1 In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment or any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall be not more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. Only those stockholders of record on the date so fixed shall be entitled to any of the foregoing rights, notwithstanding the transfer of any such stock on the books of the Corporation after any such record date fixed by the Board of Directors.

ARTICLE VII
Corporate Seal

Section 7.1 The Corporate seal shall be circular in form and shall bear the name of the Corporation and words and figures denoting its organization under the laws of the State of Delaware and the year thereof and otherwise shall be in such form as shall be approved from time to time by the Board of Directors.

ARTICLE VIII
Fiscal Year

Section 8.1 The fiscal year of the Corporation shall begin on the 1st day of January in each year and end on the 31st day of December in each year.

ARTICLE IX
Amendments

Section 9.1 These By-laws may be amended, altered or repealed, and new By-laws may be made by the affirmative vote of the holders of record of a majority of the outstanding shares of stock of the Corporation entitled to vote cast at any annual or special meeting, or by the affirmative vote of a majority of the directors cast at any regular or special meeting at which a quorum is present.

ARTICLE X
Indemnification

Section 10.1 Right to Indemnification. Each person who was or is made

a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative ("Proceeding"), by reason of the fact that he, or a person of whom he is the legal representative, is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such Proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said Law permitted the Corporation to provide prior to such amendment) against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided, however, that the Corporation shall indemnify any such person seeking indemnity in connection with a Proceeding (or part thereof) initiated by such person only if the Proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section 10.1 shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any such Proceeding in advance of its final disposition; provided, however, that if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such Proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately that such director or officer is not entitled to be indemnified under this Section or otherwise.

Section 10.2 Non-Exclusivity of Rights. The rights conferred on any person by Section 10.1 shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, by-laws, agreement, vote of stockholders or disinterested directors, or otherwise.

Section 10.3 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any such director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 10.4 Gender and Number References. In this document the singular means the plural and the plural the singular, as appropriate, and the proper gender- male, female, or neuter- shall be deemed substituted as appropriate.

EXHIBIT 10(m)

CHANGE IN CONTROL AGREEMENT

This CHANGE IN CONTROL AGREEMENT ("AGREEMENT") is made as of _____, 1997 by and between HUMANA INC., Louisville, Kentucky (the "COMPANY"), and _____ (the "EMPLOYEE").

WHEREAS, the Board of Directors (the "Board") of Humana Inc. desires to foster the continuous employment of the Employee and has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of the Employee to his/her duties free from distractions which could arise in the event of a threatened Change in Control of the Company;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Company and the Employee agree as follows:

1. TERMINATION BENEFITS. If, within twenty-four (24) months following a Change in Control and during the Term of this Agreement, the Employee's employment with the Company shall be terminated (A) by the Company other than for Cause, or (B) by the Employee for Good Reason, then:

a) The Company shall, within ten (10) business days after the Date of Termination, pay the Employee:

1) His/her full base salary earned but not yet paid through the Date of Termination at the greater of the rate in effect at the time the Change in Control occurred or when the Notice of Termination was given, plus any bonuses or incentive compensation which, pursuant to the terms of any compensation or benefit plan, have been earned and are payable as of the Date of Termination. For purposes of this Agreement, bonuses and incentive compensation shall be considered payable if all conditions for earning them have been met and any requirement that Employee be actively employed as of the date of payment shall be disregarded; and

2) A lump sum in an amount equal to _____ (___) times the amount equal to the sum of (1) the Employee's Annual Base Salary at the greater of the rate in effect at the time the Change in Control occurred or when the Notice of Termination was given plus (2) the maximum bonus or incentive compensation which could have been earned by the Employee calculated as if all relevant goals had been met during the then-current fiscal year of the Company pursuant to the terms of the incentive compensation plan in which he/she participates. If there is no incentive compensation plan in effect at the time the Notice of Termination is given, then for purposes of this

Agreement it shall be assumed that the amount of incentive compensation to be paid to the Employee shall be the maximum target amount under any incentive compensation plan in which he/she participated at the date of the Change in Control or the most recent plan participated in, whichever would be greater.

b) The Company shall, for the period stated below, maintain in full force and effect for the benefit of the Employee and the Employee's dependents and beneficiaries, at the Company's expense, all life insurance, health insurance, dental insurance, accidental death and dismemberment insurance and disability insurance under plans and programs in which the Employee and/or the Employee's dependents and beneficiaries participated immediately prior to the Date of Termination, provided that continued participation is possible under the general terms and provisions of such plans and programs. The Extended Benefits shall be continued until the earlier of (A) the second (2nd) anniversary of the Date of Termination, (B) the effective date of the Employee's coverage under equivalent benefits from a new employer (provided that no such equivalent

benefits shall be considered effective unless and until all pre-existing condition limitations and waiting period restrictions have been waived or have otherwise lapsed), or (C) the death of the Employee. If participation in any such plan or program is barred, the Company shall arrange at its own expense to provide the Employee with benefits substantially similar to those which he/she was entitled to receive under such plans and programs. At the end of the period of coverage, the Employee shall have the right to have assigned to him/her, at no cost and with no apportionment of prepaid premiums, any assignable insurance policy relating specifically to him/her. Employee shall be entitled to continuation coverage as provided by the Consolidated Omnibus Budget Reconciliation Act (COBRA) at the conclusion of the coverage provided under this Subsection.

2. DEFINITIONS. For purposes of this Agreement, the following definitions shall apply:

a) "Change in Control" shall mean a Change in Control as defined in the Company's 1996 Stock Incentive Plan for Employees.

b) "Company" shall mean Humana Inc. or any successor thereof.

c) A termination for "Cause" shall be termination by reason of the conviction of the Employee, by a court of competent jurisdiction and following the exhaustion of all possible appeals, of a criminal act involving the Company or its assets.

d) "Good Reason" shall mean the occurrence after a Change in Control of any of the following events without the Employee's express written consent:

1) Any material reduction in the Employee's title, authority or responsibilities, including reporting responsibilities;

2) A reduction by the Company in the Employee's Annual Base Salary as in effect on the date hereof or as the same may be increased from time to time;

3) The relocation of the Employee's office at which he/she is to perform his/her duties to a location more than thirty (30) miles from the location at which the Employee performed his/her duties prior to the Change in Control;

4) The failure by the Company to continue in effect any incentive, bonus or other compensation plan in which the Employee participates, unless the Company substitutes a substantially equivalent benefit;

5) The failure by the Company to continue in effect any Employee benefit plan (including any medical, hospitalization, life insurance, dental or disability benefit plan in which the Employee participated) or any material fringe benefit or perquisite enjoyed by the Employee at the time of the Change in Control, unless the Company substitutes benefits which, in the aggregate, are equivalent;

6) Any material breach by the Company of any provision of this Agreement; or

7) The failure of the Company to obtain a satisfactory agreement from any successor or assign of the Company to assume and agree to perform this Agreement.

e) "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement which is relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated. Any purported termination by the Company or by the Employee hereunder shall not be effective until communicated by written Notice of Termination to the other party.

f) "Date of Termination" shall mean the date specified in the Notice of Termination, not to exceed thirty (30) days from the date such Notice of Termination is given.

g) "Annual Base Salary" shall mean an Employee's stated annual compensation without regard to any bonus, perquisite or other benefits.

3. TERM OF AGREEMENT. This Agreement shall continue in effect until December 31, 199_; provided, however, commencing on December 31, 199_ and on each December 31 thereafter, there shall automatically be an extension of one (1) year on the then-current term of this Agreement,

unless either the Company or the Employee shall have given written notice to the other on or before said December 31, that the term of this Agreement shall not be so extended. Notwithstanding any such notice by the Company not to extend, the term of this Agreement shall not expire prior to the expiration of twenty-four (24) months after a Change in Control if the Agreement is still in effect on the date of the Change in Control. If the Employee's employment with the Company shall be terminated prior to and not in contemplation of a Change in Control, this Agreement shall automatically expire.

4. SUCCESSORS; BINDING AGREEMENT.

a) The Company will require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) of all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no such succession or assignment had taken place.

b) This Agreement shall inure to the benefit of and be enforceable by the Employee's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amounts would still be payable to him/her hereunder if he/she had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Employee's devisee, legatee or other designee, and if there is no such devisee, legatee or designee, to the Employee's estate.

5. NO MITIGATION. The Employee shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment; nor shall such be reduced by any compensation earned by the Employee as a result of employment or otherwise.

6. FEES AND EXPENSES. Following a Change in Control, the Company shall pay all legal fees and related expenses (including the costs of experts, evidence and counsel) incurred by the Employee as a result of the Employee seeking to obtain or enforce any right or benefit provided by this Agreement or by any other plan or arrangement maintained by the Company under which the Employee is or may be entitled to receive benefits

7. NOTICE. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other, provided that all notices to the

Company shall be directed to the attention of the Board with a copy to the Secretary of the Company. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the third business day after

the mailing thereof, except that notice of change of address shall be effective only upon receipt.

8. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of Kentucky without giving effect to the conflicts of laws principles thereof.

9. SEVERABILITY. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

10. ENTIRE AGREEMENT/TERMINATION OF ANY PRIOR AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto and supersedes and terminates all prior agreements, understandings and arrangements, oral or written, between the Employee and the Company or any of its subsidiaries or any entity acquired by the Company with respect to the salary and other benefits referenced in Section 1 of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer and the Employee has executed this Agreement, each as of the day and year set forth above.

HUMANA INC. EMPLOYEE

BY:
---------- ----------

ATTEST:

BY:

Secretary

Exhibit 10(n)

HUMANA INC.

1998 MANAGEMENT INCENTIVE COMPENSATION PLAN

I. OBJECTIVES

The objective of the Humana Inc. 1998 Management Incentive Compensation Plan (the "Plan") is to reward executive officers for their efforts in optimizing the profitability and growth of Humana Inc. (the "Company") consistent with the Company's vision to improve the health of its members, and provide value to its customers, partners and shareholders.

II. ELIGIBILITY AND AWARDS

A. Membership in this Plan will consist of any executive officers designated (a "Participant") by the Organization and Compensation Committee of the Board of Directors of the Company (the "Committee"). The Committee will notify each Participant of his/her selection.

B. Incentive compensation will be computed by measuring (i) the Company's achievement of actual consolidated net income ("Consolidated Net Income") measured as Earnings Per Share ("EPS") for each fiscal year against Consolidated Net Income/EPS objectives established by the Committee for each fiscal year, or (ii) Growth Objectives or Profit Objectives, the relative weightings of which have been pre-determined by the Committee, or (iii) such other performance goals as may be established by the Compensation Committee from time to time.

C. Incentive compensation for a fiscal year shall be based on the Participant's salary earnings paid during the fiscal year exclusive of any bonus or fringe benefits paid or accrued during such fiscal year ("Salary"). The maximum incentive compensation paid for any fiscal year to any Participant shall not exceed seventy-five percent (75%) of Salary; the precise percentage earned shall be based upon a schedule of target goals established pursuant to Section II B. above. The Committee may, in its sole discretion, increase or decrease the amount of incentive compensation to be paid for any fiscal year based on the Company's actual performance for that year.

D. The Company's achievement of predetermined goals for each fiscal year will be determined in accordance with generally accepted accounting principles; provided, however, that (i) the effects of accounting policy changes from the prior fiscal year and unusual non-recurring gains and losses will be excluded, and (ii) incentive compensation generated pursuant to incentive plans of the Company, including this Plan, shall be accrued and deducted as an expense for such fiscal year.

E. Incentive compensation will be paid to Participants on or before March 15 following the close of the fiscal year in respect of which it was earned.

III. ADMINISTRATION OF THIS PLAN

This Plan shall be administered by the Committee, which shall have full power and final authority to construe, interpret and administer the Plan. Following the close of a fiscal year and before any payments are made hereunder for that fiscal year, the Committee shall determine whether and

to what extent the performance goals have been satisfied. No member of the Committee shall be personally liable for damage, in the absence of bad faith, for any act or omission with respect to service on the Committee.

IV. ELIGIBILITY DURING FISCAL YEAR

Subject to the discretion of the Committee as set forth in Section II C. of this Plan, an individual who becomes a Participant in this Plan due to employment, transfer or promotion during the fiscal year will be eligible to receive partial incentive compensation based upon the Participant's Salary for the period of time eligible and the level of achievement in relation to targeted goals for the entire fiscal year. In no event, however, will partial payments be made for any period of time of less than two (2) months.

V. INELIGIBILITY DURING FISCAL YEAR

A Participant in this Plan who becomes ineligible during the fiscal year due to transfer or change of position shall cease to be eligible for further participation in this Plan on the date of transfer or change to the ineligible position. Subject to the discretion of the Committee as set forth in Section II C. of this Plan, if the Participant, prior to the date of transfer or change, has been a Participant in the Plan for a minimum of two (2) calendar months of the fiscal year, the Participant will be eligible to receive partial incentive compensation based upon the Participant's Salary for such period of time and

the level of achievement in relation to targeted goals for the entire fiscal year.

VI. TERMINATION OF EMPLOYMENT; LEAVE OF ABSENCE

Subject to the discretion of the Committee as set forth in Section II C. of this Plan, a Participant who has been employed (i) during the entire fiscal year for which incentive compensation is to be paid, but whose employment is terminated, voluntarily or involuntarily (other than for cause), or who is granted a leave of absence after the end of such fiscal year and prior to the payment date therefor will be eligible to receive his/her full incentive compensation with respect to such fiscal year as determined in accordance with the provisions of this Plan, or (ii) through the first two (2) calendar months of any fiscal year, but whose employment is terminated, voluntarily or involuntarily (other than for cause), or who is granted a leave of absence after the end of the first two (2) calendar months of any fiscal year but prior to the end of such fiscal year will be eligible to receive partial incentive compensation with respect to such fiscal year based upon the Participant's Salary for the period of time he/she was a Participant at the level of achievement in relation to targeted goals for the entire fiscal year. A Participant whose employment is terminated for cause or whose employment is terminated for any other reason prior to the end of the first two (2) calendar months of such fiscal year shall not be eligible to receive any incentive compensation under this Plan other than those amounts which have been paid to him/her prior to the date he/she is terminated.

VII. DEFERRED COMPENSATION

A Participant in this Plan may irrevocably elect to defer receipt of any amount earned pursuant to this Plan, provided such election is made in writing. The terms of any deferred compensation arrangement must be approved in writing by the Chairman of the Committee and the Participant. Any amount deferred pursuant to this Plan will bear interest at a rate

determined by the Committee.

VIII. COMPANY'S RIGHT TO TERMINATE

The Company shall have the right to terminate this Plan, with or without notice, in whole or in part, at any time.

IX. GENERAL PROVISIONS

A. No person has any claim or right to be included in this Plan or to be granted incentive compensation under this Plan until such individual has been declared a Participant and received an official written notice thereof in accordance with the procedures as set forth in this Plan. In addition, all of the requirements and applicable rules and regulations of this Plan must have been met including, but not limited to the availability of funds for incentive compensation awards and the determination by the Committee of the extent to which targeted goals have been met.

B. The designation of an individual as a Participant under this Plan does not in any way alter the nature of the Participant's employment relationship.

X. EFFECTIVE DATE.

This Plan shall be effective as of January 1, 1998.

EXHIBIT 10(O)

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT made as of December 1, 1997, by and between HUMANA INC. (hereinafter "Company"), a Delaware corporation having its principal place of business in Louisville, Kentucky, and Gregory H. Wolf (hereinafter "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, both Company and Employee desire 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 as President and Chief Executive 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 on December 1, 1997 and extending through December 31, 2000. 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 sixty (60) days prior to the expiration date of the initial or any renewal term. The renewal and extension of this Agreement shall also be referred to as the "Employment Period." The effective date of Employee's termination of employment for whatever reason under this Agreement shall be the "Termination Date."

3. 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 ("Board") consistent with his employment as Chief Executive Officer. Nothing herein contained shall pre clude service by Employee on a reasonable number of boards of directors or trustees of other entities not engaged in any business competitive with the business of the Company, provided that Employee shall discuss any such board service in advance with the Company's Board.

4. 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's Board, 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 Employment Agreement following incapacity as if it were a termination without Good Cause in accordance with Section 8(a).

5. 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 were a termination without Good Cause in accordance with Section 8(a).

6. Compensation. During the Employment Period, Employee shall (i) receive a base salary (hereinafter "Annual Base Salary") that shall be an annual amount of not less than Eight Hundred Thousand Dollars ($800,000) payable in accordance with the payroll practices of the Company, and shall (ii) participate in an incentive plan providing for a target incentive compensation amount of not less than one hundred percent (100%) of his Annual Base Salary.

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. Severance Payments.

(a) 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 of incapacity or disability in accordance with Section 4, or (iii) the Employment Period is terminated by reason of death in accordance with Section 5:

(1) The Company shall pay to Employee or his estate, no later than thirty (30) calendar days after such Termination Date, an amount

equal to any unpaid current Annual Base Salary accrued through the Termination Date, his bonus, calculated at one hundred percent (100%) of his Annual Base Salary prorated for the current fiscal year through the Termination Date, plus one (1) times the sum of his then current Annual Base Salary and bonus, calculated at one hundred percent (100%) of his Annual Base Salary. 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 (12) 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.

(2) All restricted shares previously awarded to Employee but not yet vested shall become vested and non-forfeitable as of the Termination Date.

(3) To the extent stock options granted to Employee have not

become fully vested and exercisable as of the Termination Date, such options shall become fully vested and all vested stock options shall be exercisable for two (2) years commencing on the Termination Date.

(b) In the event that Employee's employment is terminated by the Company with Good Cause or if Employee voluntarily terminates his employment:

(1) The Company shall pay to Employee, no later than thirty (30) calendar days after the Termination Date, an amount equal to his then current Annual Base Salary accrued but unpaid through the Termination Date; and Employee shall have a period of ninety (90) days after such Termination Date in which to exercise any exercisable vested stock options, subject to the provisions of any applicable stock option agreement.

(2) Any restricted shares or stock options previously granted but still subject to restriction or unvested at the Termination Date shall be forfeited.

(c) Good Cause shall mean the Company's Board 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; or,

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

(3) 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; or

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

(d) In the event that Employee's employment is terminated (i) by the Company for Good Cause as defined in Section 8(c)(4) above, (ii) because either the Company or Employee terminates the Employment Period pursuant to Section 2 of this Employment Agreement, or (iii) because Employee voluntarily leaves the employ of the Company during the Employment Period, then the Company shall pay to Employee, no later than thirty (30) calendar days after such Termination Date, an amount equal to any unpaid current Annual Base Salary accrued through the Termination Date, plus one (1) times his then current Annual Base Salary. Any bonus finally determined to be payable, at the end of the fiscal year in which the Termination Date is included, shall be prorated for the period up to and including the Termination Date and shall be promptly paid to Employee at the same time any other similar bonuses are paid to any other employee of the Company for such fiscal year. 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 (12) 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.

(e) Following the Employment Period, Employee shall be eligible for continuation of health and dental insurance coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act (COBRA) for eighteen (18) months. For the first twelve (12) months, Employee's cost will be an amount equal to the normal employee contribution. Thereafter, the cost will be an amount equal to the COBRA cost of such coverage. During the first eighteen (18) months, Employee may elect any of the coverages available to Humana employees. Thereafter, Humana agrees that Employee may elect coverage under any of the insured products offered by Humana's health insurance or HMO subsidiaries for Employee, his spouse as of the date hereof ("Spouse"), and any eligible dependent until the later of Employee's age sixty-five (65) or eligibility for Medicare coverage (hereinafter "Extended Coverage"). At the earlier of Employee attaining Medicare eligibility or death, Employee's Spouse and any now current eligible dependent of Employee and Spouse will be eligible for Extended Coverage until the later of Spouse's age sixty-five (65) or Medicare coverage eligibility. If at any time during which the Extended Coverage is in effect Employee or his Spouse obtains Medicare or becomes eligible for other employee group health insurance coverage which does not exclude a pre-existing condition of Employee, Spouse or dependent, Humana's obligation will cease as to the one who has obtained Medicare or in the case of other employee group health coverage, as to that person and their eligible dependents. Employee's premium for the Extended Coverage and Spouse's premium, if she retains Extended Coverage, will be an amount equal to the COBRA cost of such coverage. If Humana hereafter adopts a retiree health insurance program and Humana still has obligations under this provision, Employee will be offered the option of participating in that program in lieu of the Extended Coverage described herein. The health and dental insurance benefits hereunder shall be administered in conjunction with any other similar benefits which the Employee has from the Company but in no case shall be duplicative.

9. Termination After A Change in Control. In the event of a "Change in Control" of the Company (as defined as of the date hereof in the Company's 1996 Stock Incentive Plan for Employees), if, within twenty-four (24) months following the closing of such Change in Control (or at any time prior thereto but in contemplation thereof):

(i) There is a material reduction in the Employee's title, authority or responsibilities, including reporting responsibilities;

(ii) The Employee's Annual Base Salary is reduced;

(iii) The Employee's office at which he is to perform his duties is relocated to a location more than thirty (30) miles from the location at which the Employee performed his duties prior to the Change in Control;

(iv) The Company fails to continue in effect any incentive, bonus or other compensation plan in which the Employee participates, unless the Company substitutes a substantially equivalent benefit;

(v) The Company fails to continue in effect any Employee benefit plan (including any medical, hospitalization, life insurance, dental or disability benefit plan in which the Employee participated) or

any material fringe benefit or perquisite enjoyed by the Employee at the time of the Change in Control, unless the Company substitutes benefits which, in the aggregate, are substantially equivalent;

(vi) The Company breaches any material provision of this Employment Agreement; or

(vii) The Company fails to obtain a satisfactory agreement from any successor or assign of the Company to assume and agree to perform this Employment Agreement,

Then the Employee shall have the option to voluntarily terminate his employment and the Company shall:

(a) Pay the Employee his full base salary earned but not yet paid through the Termination Date at the greater of the rate in effect at the time of the Change in Control or the Termination Date ("Higher Annual Base Salary"), plus any bonuses or incentive compensation which, pursuant to the terms of any compensation or benefit plan, have been earned and are payable as of the Termination Date. For purposes of this Agreement, bonuses and incentive compensation shall be considered payable if all conditions for earning them have been met and any requirement that Employee be actively employed as of the date of payment shall be disregarded.

(b) Pay the Employee a lump sum in an amount equal to two and one-half (2 1/2) times the amount equal to the sum of (1) the Employee's Higher Annual Base Salary plus (2) the maximum target bonus or incentive compensation which could have been earned by the Employee calculated

as if all relevant goals had been met during the then current fiscal year of the Company pursuant to the terms of the incentive compensation plan in which he participates. If there is no incentive compensation plan in effect as of Termination Date, then for purposes of this Agreement it shall be assumed that the amount of incentive compensation to be paid to the Employee shall be the maximum target amount under any incentive compensation plan in which he participated at the date of the Change in Control or the most recent plan participated in, whichever would be greater.

(c) Maintain in full force and effect for the benefit of the Employee and the Employee's dependents and beneficiaries, at the Company's expense, all life insurance, health insurance, dental insurance, accidental death and dismemberment insurance and disability insurance under plans and programs in which the Employee and/or the Employee's dependents and beneficiaries participated immediately prior to the Termination Date, provided that continued participation is possible under the general terms and provisions of such plans and programs ("Extended Benefits"). The Extended Benefits shall be continued until the earlier of (A) the second (2nd) anniversary of the Termination Date, (B) the effective date of the Employee's coverage under equivalent benefits from a new employer (provided that no such equivalent benefits shall be considered effective unless and until all pre-existing condition limitations and waiting period restrictions have been waived or have otherwise lapsed), or (C) the death of the Employee. If participation in any such plan or program is barred, the Company shall arrange at its own expense to provide the Employee with benefits substantially similar to those which he was entitled to receive under such plans and programs. At the end of the period of coverage, the Employee shall have the right

to have assigned to him, at no cost and with no apportionment of prepaid premiums, any assignable insurance policy relating specifically to him. Employee shall be entitled to continuation coverage as provided by the Consolidated Omnibus Budget Reconciliation Act (COBRA) at the conclusion of the coverage provided under this Section.

The amount of any payment or benefit provided for in this Section 9 shall be offset by any lump sum cash payments due the Employee upon Termination under any other provisions of this Employment Agreement.

10. 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 consent of the Company's Board. Nothing herein contained shall preclude the ownership by Employee of stocks or other investment securities.

11. Confidential Information and Trade Secrets.

(a) Employee recognizes that Employee's position with the Company requires considerable responsibility and trust, and, in reliance on employee's loyalty, the Company may entrust Employee with highly sensitive confidential, restricted and proprietary information involving Trade Secrets and Confidential Information.

(b) For purposes of this Agreement, a "Trade Secret" is any scientific or technical information, design, process, procedure, formula or improvement that is valuable and not generally known to competitors of the Company. "Confidential Information" is any data or information, other than Trade Secrets, that is important, competitively sensitive, and not generally known by the public, including, but not limited to, the Company's business plans, business prospects, training manuals, product development plans, bidding and pricing procedures, market strategies, internal performance statistics, financial data, confidential personnel information concerning employees of the Company, supplier data, operational or administrative plans, policy manuals, and terms and conditions of contracts and agreements. The term "Trade Secret" and "Confidential Information" shall not apply to information which is (i) already in Employee's possession (unless such information was used in connection with formulating the Company's business plans, obtained by Employee from the Company or was obtained by Employee in the course of Employee's employment by the Company), or (ii) required to be disclosed by any applicable law.

(c) Except as required to perform Employee's duties hereunder, Employee will not use or disclose any Trade Secrets or Confidential Information of the Company during employment, at any time after termination of employment and prior to such time as they cease to be Trade Secrets or Confidential Information through no act of employee in violation of this Section 11.

(d) Upon the request of the Company and, in any event, upon the termination of employment hereunder, Employee will surrender to the Company all memoranda, notes, records, plans, manuals or other

documents pertaining to the Company's business or Employee's employment (including all copies thereof). Employee will also leave with the Company all materials involving Trade Secrets or Confidential Information of the Company. All such information and materials, whether or not made or developed by Employee, shall be the sole and exclusive property of the Company, and Employee hereby assigns to the Company all of Employee's right, title and interest in and to any and all of such information and materials.

12. Covenant Not to Compete.

Employee hereby covenants and agrees that for a period commencing on the date hereof and ending twelve (12) months after ceasing employment with the Company for any reason, he shall not:

(a) Compete in any way with the Company without the Company's prior written consent.

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

(c) Divert, or attempt to cause the diversion from the Company, any business with which the Company has been actively engaged in during any part of the past two (2) year period preceding the Termination Date, 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 this Section 12 apply is the same geographic area in which the Company transacted its business during any part of the twelve (12) month period immediately prior to the Termination Date. The time period during which the prohibitions set forth in this Section 12 apply shall be tolled and suspended as to Employee for a period equal to the aggregate quantity of time during which Employee violates such prohibitions in any respect.

13. Specific Enforcement. Employee specifically acknowledges and agrees that the restrictions set forth in Sections 11 and 12 hereof are reasonable and necessary to protect the legitimate interest of the Company and that the Company would not have entered into this Agreement in the absence of such restrictions. Employee further acknowledges and agrees that any violation of the provisions of Sections 11 or 12 hereof will result in irreparable injury to the Company, that the remedy at law for any violation or threatened violation of such Section(s)

will be inadequate and that in the event of any such breach, the Company, in addition to any other remedies or damages available to it at law or in equity, shall be entitled to temporary injunctive relief before trial from any court of competent jurisdiction as a matter of course, and to permanent injunctive relief without the necessity of proving actual damages.

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

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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 Chairman of the Board of the Company, or if mailed, certified or registered mail postage prepaid, to Humana Inc., 500 West Main Street, Louisville, Kentucky; Attention: Chairman of the Board, with a copy to the Company's General Counsel.

(b) To Employee if delivered to Employee, or if mailed to him by certified or registered mail, postage prepaid, to Gregory H. Wolf, 581 Sunset Road, Louisville, Kentucky 40206.

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

17. Severability. If a judicial determination is made that any of the
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provisions of this Employment Agreement constitutes an unreasonable or otherwise unenforceable restriction against Employee, such provision shall be rendered void only to the extent that such judicial determination finds such provisions to be unreasonable or otherwise unenforceable. In this regard, the parties hereto hereby agree that any judicial authority construing this Employment Agreement shall be empowered to sever any portion of the territory or prohibited business activity from the coverage of Sections 11 or 12 and to apply the provisions to the remaining portion of the territory or the remaining business activities not so severed by such judicial authority. Moreover, notwithstanding the fact that any provisions of this Employment Agreement are determined not to be specifically enforceable, the Company shall nevertheless be entitled to recover monetary damages as a result of the breach of such provision by Employee.

18. Conditions. This Agreement shall become effective upon approval by the
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Compensation Committee of the Board of Directors of the Company.

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

Attest: HUMANA INC.

By:

Joan O. Lenahan — David A. Jones

DAVID A. JONES
Chairman, Board of Directors

Arthur Hipwell — Gregory H. Wolf

Witness

Gregory H. Wolf
"EMPLOYEE"

EXHIBIT 10(p)

HUMANA OFFICERS' TARGET RETIREMENT PLAN

AMENDED AND RESTATED AS OF

JULY 10, 1997

HUMANA OFFICERS' TARGET RETIREMENT PLAN
AMENDED AND RESTATED AS OF
JULY 10, 1997

WHEREAS, Humana Inc. ("Humana"), a Delaware corporation with its principal place of business in Louisville, Kentucky ("Sponsoring Employer"), has adopted the Humana Officers' Target Retirement Plan ("Plan"), and

WHEREAS, the Board of Directors of the Sponsoring Employer desires to amend the Plan, and has authorized and approved the amendment and restatement of the Plan provided for herein,

NOW, THEREFORE, the Sponsoring Employer, pursuant to the right to amend hereby approves and adopts this amendment and restatement of the Plan effective July 10, 1997, which should read as follows:

ARTICLE 1

PURPOSE AND APPLICABILITY OF PLAN

1.01 The purpose of the Plan shall be to provide supplemental retirement benefits to Participants upon the terms and conditions and subject to the limitations contained herein.

1.02 The provisions of the Plan shall apply only to persons who are Officers of the Sponsoring Employer duly elected by its Board of Directors or other key management employees designated by the Committee on and after the Effective Date.

ARTICLE 2

DEFINITIONS

As used herein the following words and phrases shall have the meanings specified below, unless a different meaning is plainly required by context or otherwise determined by the Committee. The meaning of any term not specifically defined below will be governed by the definition in the Humana Retirement and Savings Plan.

2.01 The term "Attained Age" shall mean, unless clearly indicated to the contrary, the age of a Participant as of the Participant's last birthday.

2.02 The term "Average Participating Compensation" shall mean the average of Participating Compensation as determined using the highest three (3) Plan Years of the Participant's last five (5) Plan Years (including any partial Plan Year) coincident with or preceding the Participant's Early or Normal Retirement Date, Disability Retirement Date, Late Retirement Date or date of death. If the Participant has fewer than three (3) full Plan Years of Participating

Compensation, Average Participating Compensation shall be based on the number of full Plan Years that the Participant has Participating Compensation.

2.03 The term "Annual Retirement Benefit" shall mean an amount equal to the Participant's Average Participating Compensation multiplied by the lesser of (i) fifty percent (50%), or (ii) a percentage equal to 1.67% times the Participant's Service.

2.04 The term "Beneficiary and Secondary Beneficiary" shall mean the person or persons (or an estate or trust) as set forth under the Employer Retirement Account.

2.05 The term "Board of Directors" shall mean the Board of Directors of the Sponsoring Employer.

2.06 The term "Code" shall mean the Internal Revenue Code of 1986, as it has been and may be amended from time to time. Reference to any section of the Code shall include any provision which is a successor thereto.

2.07 The term "Committee" shall mean the Compensation Committee (or its equivalent) of the Board of Directors.

2.08 The term "Disability Retirement Date" shall mean the date a Participant's employment is terminated due to Total and Permanent Disability.

2.09 The term "Disabled Participant" shall mean any Participant who has been credited with at least ten (10) Years of Service and who is Totally and Permanently Disabled.

2.10 The term "Disability Payment" shall mean Monthly Retirement Income due a Disabled Participant.

2.11 The term "Early Retirement Date" shall mean, for each Participant, the first (1st) day of the month immediately following or coinciding with the date such Participant shall retire prior to the Participant's Normal Retirement Date.

2.12 The term "Effective Date" shall mean May 10, 1990.

2.13 The term "Humana SERP" shall mean the Humana Supplemental Executive Retirement Plan as it may be amended from time to time.

2.14 The term "Retirement Account and SERP Benefit" shall mean an amount equal to the life annuity equivalent of the account balances in the Retirement Account in the Humana Retirement and Savings Plan and the Humana SERP, using a conversion factor based upon an interest rate of eight percent (8%) and the 1983 GAM table with no setback.

2.15 The term "Late Retirement Date" shall mean the first day of any month subsequent to the Participant's Normal Retirement Date coinciding with or immediately following the date the Participant terminates employment for any reason other than death.

2.16 The term "Monthly Retirement Income" shall mean a monthly income due a Retired Participant which shall commence as of his Early, Normal or Late Retirement Date, or the commencement date of payments due to disability.

2.17 The term "Normal Retirement Date" shall mean the first (1st) day of the month coinciding with or immediately following the Participant's sixty-fifth (65th) birthday.

2.18 The term "Officer" shall mean the Chief Executive Officer, President, all Vice Presidents, Secretary and Treasurer of the Sponsoring Employer who have been duly elected as officers of the Sponsoring Employer by the Board of Directors.

2.19 The term "Participant" shall mean any Officer of the Sponsoring

Employer or other key management employee who has become a Participant as provided in Article 3 hereof.

2.20 The term "Participating Compensation" shall mean the Participant's annual base salary in effect for the first full pay period in the Plan Year, plus any incentive compensation or bonus earned by the Participant in the immediately preceding Plan Year and payable during the current Plan Year, whether or not actually paid to the Participant during the Plan Year.

2.21 The term "Plan Administrator" shall mean the Sponsoring Employer.

2.22 The term "Plan Year" shall mean the twelve (12) month period commencing on the first (1st) day of January and ending on the last day of the immediately following December.

2.23 The term "Primary Insurance Amount" as of any date shall mean the monthly amount of old age benefits payable to a Participant commencing at the Participant's unreduced Social Security retirement age. The amount will be calculated based on the Social Security Act in effect as of the date of calculation, without regard to any dependent benefits.

2.24 The term "Retired Participant" shall mean any Participant who has retired from Humana and who is receiving a Monthly Retirement Income.

2.25 The term "Retirement and Savings Plan" shall mean the Humana Retirement and Savings Plan adopted effective as of the Distribution Date, as it may be amended from time to time or its successor plan.

2.26 The term "Retirement Account" shall mean the Retirement Account in the Humana Retirement and Savings Plan.

2.27 The term "Service" shall mean all years and completed months of Service with the Sponsoring Employer or any corporation which is a member of the "affiliated group" [as defined in Section 1054(a) of the Code] of the Sponsoring Employer.

2.28 The term "Sponsoring Employer" shall mean Humana Inc., a Delaware corporation.

2.29 The term "Spouse" shall mean the legally married spouse of the Participant at the Participant's date of death; provided, however, that for purposes of Section 4.04(b), "Spouse" shall mean the legally married spouse of the Participant at the earlier of the Participant's date of death or commencement of benefits under that section.

2.30 The term "Target Plan" or "Plan" shall mean the Humana Officers' Target Retirement Plan provided for herein, as it may be amended from time to time.

2.31 The term "Total and Permanent Disability" shall mean a physical or mental condition that renders the Participant eligible for disability benefits under the Retirement and Savings Plan.

ARTICLE 3

PARTICIPATION IN THE PLAN

3.01 Each person who is an Officer of the Sponsoring Employer on and after the Effective Date or a key management employee designated by or at the direction of the Committee shall be a Participant in this Plan to the extent of the benefits provided herein.

3.02 Each Officer or key management employee designated hereunder shall be notified upon becoming a Participant.

ARTICLE 4

RETIREMENT INCOME

4.01 When a Participant retires, he shall be entitled to receive a Monthly Retirement Income under this Plan in an amount provided in Section 4.01(a), reduced by the amounts provided in Section 4.01(b) and (c).

(A) An amount equal to one twelfth (1/12) of the Participant's Annual Retirement Benefit.

(B) The amount provided in Section 4.01(a) shall be reduced by the Retirement Account and Humana SERP Benefit.

(C) The amount provided in Section 4.01(a) shall also be reduced by the Participant's Primary Insurance Amount; provided that in the case of a Participant taking Early Retirement, such reduction shall only apply when the Participant is eligible for an unreduced Primary Insurance Amount.

4.02 A Participant may remain in the employ of the Sponsoring Employer after his Normal Retirement Date, in which event no Monthly Retirement Income shall be paid until the Participant's Late Retirement Date. The benefit payable at the Participant's Late Retirement Date shall be equal to the amount as determined in Section 4.01 except that the Participant's Average Participating Compensation, Years of Service, Retirement Account and Humana SERP Benefit and Primary Insurance Amount shall be determined as of the Participant's Normal or Late Retirement Date, whichever would produce the greater benefit under this Plan. Unless otherwise determined by the Committee, in no event, however, will the Participant's Annual Retirement Benefit exceed fifty percent (50%) of his Average Participating Compensation as of his Normal or Late Retirement Date, whichever is greater.

4.03 Upon the written application of the Participant received by the Plan Administration, a Participant whose Attained Age is at least fifty-five (55) shall be retired as of an Early Retirement Date. Commencing at his Early Retirement Date, such Participant shall be entitled to a benefit computed in accordance with Section 4.01; provided, that the amount set forth in Section 4.01(a) shall be reduced by two/twelfths percent (2/12%) of that amount for each full month that payments commence prior to the Participant's Normal Retirement Date to a maximum reduction not to exceed twenty percent (20%). A Participant taking an Early Retirement Benefit may also request an alternate form of distribution in accordance with Section 4.04.

4.04 The basic form of payment of the Annual Retirement Benefit shall be a Monthly Retirement Income specified in Section 4.01 which shall be paid on a monthly basis commencing on the Participant's Disability, Early, Normal or Late Retirement Date, payable for the life of the Participant.

A Participant may request the Committee to approve an alternate form of payment of the benefits under this Plan. Such request shall be in writing and shall be filed at least sixty (60) days before the payment is to be made or commenced. Once a request is approved, it shall be binding on the Participant. Alternative forms of payment are as follows:

(A) A monthly income payable to the Participant for either sixty (60), one hundred and twenty (120), one hundred and eighty (180) or two hundred and forty (240) payments guaranteed. Upon the Participant's death, distribution of his remaining benefit, if any, shall be made to the Participant's Beneficiary or Secondary Beneficiary.

(B) A monthly income payable for the lifetime of the Participant, with one-half (1/2) of such amount continuing to the Participant's Spouse after the Participant's death for the lifetime of the Spouse.

(C) A single sum payment to the Participant.

(D) Any other form of payment which is actuarially equivalent and is approved by the Committee.

If the single sum value of the Participant's Monthly Retirement Income is less than Fifty Thousand Dollars ($50,000), the benefit shall be paid to the Participant as a single sum.

The alternate forms as provided in Section 4.04(a), (b) and (c) above shall be determined using the same conversion factor as is used to determine the Retirement Account and SERP Benefit as defined in Section 2.14.

4.05 If a Participant should die before benefit payments under the Plan commence, a death benefit shall be payable. Such death benefit shall be equal to the present value of the Participant's monthly retirement income as of the Participant's date of death calculated in accordance with this Article 4 as if the Participant had retired on his date of death; provided, however, that the reduction for the Primary Insurance Amount set forth in Section 4.01(c) shall not apply. Such death benefit shall be paid to the Participant's Beneficiary as a single sum in accordance with the provisions of Section 4.04(c).

If a death benefit is payable under this Article 4 and the designated Beneficiary has predeceased the Participant, the death benefit shall be paid to the Secondary Beneficiary. If neither the Beneficiary nor the Secondary Beneficiary is living at the time of the death of the Participant, or if there is not a valid Beneficiary designated, the Sponsoring Employer shall pay the death benefit to the Participant's estate. If the Beneficiary or Secondary Beneficiary is living at the death of the Participant but such person dies prior to receiving the entire death benefit, the remaining portion of such death benefit shall be paid in a single sum to the estate of such deceased Beneficiary or Secondary Beneficiary.

ARTICLE 5

BENEFITS UPON DISABILITY

5.01 If a Participant is determined to be Totally and Permanently Disabled prior to his Normal Retirement Date, such Disabled Participant shall be retired as of the date provided in the Retirement and Savings Plan. In such event, the Disabled Participant's benefit under this Plan shall be deferred until his Normal Retirement Date. The amount of the Participant's Monthly Retirement Income payable on account of such Disability Retirement shall be calculated in accordance with Section 4.01, provided that his Average Participating Compensation shall be determined as of his date of disability. Years of Service shall be calculated as though the Disabled Participant had continued in employment until his Normal Retirement Date, and the Participant's life annuity equivalent of the account balance in the Retirement Plan Account shall be based on

such account balance at time of distribution [if prior to age sixty-five (65) projected to age sixty-five (65) at eight percent (8%) per annum].

5.02 As an alternative, a Participant who has met the requirements for early Retirement shall be entitled to apply for Benefits pursuant to the provisions of Section 4.03. If such request is granted, the continued accruals provided for above will cease as of the Participant's receipt of Benefits.

5.03 If a Disabled Participant should die before benefit payments under this Plan commence, a death benefit shall be payable. Such death benefit shall

be equal to the present value of the Participant's monthly retirement income as of the Participant's date of death calculated in accordance with Article 4 and shall be paid to the Participant's Beneficiary as a single sum in accordance with the provisions of Section 4.04(c).

In calculating the death benefit, the continued accruals of Section 5.01 will cease at date of death and the benefit will be reduced as for Early Retirement (as set forth in Section 4.03). The reduction for the Primary Insurance Amount set forth in Section 4.01(c) shall not apply. A Participant under age fifty-five (55) will be deemed to be age fifty-five (55) for purposes of calculating his benefit.

If a death benefit is payable under this Article 5 and the designated Beneficiary has predeceased the Participant, the death benefit shall be paid to the Secondary Beneficiary. If neither the Beneficiary nor the Secondary Beneficiary is living at the time of the death of the Participant, or if there is not a valid Beneficiary designated, the Sponsoring Employer shall pay the death benefit to the Participant's estate. If the Beneficiary or Secondary Beneficiary is living at the death of the Participant, but such person dies prior to receiving the entire death benefit, the remaining portion of such death benefit shall be paid in a single sum to the estate of such deceased Beneficiary or Secondary Beneficiary.

ARTICLE 6

PLAN ADMINISTRATION

6.01 The Committee shall be responsible for making all policy decisions which arise under the Plan. The Plan Administrator shall be responsible for administering the Plan.

6.02 Subject to the limitations of the Plan, the Plan Administrator shall from time to time establish rules for the administration of the Plan. Without limiting the generality of the preceding sentence, it is specifically provided that the Plan Administrator shall set forth the procedures to be followed in presenting claims for benefits under the Plan. The Plan Administrator shall rely on the records of the Sponsoring Employer, as certified to it, with respect to any and all factual matters dealing with the employment of a Participant. In case of any factual dispute hereunder, the Committee shall resolve such dispute giving due weight to all evidence available to it. The

Committee shall interpret the Plan and shall determine all questions arising in the administration, interpretation and application of the Plan. All such determinations shall be final, conclusive and binding.

6.03 Except as otherwise specifically provided herein, every decision and action of the Committee shall be valid if concurred in by a majority of the members then in office, which concurrence may be had without a formal meeting.

6.04 The Plan Administrator shall be responsible for the determination of a Participant's benefit in accordance with this Plan.

6.05 In discharging its duties under this Plan, the Plan Administrator and the Committee may employ such counsel, accountants and other agents as they shall deem advisable. The Sponsoring Employer shall pay the compensation of such counsel, accountants and other agents and any other expenses incurred by the Plan Administrator and the Committee in carrying out their duties under the plan.

ARTICLE 7

MODIFICATION AND TERMINATION

7.01 The Sponsoring Employer reserves the right at any time, by action of its Board of Directors, to modify or amend, in whole or in part, any or all of the provisions of the Plan.

7.02 Notwithstanding the provisions of Section 7.01, no amendment, suspension or termination shall adversely affect:

(A) the Monthly Retirement Income of any Participant, or the Beneficiary or Secondary Beneficiary of any Participant, who has retired prior thereto, or

(B) the right of any Participant then employed by the Sponsoring Employer who has attained age fifty-five (55) or otherwise has vested benefits under the Plan to receive upon death, retirement or disability, the benefit to which such person would have been entitled under the Plan prior to its amendment, suspension or termination.

ARTICLE 8

MISCELLANEOUS PROVISIONS

8.01 Neither the interest of a Participant or any other person nor the benefit payable hereunder is subject to the claim of creditors of Participants or their Beneficiaries and will not be subject to attachment, garnishment or any other legal process. Neither a Participant nor his Beneficiaries may assign, sell, borrow against or otherwise encumber any of his beneficial interest

in the Plan, nor shall any such benefits be in any manner liable for or subject to the deeds, contracts, liabilities, engagements or torts of any Participant or Beneficiary. All such payments and rights thereto are expressly declared to be non-assignable and non-transferable, and in the event of any attempt of assignment or transfer by the Participant or Beneficiaries, the Sponsoring Employer shall have no further liability hereunder.

8.02 Although it is the intention of the Sponsoring Employer that this Plan shall be continued, this Plan is entirely voluntary on the part of the Sponsoring Employer, and, subject to the provisions of Article 7, the continuance of the Plan is not assumed as a contractual obligation of the Sponsoring Employer.

8.03 Benefits under this Plan shall be paid exclusively from the general assets of the Sponsoring Employer and no Participant or other person shall have any right or claim to the payment of a benefit which in any manner whatsoever is superior to or different from the right or claim of a general and unsecured creditor of the Sponsoring Employer.

8.04 This Plan shall not be deemed to constitute a contract between the Sponsoring Employer and any Participant or to be a consideration or an inducement for the employment of any Participant. Nothing contained in this Plan shall be deemed to give any Participant the right to be retained in the employment of the Sponsoring Employer or to interfere with the right of the Sponsoring Employer to discharge any Participant at any time regardless of the effect which such discharge shall have upon such individual as a Participant in the Plan.

8.05 This Plan shall be construed and enforced according to the laws of the Commonwealth of Kentucky, and all provisions hereunder shall be administered according to the laws thereof. It is intended that this Plan be exempt from Title I of the Employee Retirement Income Security Act of 1974, as amended, under Section 4(b)(5) thereof, as an excess benefit plan which is unfunded, and any ambiguities in construction shall be resolved in favor of interpretation which will effectuate such intention.

8.06 Any words herein used in the masculine or neuter shall read and be

construed in the feminine, masculine or neuter where they would so apply. Words in the singular shall be read and construed as though used in the plural in all cases where they would so apply. Titles of articles are inserted for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles shall control.

8.07 In making any payment to or for the benefit of any minor or incompetent Beneficiary, the Plan Administrator, in its sole, absolute and uncontrolled discretion, may, but need not, make such payment to a legal or natural guardian or other relative of such minor or court appointed committee of such incompetent, or to any adult with whom such minor or incompetent temporarily or permanently resides, with any such guardian, committee, relative or other person shall have full authority and discretion to expend such distribution for the use and benefit of such minor or incompetent, and the receipt of such guardian, committee, relative or other person shall

be a complete discharge of the Sponsoring Employer, without any responsibility on its part or on the part of the Committee to see to the application thereof.

8.08 If a Participant's employment is terminated due to his commission of theft, fraud, or criminal acts against the Sponsoring Employer or any corporation which is a member of the "affiliated group" [as defined in Section 1054(a) of the Code] with the Sponsoring Employer, such Participant shall not be entitled to receive any benefit under this Plan.

END

Exhibit 12

HUMANA INC.
RATIO OF EARNINGS TO FIXED CHARGES
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(UNAUDITED)

(Dollars in millions)	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Earnings:			
Income before income taxes	$ 270	$ 18	$ 288
Fixed charges	29	19	17
	$ 299	$ 37	$ 305
Fixed charges:			
Interest charged to expense	$ 20	$ 11	$ 11
One-third of rent expense (a)	9	8	6
	$ 29	$ 19	$ 17
Ratio of earnings to fixed charges	10.4	2.0(a)	17.9

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 $215 million before income taxes, the ratio for the year ended December 31, 1996 would have been 13.3.

EXHIBIT 13

FINANCIAL SECTION

Humana Inc.

SELECTED FINANCIAL DATA

Humana Inc.

Dollars in millions, except per share results

For the years ended December 31,	1997 (a)	1996 (b)	1995 (c)	1994 (d)	1993
SUMMARY OF OPERATIONS					
Revenues:					
Premiums:					
Commercial	$4,387	$4,255	$2,883	$2,054	$1,709
Medicare risk	2,426	1,907	1,569	1,406	1,296
TRICARE	764	351	-	-	-
Medicaid	224	71	51	2	-
Medicare supplement	79	93	102	114	132
Total premiums	7,880	6,677	4,605	3,576	3,137
Interest and other income	156	111	97	78	58
Total revenues	8,036	6,788	4,702	3,654	3,195
Income before income taxes	270	18	288	257	143
Net income	173	12	190	176	89
Earnings per common share	1.06	.07	1.17	1.10	.56
Earnings per common share - assuming dilution	1.05	.07	1.16	1.07	.55
Net cash provided by operations					
	289	341	150	298	185
FINANCIAL POSITION					

Cash and investments	$2,646	$1,727	$1,518	$1,203	$1,134
Total assets	5,418	3,153	2,878	1,957	1,731
Medical and other costs payable	2,075	1,099	866	527	448
Debt and other long-term obligations	1,057	361	399	83	71
Stockholders' equity	1,501	1,292	1,287	1,058	889
OPERATING DATA					
Medical loss ratio	82.8%	84.3%	81.7%	81.6%	83.8%
Administrative cost ratio	15.5%	15.5%	13.9%	13.6%	13.2%
Medical membership:					
Commercial	3,258,600	2,759,600	2,834,900	1,500,800	1,214,000
Medicare risk	480,800	364,500	310,400	287,400	270,800
TRICARE	1,112,200	1,103,000	-	-	-
Medicaid	635,200	55,200	49,000	27,500	-
Medicare supplement	68,800	97,700	115,000	131,700	153,600
	5,555,600	4,380,000	3,309,300	1,947,400	1,638,400
Administrative services	651,200	471,000	495,100	93,500	63,700
Total	6,206,800	4,851,000	3,804,400	2,040,900	1,702,100
Specialty membership:					
Dental	936,400	844,800	797,000		
Group life	717,300	642,700	576,300		
Workers' compensation	507,100	132,700	234,200		
Other	279,800	264,000	252,500		
Total	2,440,600	1,884,200	1,860,000		

(a) Includes the operations of Health Direct, Inc., Physician Corporation of America and ChoiceCare Corporation since their dates of acquisition, February 28, 1997, September 8, 1997 and October 17, 1997, respectively.

(b) Includes special charges of $215 million pretax ($140 million after tax or $.85 per diluted share) related to the restructuring of the Washington, D.C., health plan, provision for expected future losses on insurance contracts, closing 13 service areas, discontinuing unprofitable products in three markets, a litigation settlement and planned workforce reductions.

(c) Includes the operations of EMPHESYS Financial Group, Inc. since October 11, 1995, the date of acquisition.

(d) Includes nonrecurring income of $11 million pretax ($17 million after tax or $.10 per diluted share) related to the favorable settlement of income tax disputes with the Internal Revenue Service, partially offset by the write-down of a nonoperational asset.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Humana Inc.

The consolidated financial statements of Humana Inc. (the "Company") in this Annual Report present 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 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, 1997, 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 contract with the federal government to administer the TRICARE program (formerly the Civilian Health and Medical Program of the Uniformed Services), renewal of the Company's Medicaid contracts with various state governments and the Commonwealth of Puerto

Rico, and the effects of other general business conditions, including but not limited to the Company's ability to integrate its acquisitions, the Company's ability to appropriately address the "Year 2000" computer system issue, 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, the ability of health care providers to assume financial risk, 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 though 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 pre-admission approval for hospital inpatient services and pre-authorization of outpatient surgical procedures. The Company also offers various specialty and administrative service products including dental, group life and workers' compensation.

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 ("Medicare risk") or indemnity insurance policies that supplement Medicare benefits ("Medicare supplement"). The Medicare risk product provides managed care services that include all Medicare benefits and, in certain circumstances, additional managed care services. The Company also maintains annual contracts with various states and a two-year contract with the Commonwealth of Puerto Rico, expiring March 31, 1999, to provide health care to Medicaid-eligible individuals. The Company also offers administrative services ("ASO") to employers who self-insure their employee health plans. In total, the Company's products are licensed in 47 states, the District of Columbia and Puerto Rico, with approximately 23 percent of its membership in the state of Florida.

The Company is in the second year of its managed care support contract with the United States Department of Defense to administer the TRICARE program. Under the TRICARE contract, which is renewable annually for up to three additional years, the Company provides managed care services to the beneficiaries of active military personnel and retired military personnel and their beneficiaries located in the southeastern United States.

On October 17, 1997, the Company acquired ChoiceCare Corporation ("ChoiceCare") for approximately $250 million in cash. The purchase was funded with borrowings under the Company's commercial paper program. ChoiceCare provides health services products to approximately 250,000 medical members in the Greater Cincinnati, Ohio, area. This transaction was recorded using the purchase method of accounting.

On September 8, 1997, the Company acquired Physician Corporation of America ("PCA") for total consideration of $411 million in cash, consisting primarily of $7 per share for PCA's outstanding common stock and the assumption of $121 million in debt. The purchase was funded with borrowings under the Company's commercial paper program. PCA serves approximately 1.1 million medical members

and provides comprehensive health services through its HMOs in Florida, Texas and Puerto Rico. In addition, PCA provides workers' compensation third-party administrative management services. Prior to November 1996, PCA also was a direct writer of workers' compensation insurance in Florida. Long-term medical and other costs payable in the accompanying consolidated balance sheets includes the long-term portion of workers' compensation liabilities related to this business. This transaction was recorded using the purchase method of accounting.

On February 28, 1997, the Company acquired Health Direct, Inc. ("Health Direct") from Advocate Health Care for $23 million in cash. This transaction, which was recorded using the purchase method of accounting, added approximately 50,000 medical members to the Company's Chicago, Illinois, 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, exclusive of its small group business and Alabama TRICARE operations, to PrimeHealth of Alabama, Inc. On October 31, 1997, the Company also sold The Lexington Hospital in Lexington, Kentucky, to Jewish Hospital Healthcare Services, Inc. These sale transactions did not have a material impact on the Company's financial position, results of operations or cash flows.

SPECIAL CHARGES

During the second quarter of 1996, the Company recognized special charges of $200 million pretax ($130 million after tax or $.79 per diluted 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 years ended December 31, 1997 and 1996, the beneficial effect of these charges approximated $25 million pretax ($17 million after tax or $.10 per diluted share) and $30 million pretax ($20 million after tax or $.12 per diluted share), respectively. These beneficial effects consisted primarily of charges against liabilities for expected future losses on insurance contracts and amounts related to foregone depreciation and amortization on asset write-downs.

The second quarter special charges are presented in the accompanying consolidated statements of income for the year ended December 31, 1996 as follows: the provision for expected future losses on insurance contracts has been included in medical costs ($105 million); asset write-downs, restructuring costs, market closing and product discontinuance costs have been included in asset write-downs and other special charges ($81 million); and litigation and certain other costs have been included in selling, general and administrative expenses ($14 million).

During the fourth quarter of 1996, the Company recognized an additional special charge of $15 million pretax ($10 million after tax or $.06 per diluted share). This charge included severance and facility costs related to planned workforce reductions, scheduled to be completed throughout 1997. The fourth quarter special charge

has been included in the accompanying consolidated statements of income in asset write-downs and other special charges.

For additional information, see Note 3 of Notes to Consolidated Financial

Statements.

COMPARISON OF RESULTS OF OPERATIONS

In order to enhance comparability, the following discussions comparing the results for the years ended December 31, 1997, 1996 and 1995 exclude the impact of the $215 million pretax ($140 million after tax or $.85 per diluted share) asset write-downs and other special charges recorded in 1996, as previously discussed.

Years Ended December 31, 1997 and 1996

Income before income taxes totaled $270 million for the year ended December 31, 1997, compared to $234 million for the year ended December 31, 1996, excluding the aforementioned special charges. Net income, also excluding the special charges, was $173 million or $1.05 per diluted share in 1997, compared to $152 million or $.92 per diluted share in 1996. The earnings increase was primarily a result of increasing Commercial premium rates, an improvement in hospital utilization and providing a full year of health care services under the TRICARE contract, which commenced during the third quarter of 1996. These favorable items were partially offset by higher than anticipated medical costs in the Company's new Medicare risk markets and increased pharmacy costs system wide. The aforementioned acquisitions of PCA and ChoiceCare did not significantly impact 1997 earnings.

The Company's premium revenues increased 18 percent to $7.9 billion for the year ended December 31, 1997, from $6.7 billion for the year ended December 31, 1996. The premium revenue increase is primarily attributable to the full year impact of the TRICARE contract, the acquisitions of PCA and ChoiceCare and increased premium rates. TRICARE premium revenues totaled approximately $764 million for the year ended December 31, 1997, compared to approximately $351 million for the period July 1 through December 31, 1996. PCA and ChoiceCare premium revenues totaled approximately $512 million since their dates of acquisition. Premium rate changes contributed approximately $276 million to the 1997 premium increase, as same-plan Commercial and Medicare risk premium rates increased 4.2 percent and 4.3 percent, respectively. For 1998, Commercial premium rates are expected to increase approximately 4 to 5 percent, while Medicare risk premium rates are expected to increase by approximately 2 percent. The changing geographical mix of the Company's membership resulting from acquisitions and the growth of the Medicare risk product in new markets will impact the Company's 1998 per member revenue trends.

Same-plan Medicare risk membership increased 65,800 or 19 percent in 1997. This increase primarily resulted from sales in new Medicare risk markets and compares to an increase of 54,100 or 17 percent in 1996. Offsetting this membership increase were same-plan membership declines in the Company's fully insured Commercial line of business. Reflecting the effects of a premium pricing discipline begun during the second half of 1996 and intended to maintain adequate profitability, same-plan membership in the Company's fully insured Commercial products declined 62,500 or 2 percent, compared to a 75,300 or 3 percent decline in 1996. Commercial same-plan ASO membership increased 130,000 or 28 percent during 1997, compared to a 24,100 or 5 percent decline during 1996.

In addition to the changes in same-plan membership discussed above, the Health Direct, PCA and ChoiceCare acquisitions added 673,000 Commercial members, 599,000 Medicaid members, 60,000 Medicare risk members and 63,000 ASO members. Same-plan membership results also exclude the sale of the Washington, D.C., health plan and the Company's Alabama operations. As illustrated in the following table, during 1997 the Company's total medical membership increased 28 percent to over 6.2 million members.

Medical membership data at December 31, 1997 and 1996 follows:

In thousands	1997	1996
Beginning medical membership	4,851	3,804
Same-plan sales	828	783
Same-plan cancellations	(729)	(839)
Acquisitions	1,395	-
Dispositions	(147)	-
TRICARE	9	1,103
Ending medical membership	6,207	4,851

Management expects same-plan Commercial membership to increase at a low to mid single digit rate during 1998, while Medicare risk membership is expected to increase approximately 20 percent.

During 1997, the Company's medical loss ratio increased to 82.8 percent from 82.7 percent (excluding special charges) for the year ended December 31, 1996 as a result of the PCA and ChoiceCare acquisitions. Excluding the effect of these acquisitions, the Company's medical loss ratio improved to 82.4 percent, reflecting the aforementioned premium rate increases, favorable physician cost trends (compared to premium rate increases) in the Company's Commercial products and an overall improvement in hospital utilization. These medical cost improvements were partially offset by higher than anticipated medical costs in the Company's new Medicare risk markets (where a large portion of Medicare risk membership growth is taking place) and increased pharmacy costs system wide. During 1998, the Company must experience medical cost improvements, particularly in the Medicare risk product, to maintain its medical loss ratio.

The Company's administrative cost ratio was 15.5 percent and 15.3 percent (excluding special charges) for the years ended December 31, 1997 and 1996, respectively. Although investment spending in such areas as customer service, information systems and Medicare risk product growth initiatives resulted in this year-over-year increase, efforts to rationalize the Company's staffing levels and streamline the organizational structure have resulted in sequential quarterly improvements in the administrative cost ratio throughout 1997. Continued improvement is expected in the administrative cost ratio in 1998.

Interest income totaled $131 million for the year ended December 31, 1997, compared to $101 million for the year ended December 31, 1996. The increase is primarily attributable to a larger investment portfolio resulting from the addition of TRICARE, PCA and ChoiceCare. The tax equivalent yield on invested assets approximated 7.5 percent and 8 percent for the years ended December 31, 1997 and 1996, 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 decreased to 2.6 years at December 31, 1997, from 3.1 years at December 31, 1996.

Years Ended December 31, 1996 and 1995

Income before income taxes, excluding the $215 million special charges, totaled $234 million for the year ended December 31, 1996, compared to $288 million for the year ended December 31, 1995. Net income, also excluding the special charges, was $152 million or $.92 per diluted share in 1996, compared to $190 million or $1.16 per diluted share in 1995. The earnings decline was primarily a result of increasing Commercial and Medicare risk medical costs in a period of declining Commercial premium rates, partially offset by earnings from the commencement of TRICARE operations.

The Company's premium revenues increased 46 percent to $6.7 billion for the year ended December 31, 1996, from $4.6 billion for the year ended December 31, 1995. The premium revenue increase is primarily attributable to the acquisition of

EMPHESYS Financial Group, Inc. ("EMPHESYS") in the fourth quarter of 1995 and the commencement of health care services under the TRICARE contract during the third quarter of 1996. EMPHESYS premium revenues totaled approximately $1.7 billion for the year ended December 31, 1996, compared to approximately $370 million for the period October 11 through December 31, 1995.

TRICARE premium revenues were approximately $351 million for the period July 1 through December 31, 1996. Premium rate changes also contributed approximately $127 million to the 1996 premium increase as Commercial premium rates declined 0.6 percent and the Medicare risk premium rates increased 7.8 percent. In addition, membership changes added approximately $260 million to 1996 premium revenues.

The membership changes which positively impacted premium revenues included Medicare risk membership growth and the beneficial effect on 1996 premium revenues of 1995 Commercial membership growth, partially offset by 1996 Commercial membership declines. Membership in the Company's fully insured Commercial products declined 75,300 or 3 percent during 1996, due to the closing or sale of certain markets and the pricing of products at rates intended to maintain adequate profitability. This decline compares to an increase (excluding the EMPHESYS acquisition) of 276,900 or 19 percent for the year ended December 31, 1995. Medicare risk membership increased, in both core and new markets, by 54,100 or 17 percent for the year ended December 31, 1996, compared to an increase of 23,000 or 8 percent in 1995. ASO membership declined 24,100 during 1996, compared to an increase of 184,700 during 1995.

Medical membership data at December 31, 1996 and 1995 follows:

In thousands	1996	1995
Beginning medical membership	3,804	2,041
Same-plan sales	783	739
Same-plan cancellations	(839)	(320)
Acquisitions	-	1,344
TRICARE	1,103	-
Ending medical membership	4,851	3,804

The Company's medical loss ratio increased to 82.7 percent (excluding special charges) for the year ended December 31, 1996, from 81.7 percent for the year ended December 31, 1995. The increase in the medical loss ratio was due to increased medical costs during a Commercial pricing environment which saw premium rates decline 0.6 percent. Medical cost increases were most notable in hospital outpatient, physician and pharmacy services in both the Commercial and Medicare risk products. Partially offsetting these cost increases were improvements in hospital inpatient utilization in both products.

The Company's administrative cost ratio was 15.3 percent (excluding special charges) and 13.9 percent for the years ended December 31, 1996 and 1995, respectively. The increase in the administrative cost ratio was the result of higher administrative costs associated with both the EMPHESYS small-group and TRICARE businesses. Excluding the effect of the EMPHESYS acquisition and the addition of the TRICARE business, the Company's administrative cost ratio was 13.2 percent and 13.3 percent for the years ended December 31, 1996 and 1995, respectively.

Interest income totaled $101 million for the year ended December 31, 1996, compared to $87 million for the year ended December 31, 1995. The increase is

primarily attributable to a larger investment portfolio resulting from the addition of EMPHESYS and TRICARE. The tax equivalent yield on invested assets approximated 8 percent for the years ended December 31, 1996 and 1995. 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 decreased to 3.1 years at December 31, 1996, from 4.0 years at December 31, 1995.

LIQUIDITY

Cash provided by the Company's operations totaled $289 million, $341 million and $150 million for the years ended December 31, 1997, 1996 and 1995, respectively. The 1997 decline in net cash provided by operations was due to changes in operating assets and liabilities, the result of increased TRICARE premiums receivable and more timely medical claim processing. The 1996 increase in operating cash flows was primarily attributable to the timing of payments for medical costs and other liabilities, due to the commencement of operations under the TRICARE contract. Also impacting 1996 operating cash flows was a decrease in net income.

Due in large part to the Company's 1997 acquisitions, cash used in investing activities totaled $664 million in 1997, a $490 million increase over 1996. Similarly, reflecting the debt incurred to fund such acquisitions (as discussed below), cash provided by 1997 financing activities totaled $680 million, compared to a $27 million net use of cash in 1996.

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' ability to obtain regulatory approval to pay dividends.

In August 1997, the Company entered into a five-year revolving credit agreement ("Credit Agreement") which provides a line of credit of up to $1.5 billion. The Credit Agreement replaced an existing $600 million revolving line of credit. Principal amounts outstanding under the Credit Agreement bear interest at rates ranging from LIBOR plus 12 basis points to LIBOR plus 30 basis points, depending on the ratio of debt to debt plus net worth. The Credit Agreement, under which $300 million was outstanding at December 31, 1997 bearing interest at a rate of 6.2 percent, contains customary covenants and events of default.

The Company also maintains a commercial paper program and issues debt securities thereunder. At December 31, 1997 and 1996, borrowings under the commercial paper program totaled approximately $589 million and $222 million, respectively. The average interest rate for 1997 and 1996 borrowings was 5.9 percent and 5.6 percent, respectively. The commercial paper program is backed by the Credit Agreement. Borrowings under both the Credit Agreement and commercial paper program have been classified as long-term debt based on management's ability and intent to refinance borrowings on a long-term basis.

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

RISK SENSITIVE FINANCIAL INSTRUMENTS AND POSITIONS

The Company's risk of fluctuation in earnings due to changes in interest income from its fixed income portfolio is partially mitigated by the Company's long-term debt position, as well as the short duration of the fixed income portfolio.

The Company has evaluated the interest income and debt expense impact resulting from a hypothetical change in interest rates of 100, 200 and 300 basis points over the next 12-month period, as reflected in the table below. In the past 10 years, annual changes in commercial paper rates have equaled or exceeded 300 basis points one time, were between 200 and 300 basis points two times, and were between 100 and 200 basis points two times. The modeling technique used to calculate the pro forma net change considered the cash flows related to fixed income investments and debt which are subject to interest rate changes during a prospective 12-month period.

Dollars in millions	Increase (decrease) in earnings given an interest rate decrease of X basis points			Increase (decrease) in earnings given an interest rate increase of X basis points		
	(300)	(200)	(100)	100	200	300
Fixed income portfolio	$(15.1)	$(10.0)	$(5.0)	$ 4.9	$ 9.9	$ 14.8
Long-term debt	12.3	8.2	4.1	(4.1)	(8.2)	(12.3)
Total	$ (2.8)	$ (1.8)	$ (.9)	$ .8	$ 1.7	$ 2.5

The following table presents the hypothetical change in fair market values of common equity securities held by the Company at December 31, 1997 which are sensitive to changes in stock market values. These common equity securities are held for purposes other than trading.

Dollars in millions	Decrease in valuation of security given an X% decrease in each equity security's value			Fair value as of December 31, 1997	Increase in valuation of security given an X% increase in each equity security's value		
	(30%)	(20%)	(10%)		10%	20%	30%
Common equity securities	$(15.5)	$(10.4)	$(5.2)	$51.8	$5.2	$10.4	$15.5

Changes in equity valuations (based upon the Standard & Poor's 500 stock index) over the past 10 years which were in excess of 30 percent occurred two times, between 20 percent and 30 percent occurred three times, and between 10 percent and 20 percent occurred one time.

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. Total capital expenditures, excluding acquisitions, were $73 million, $72 million and $54 million for the years ended December 31, 1997, 1996 and 1995, respectively.

Excluding acquisitions, planned capital spending in 1998 will approximate $70 to $80 million for the expansion and improvement of medical care facilities, administrative facilities and related information systems.

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 established and implemented by the Health Care Financing Administration.

The Company's 1998 average rate of statutory increase under the Medicare risk contracts is approximately 2 percent. Over the last five years, annual increases have ranged from as low as the January 1998 increase of 2 percent to as high as 9 percent in January 1996, with an average of approximately 5 percent. 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 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 Company also maintains annual contracts with various states and a two-year contract with the Commonwealth of Puerto Rico, expiring March 31, 1999, to provide health care to Medicaid-eligible individuals. Additionally, the Company's TRICARE contract is a one-year contract 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.

During the years ended December 31, 1997, 1996 and 1995, combined premium revenues from the Company's Medicare risk, Medicaid and TRICARE lines of business represented approximately 43 percent, 35 percent and 35 percent, respectively, of total premium revenues.

IMPACT OF THE YEAR 2000 ISSUE

The Company has conducted an assessment of its computer systems to identify the systems that could be affected by the "Year 2000" issue, which results from computer programs having been written to define the applicable year using two digits rather than four digits. The Company believes that, with modifications to existing software, the Year 2000 issue will not pose significant operational problems for its computer system as so modified. The Company plans to complete the majority of the Year 2000 modifications by December 31, 1998. At present, the Company anticipates that the incremental costs incurred in connection with the Year 2000 project will approximate $12 to $15 million.

The costs of the project and the date on which the Company plans to complete the necessary Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, the ability of the Company's significant suppliers, customers and others with which it conducts business to identify and resolve their own Year 2000 issues and similar uncertainties.

IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board ("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 periods beginning after December 15, 1997. Given that the components required to be included in comprehensive income are currently presented in the Company's consolidated financial statements, adoption of SFAS No. 130 will have little impact on the Company.

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 fiscal years beginning after December 15, 1997. The Company is continuing to assess the disclosure impacts of adopting SFAS No. 131.

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 financial position, results of operations or cash flows.

CONSOLIDATED BALANCE SHEETS

Humana Inc.

Dollars in millions, except per share amounts

December 31,	1997	1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 627	$ 322
Marketable securities	1,507	1,262
Premiums receivable, less allowance for doubtful accounts of $48 in 1997 and $38 in 1996	351	211
Deferred income taxes	34	94
Other	231	113
Total current assets	2,750	2,002
Property and equipment, net	420	371
Other assets:		
Long-term marketable securities	512	143
Cost in excess of net assets acquired	1,224	488
Deferred income taxes	160	17
Other	352	132
Total other assets	2,248	780
Total Assets	$5,418	$3,153

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical and other costs payable	$1,478	$1,099
Trade accounts payable and accrued expenses	471	333
Unearned premium revenues	304	36
Income taxes payable	10	32
Total current liabilities	2,263	1,500
Long-term medical and other costs payable	597	-
Long-term debt	889	225
Professional liability and other obligations	168	136
Total liabilities	3,917	1,861
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $1 par; authorized 10,000,000 shares; none issued	-	-
Common stock, $.16 2/3 par; authorized 300,000,000 shares; issued and outstanding 164,058,225 shares - 1997 and 162,681,123 shares - 1996	27	27
Capital in excess of par value	841	822
Retained earnings	624	451
Net unrealized investment gains (losses)	9	(8)
Total stockholders' equity	1,501	1,292
Total Liabilities and Stockholders' Equity	$5,418	$3,153

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

CONSOLIDATED STATEMENTS OF INCOME

Humana Inc.

Dollars in millions, except per share results

Years Ended December 31,	1997	1996	1995
Revenues:			
Premiums	$7,880	$6,677	$4,605
Interest and other income	156	111	97
Total revenues	8,036	6,788	4,702
Operating expenses:			
Medical costs	6,522	5,625	3,762
Selling, general and administrative	1,116	940	571
Depreciation and amortization	108	98	70
Asset write-downs and other special charges	-	96	-
Total operating expenses	7,746	6,759	4,403
Income from operations	290	29	299
Interest expense	20	11	11
Income before income taxes	270	18	288

Provision for income taxes	97	6	98
Net income	$ 173	$ 12	$ 190
Earnings per common share	$1.06	$ .07	$ 1.17
Earnings per common share - assuming dilution	$1.05	$ .07	$ 1.16

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Humana Inc.

In millions

	Common Stock		Capital In Excess of	Retained	Net Unrealized Investment	Total Stockholders'
	Shares	Amount	Par Value	Earnings	Gains (Losses)	Equity
Balances, January 1, 1995	161	$27	$803	$249	$(21)	$1,058
Net income	-	-	190	-	190	
Other	1	-	12	-	27	39
Balances, December 31, 1995	162	27	815	439	6	1,287
Net income	-	-	12	-	12	
Other	1	-	7	-	(14)	(7)
Balances, December 31, 1996	163	27	822	451	(8)	1,292
NET INCOME	-	-	173	-	173	
OTHER	1	-	19	-	17	36
BALANCES, DECEMBER 31, 1997	164	$27	$841	$624	$ 9	$1,501

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Humana Inc.

Dollars in millions

Years Ended December 31,	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 173	$ 12	$ 190
Adjustments to reconcile net income to net cash provided by operating activities:			
Asset write-downs	-	70	-
Depreciation and amortization	108	98	70
Deferred income taxes	40	(25)	13
Changes in operating assets and liabilities:			

Premiums receivable	(102)	(81)	(27)
Other assets	(47)	(31)	(4)
Medical and other costs payable	(149)	215	(9)
Other liabilities	57	84	(78)
Unearned premium revenues	203	(3)	(5)
Other	6	2	-
Net cash provided by operating activities	289	341	150
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of health plan assets	(669)	(6)	(697)
Purchases of property and equipment	(73)	(72)	(54)
Dispositions of property and equipment	15	5	5
Purchases of marketable securities	(608)	(440)	(402)
Maturities and sales of marketable securities	648	356	731
Other	23	(17)	(33)
Net cash used in investing activities	(664)	(174)	(450)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of long-term debt	300	-	250
Repayment of long-term debt	-	(250)	(51)
Net commercial paper borrowings	367	222	-
Other	13	1	11
Net cash provided by (used in) financing activities	680	(27)	210
Increase (decrease) in cash and cash equivalents	305	140	(90)
Cash and cash equivalents at beginning of period	322	182	272
Cash and cash equivalents at end of period	$627	$322	$182
Interest payments, net	$ 15	$ 11	$ 12
Income tax payments, net	8	39	94

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Humana Inc.

1. REPORTING ENTITY

Nature of Operations

Humana Inc. (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 encourage or require the use of contracting providers. HMOs and PPOs control health care costs by various means, including pre-admission approval for hospital inpatient services and pre-authorization of outpatient surgical procedures. The Company also offers various specialty and administrative service products including dental, group life and workers' compensation.

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 ("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. In addition, the Company maintains annual contracts with various states and a two-year contract with the Commonwealth of Puerto Rico, expiring March 31, 1999, to provide health care to Medicaid-eligible individuals. The Company also offers administrative services ("ASO") to employers who self-insure their employee health plans. The Company's products are licensed in 47 states, the District of Columbia and Puerto Rico, with approximately 23 percent of its membership in the state of Florida.

On July 1, 1996, the Company began providing managed health care services to approximately 1.1 million eligible beneficiaries under a contract with the United States Department of Defense under the TRICARE program (formerly the Civilian Health and Medical Program of the Uniformed Services). The government exercised its option to extend the contract for one year effective July 1, 1997. Under the TRICARE contract, which is renewable annually for up to three additional years, the Company provides managed care services to the beneficiaries of active military personnel and retired military personnel and their beneficiaries located in the southeastern United States. The Company has subcontracted with third parties to provide certain administration and specialty services under the contract. Three health benefit options are available to TRICARE beneficiaries. In addition to a traditional indemnity option, participants may enroll in an HMO-like plan with a point-of-service option or take advantage of reduced co-payments by using a network of preferred providers.

During the years ended December 31, 1997, 1996 and 1995, premium revenues from the Company's Medicare risk, Medicaid and TRICARE lines of business represented approximately 43 percent, 35 percent and 35 percent, respectively, of total premium revenues.

Basis of Presentation

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, time deposits, money market funds, commercial paper and certain U.S. Government securities with an original maturity of three months or less. Carrying value approximates fair value due to the short-term maturities of the investments.

Marketable Securities

At December 31, 1997 and 1996, 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 mortgage loans are carried

at cost. Marketable debt and equity securities available for current operations are classified as current assets. Marketable securities available for the Company's capital spending, professional liability, long-term insurance product requirements and payment of long-term workers' compensation claims are classified as long-term assets. Unrealized holding gains and losses, net of applicable deferred taxes, are included as a component of stockholders' equity until realized.

For the purpose of determining gross realized gains and losses, the cost of securities sold is based upon specific identification.

Property and Equipment

Property and equipment is carried at cost and comprises the following at December 31, 1997 and 1996:

Dollars in millions	1997	1996
Land	$ 33	$ 33
Buildings	302	278
Equipment	393	370
	728	681
Accumulated depreciation	(308)	(310)
	$ 420	$ 371

Depreciation is computed using the straight-line method over estimated useful lives ranging from three to 10 years for equipment and 20 years for buildings. Depreciation expense was $66 million, $59 million and $50 million for the years ended December 31, 1997, 1996 and 1995, 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 varying 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 $37 million and $18 million at December 31, 1997 and 1996, respectively.

Revenue and Medical Cost Recognition

Premium revenues are recognized as income in the period members are entitled to receive services. Premiums received prior to such periods are recorded as unearned premium revenues.

Medical costs include claim payments, capitation payments, physician salaries and various other costs incurred to provide medical care to members, as well as estimates of future payments to hospitals and others for medical care provided prior to the balance sheet date. Capitation payments represent monthly prepaid fees disbursed 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 and other

costs payable are adequate to cover future claims payments required; however, such estimates are subject to changes in assumptions, and, therefore, the actual liability could differ from amounts provided.

Stock Options

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") and continues to apply Accounting Principles Board Opinion No. 25 and related interpretations in the accounting for its stock option plans. No compensation expense has been recognized in connection with the granting of stock options. See Note 8 for discussion of stock options and the disclosures required by SFAS No. 123.

Earnings Per Common Share

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128") which specifies the computation, presentation and disclosure requirements for earnings per share effective for periods ending after December 15, 1997. In accordance with SFAS No. 128, all prior-period earnings per share data have been restated.

Detail supporting the computation of earnings per common share and earnings per common share-assuming dilution follows:

Dollars in millions, except per share results

Year Ended December 31, 1997	Net Income	Shares	Per Share Results
Earnings per common share	$ 173	163,406,460	$1.06
Effect of dilutive stock options		2,436,019	
Earnings per common share - assuming dilution	$ 173	165,842,479	$1.05
Year Ended December 31, 1996			
Earnings per common share	$ 12	162,531,524	$ .07
Effect of dilutive stock options		2,747,294	
Earnings per common share - assuming dilution	$ 12	165,278,818	$ .07
Year Ended December 31, 1995			
Earnings per common share	$ 190	162,268,815	$1.17
Effect of dilutive stock options		2,325,637	
Earnings per common share - assuming dilution	$ 190	164,594,452	$1.16

Options to purchase 2,414,148, 1,580,891 and 1,229,500 shares for the years ended December 31, 1997, 1996 and 1995, respectively, were not included in the computation of earnings per common share-assuming dilution because the options' exercise prices were greater than the average market price of the common shares.

Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform with the current year presentation.

3. SPECIAL CHARGES

During the second quarter of 1996, the Company recognized special charges of $200 million pretax ($130 million after tax or $.79 per diluted share). The second quarter special charges included provisions for expected future losses on

insurance contracts ($105 million) as well as an estimate of the costs to be incurred

in restructuring the Washington, D.C., health plan (which was sold January 31, 1997; see below) 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.

The 1996 special charges included $70 million of asset write-downs related to long-lived assets, primarily associated with the Company's Washington, D.C., health plan. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," the Company conducted a review of the carrying value of its Washington, D.C., health plan's long-lived assets. This review was initiated because the health plan was experiencing significant operating losses. A forecast of expected undiscounted future cash flows was prepared to determine whether an impairment existed and fair values were used to measure the amount of the impairment. As a result of the review, the Washington, D.C., health plan's long-lived assets were written down to their estimated fair value.

The second quarter special charges have been included in the accompanying consolidated statement of income for the year ended December 31, 1996 as follows: the provision for expected future losses on insurance contracts has been included in medical costs ($105 million); asset write-downs, restructuring costs, market closing and product discontinuance costs have been included in asset write-downs and other special charges ($81 million); and litigation and certain other costs have been included in selling, general and administrative expenses ($14 million).

During the fourth quarter of 1996, the Company recognized an additional special charge of $15 million pretax ($10 million after tax or $.06 per diluted share). This charge included severance and facility costs related to planned workforce reductions, scheduled to be completed throughout 1997. The fourth quarter special charge has been included in the accompanying consolidated statement of income in asset write-downs and other special charges.

The components and usage of the 1996 special charges follows:

Dollars in millions	Liability For Expected Future Losses On Insurance Contracts	Asset Write-downs & Workforce Reductions	Other	Total
Provision for special charges	$105	$ 96	$ 14	$215
1996 usage (cash)	(30)	(11)	(10)	(51)
1996 usage (non-cash)	-	(70)	-	(70)
Balances at December 31, 1996	75	15	4	94
1997 usage (cash)	(59)	(12)	(1)	(72)
Balances at December 31, 1997	$ 16	$ 3	$ 3	$ 22

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, exclusive of its small group business and Alabama TRICARE operations, to PrimeHealth of Alabama, Inc. These sale transactions did not have a material impact on the Company's financial position, results of

operations or cash flows.

At December 31, 1997 and 1996, there were additional liabilities totaling approximately $46 million and $50 million, respectively, included in the accompanying consolidated balance sheets, primarily related to contract disputes. This liability was originally recognized in August 1992. Management regularly evaluates the continued reasonableness of this liability, as well as the 1996 special 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, 1997 and 1996 included the following:

	1997				1996			
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 obligations	$ 178	$ 1	$ -	$ 179	$ 68	$ -	$ (1)	$ 67
Tax exempt municipal bonds	723	5	(2)	726	613	3	(6)	610
Corporate bonds	282	6	-	288	313	1	(3)	311
Redeemable preferred stocks	113	1	(2)	112	117	-	(1)	116
Collateralized mortgage obligations	35	1	-	36	54	1	-	55
Marketable equity securities	114	5	(1)	118	79	2	(3)	78
Other	45	3	-	48	22	6	(3)	25
	$1,490	$22	$(5)	$1,507	$1,266	$13	$(17)	$1,262

Marketable securities classified as long-term assets at December 31, 1997 and 1996 included the following:

	1997				1996			
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 obligations	$146	$ -	$ -	$ 146	$ 3	$ -	$ -	$ 3
Tax exempt municipal bonds	284	3	(2)	285	77	-	(1)	76
Redeemable preferred stocks	16	-	-	16	9	-	-	9
Marketable equity securities	19	1	-	20	5	-	-	5
Other	45	-	-	45	49	1	-	50
	$510	$ 4	$(2)	$ 512	$143	$ 1	$(1)	$143

The contractual maturities of debt securities available for sale at December 31, 1997, 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	$ 330	$ 332
Due after one year through five years	685	680

Due after five years through ten years	328	335
Due after ten years	145	153
Not due at a single maturity date	379	381
	$1,867	$1,881

Gross realized gains and losses for the years ended December 31, 1997, 1996 and 1995 were immaterial.

5. INCOME TAXES

The provision for income taxes consisted of the following:

	Years Ended December 31,		
Dollars in millions	1997	1996	1995
Current provision:			
Federal	$ 51	$ 30	$ 78
State	6	1	7
	57	31	85
Deferred provision (benefit):			
Federal	36	(23)	11
State	4	(2)	2
	40	(25)	13
	$ 97	$ 6	$ 98

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

	Years Ended December 31,		
Dollars in millions	1997	1996	1995
Income tax provision at federal statutory rate	$ 95	$ 6	$ 101
State income taxes, net of federal benefit	10	1	7
Tax exempt investment income	(13)	(12)	(12)
Amortization	10	12	6
Other items, net	(5)	(1)	(4)
	$ 97	$ 6	$ 98

Cumulative temporary differences which gave rise to deferred tax assets and liabilities at December 31, 1997 and 1996 were as follows:

	Assets (Liabilities)	
Dollars in millions	1997	1996
Marketable securities	$ (6)	$ 2
Long-term assets	(42)	(41)
Medical and other costs payable	126	28
Liabilities for special charges	14	46
Professional liability risks	41	34
Other	61	42
	$ 194	$ 111

Management believes that the deferred tax assets are realizable based primarily on the existence of taxable income within the allowable carryback periods.

During 1995, the Company made a $30 million payment to the IRS to stop the accrual of interest expense and resolve disputed amounts related to tax periods September 1, 1991 through December 31, 1993.

At December 31, 1997, the Company has available tax net operating loss carryforwards of approximately $69 million related to prior acquisitions. These loss carryforwards, if unused to offset future taxable income of the acquired subsidiaries, will expire in 2002 through 2011.

6. LONG-TERM DEBT

In August 1997, the Company entered into a five-year revolving credit agreement ("Credit Agreement") which provides a line of credit of up to $1.5 billion. The Credit Agreement replaced an existing $600 million revolving line of credit, under which there were no outstanding borrowings at December 31, 1996. Principal amounts outstanding under the Credit Agreement bear interest at rates ranging from LIBOR plus 12 basis points to LIBOR plus 30 basis points, depending on the ratio of debt to debt plus net worth. The Credit Agreement, under which $300 million was outstanding at December 31, 1997 bearing interest at a rate of 6.2 percent, contains customary covenants and events of default.

The Company also maintains a commercial paper program and issues debt securities thereunder. At December 31, 1997 and 1996, borrowings under the commercial paper program totaled approximately $589 million and $222 million, respectively. The average interest rate for 1997 and 1996 borrowings was 5.9 percent and 5.6 percent, respectively. The commercial paper program is backed by the Credit Agreement.

Borrowings under both the Credit Agreement and commercial paper program have been classified as long-term debt based on management's ability and intent to refinance borrowings on a long-term basis.

7. PROFESSIONAL LIABILITY AND OTHER OBLIGATIONS

The Company insures substantially all professional liability risks through a wholly-owned subsidiary (the "Subsidiary"). Provisions for such risks, including expenses incident to claim settlements, were $32 million, $31 million and $27 million for the years ended December 31, 1997, 1996 and 1995, respectively. The 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 sheets were $111 million and $95 million at December 31, 1997 and 1996, 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 sheets consist primarily of liabilities for disability and other long-term insurance products and the Company's employee retirement and benefit plans. These liabilities totaled $57 million and $61 million at December 31, 1997 and 1996, respectively.

8. STOCKHOLDERS' EQUITY

As a result of state regulatory requirements, the Company must maintain certain levels of capital in its licensed subsidiaries. The Company's ability to make use of the capital of its subsidiaries is subject to these restrictions, as well as regulatory approval.

In 1987, the Company adopted, and in 1996 amended, a stockholders' rights plan

designed to deter takeover initiatives not considered to be in the best interests of the Company's stockholders. 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. Pursuant to the plan, under certain conditions, each share of stock has a right to acquire 1/100th of a share of Series A Participating Preferred Stock at a price of $145 per share. The plan expires in 2006.

The Company has plans under which options to purchase common stock have been granted to officers, directors and key employees. Options are granted at the market price on the date of grant. Exercise provisions vary, but most options vest in whole or in part one to five years after grant and expire 10 years after grant. At December 31, 1997, there were 14,870,811 shares reserved for employee and director stock option plans. At December 31, 1997, there were 1,825,166 shares of common stock available for future grants. In January 1998, a total of 1,714,350 options were granted.

The Company's option plan activity for the years ended December 31, 1997, 1996 and 1995 is summarized below:

	Shares Under Option	Exercise Price Per Share	Weighted Average Exercise Price
Balance, January 1, 1995	7,670,201	$ 4.32 to $17.94	$ 7.75
Granted	3,107,000	18.94 to 23.06	22.84
Exercised	(751,096)	4.32 to 11.90	8.35
Canceled or lapsed	(190,250)	6.56 to 23.06	13.11
Balance, December 31, 1995	9,835,855	4.32 to 23.06	12.37
Granted	1,888,500	15.63 to 27.56	19.74
Exercised	(454,044)	4.32 to 23.06	8.11
Canceled or lapsed	(348,424)	6.56 to 27.56	15.87
Balance, December 31, 1996	10,921,887	4.32 to 26.94	13.71
Granted	2,819,000	18.31 to 23.69	19.79
Exercised	(1,247,793)	4.32 to 23.06	8.67
Canceled or lapsed	(270,830)	6.56 to 23.06	17.32
Balance, December 31, 1997	12,222,264	$ 5.80 to $26.94	$15.54

A summary of stock options outstanding and exercisable at December 31, 1997 follows:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 5.80 to $ 6.87	3,462,410	3.9 years	$ 6.56	2,669,910	$ 6.56
8.00 to 9.64	1,031,307	4.9 years	8.18	720,932	8.26
10.54 to 14.44	174,350	3.3 years	11.23	171,100	11.24
15.63 to 18.94	2,626,833	8.6 years	18.38	266,672	17.21
19.19 to 22.97	2,329,700	8.7 years	20.54	790,094	19.89
23.06 to 26.94	2,597,664	6.4 years	23.39	1,597,068	23.24
$ 5.80 to $26.94	12,222,264	6.4 years	$15.54	6,215,776	$13.32

As of December 31, 1996 and 1995, there were 4,786,969 and 2,079,980 options exercisable, respectively. The weighted average exercise price of options exercisable during 1996 and 1995 was $11.05 and $7.51, respectively.

If the Company had adopted the expense recognition provisions of SFAS No. 123 for purposes of determining compensation expense related to stock options granted during the years ended December 31, 1997, 1996 and 1995, net income and earnings per common share would have been changed to the pro forma amounts shown below:

Dollars in millions, except per share results		Years Ended December 31, 1997	1996	1995
Net income	As reported	$ 173	$ 12	$ 190
	Pro forma	159	4	181
Earnings per common share	As reported	$1.06	$ .07	$1.17
	Pro forma	.97	.02	1.11
Earnings per common share - assuming dilution	As reported	$1.05	$ .07	$1.16
	Pro forma	.96	.02	1.10

The fair value of each option granted during 1997, 1996 and 1995 was estimated on the date of grant using an option-pricing model (Black-Scholes) with the following weighted average assumptions:

	1997	1996	1995
Dividend yield	None	None	None
Expected volatility	38.5%	40.2%	40.2%
Risk-free interest rate	6.1%	7.0%	7.0%
Expected option life (years)	5.4	5.8	5.8
Weighted average fair value at grant date	$8.88	$8.92	$9.57

The effects of applying SFAS No. 123 in the pro forma disclosures are not likely to be representative of the effects on pro forma net income for future years because variables such as option grants, exercises and stock price volatility included in the disclosures may not be indicative of future activity.

9. COMMITMENTS AND 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 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 Company also maintains annual contracts with various states and a two-year contract with the Commonwealth of Puerto Rico, expiring March 31, 1999, to provide health care to Medicaid-eligible individuals. Additionally, the Company's TRICARE contract is a one-year contract 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.

During the ordinary course of business, the Company is subject to pending and threatened legal actions. Management of the Company does not believe that any of these actions will have a material adverse effect on the Company's financial position, results of operations or cash flows.

10. ACQUISITIONS

On October 17, 1997, the Company acquired ChoiceCare Corporation ("ChoiceCare") for approximately $250 million in cash. The purchase was funded with borrowings under the Company's commercial paper program. ChoiceCare provides health services products to approximately 250,000 medical members in the Greater Cincinnati, Ohio, area.

On September 8, 1997, the Company acquired Physician Corporation of America ("PCA") for total consideration of $411 million in cash, consisting primarily of $7 per share for PCA's outstanding common stock and the assumption of $121 million in debt. The purchase was funded with borrowings under the Company's commercial paper program. PCA serves approximately 1.1 million medical members and provides comprehensive health services through its HMOs in Florida, Texas and Puerto Rico. In addition, PCA provides workers' compensation third-party administrative management services. Prior to November 1996, PCA also was a direct writer of workers' compensation insurance in Florida. Long-term medical and other costs payable in the accompanying consolidated balance sheets includes the long-term portion of workers' compensation liabilities related to this business.

On February 28, 1997, the Company acquired Health Direct, Inc. ("Health Direct") from Advocate Health Care for $23 million in cash. This transaction added approximately 50,000 medical members to the Company's Chicago, Illinois, membership.

On October 11, 1995, the Company acquired EMPHESYS Financial Group, Inc. ("EMPHESYS") for a total purchase price of approximately $650 million. The purchase was funded though available cash of $400 million and bank borrowings of $250 million under the Company's revolving line of credit in existence at that time. 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.

The above acquisitions, and certain other minor acquisitions, were accounted for under the purchase method of accounting. In connection with these acquisitions, the Company allocated the acquisition costs 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 sheets, include subscriber and provider contracts and, at December 31, 1997 and 1996, totaled $93 million and $88 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 $754 million in 1997 and $387 million in 1995. Subscriber and provider contracts are amortized over their estimated useful lives (seven to 14 years), while cost in excess of net assets acquired is amortized over periods not exceeding 40 years.

The results of operations for the previously mentioned acquisitions have been included in the accompanying consolidated statements of income since the date of acquisition. The following unaudited pro forma consolidated results of operations give effect to those acquisitions as if they had occurred at the beginning of the year preceding the year of acquisition:

	Years Ended December 31,		
Dollars in millions, except per share results	1997	1996	1995

Revenues	$9,272	$8,581	$5,968
Net income (loss)	64	(271)	200
Earnings (loss) per common share	$ .39	$(1.67)	$ 1.23
Earnings (loss) per common share - assuming dilution	.39	(1.67)	1.22

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 at the beginning of the year preceding the year of acquisition.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Humana Inc.

We have audited the accompanying consolidated balance sheets of Humana Inc. as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. 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, 1997 and 1996, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.
Louisville, Kentucky
February 10, 1998

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Humana Inc.

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

Dollars in millions, except per share results	1997 (a)			
	First	Second	Third	Fourth

Revenues	$1,832	$1,836	$1,968	$2,400
Income before income taxes	60	65	69	76
Net income	39	42	44	48
Earnings per common share	.24	.26	.27	.29
Earnings per common share - assuming dilution	.24	.25	.27	.29

Dollars in millions, except per share results	1996			
	First	Second (b)	Third	Fourth (c)
Revenues	$1,588	$1,605	$1,784	$1,811
Income (loss) before income taxes	81	(146)	48	35
Net income (loss)	53	(95)	32	22
Earnings (loss) per common share	.32	(.58)	.20	.13
Earnings (loss) per common share - assuming dilution	.32	(.58)	.19	.13

(a) Includes the results of Health Direct, Inc., Physician Corporation of America and ChoiceCare Corporation since their dates of acquisition, February 28, 1997, September 8, 1997 and October 17, 1997, respectively.

(b) Includes special charges of $200 million pretax ($130 million after tax or $.79 per diluted share) related to the restructuring of the Washington, D.C., health plan, provision for expected future losses on insurance contracts, closing 13 service areas, discontinuing unprofitable products in three markets and a litigation settlement.

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

Vice President - Health System Management (Central)

Vice President - Investment Management and Treasurer

Vice President - Sales and Marketing

ARTHUR P. HIPWELL
Senior Vice President and General Counsel

MITZI R. KROCKOVER, M.D.
Vice President - Women's Health

JOAN O. LENAHAN
Corporate Secretary

THOMAS J. LISTON
Vice President - Corporate Development

HEIDI S. MARGULIS
Vice President - Government Affairs

MICHAEL B. MCCALLISTER
Senior Vice President - Health System Management

CORPORATE OFFICERS (CONTINUED)

SHERI E. MITCHELL
Vice President - Accreditation and Compliance

JAMES E. MURRAY
Vice President and Chief Financial Officer

WALTER E. NEELY
Vice President and Associate General Counsel

DAVID R. NELSON
Vice President and Chief Actuary

THOMAS J. NOLAND, JR.
Vice President - Corporate Communications

BRUCE D. PERKINS
Senior Vice President - National Contracting

JERRY D. REEVES, M.D.
Senior Vice President and Chief Medical Officer

GREGORY K. ROTHERHAM
Vice President and General Manager - Medstep

KIRK E. ROTHROCK
Vice President - Specialty Products and Businesses

R. EUGENE SHIELDS
President - Humana Military Healthcare Services

GEORGE W. VIETH, JR.
Vice President - Strategy and Systems Development

DAVID W. WILLE
Vice President - Actuarial Services

TOD J. ZACHARIAS
Vice President - Product Development

ADDITIONAL INFORMATION

TRANSFER AGENT

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

CORPORATE HEADQUARTERS

Humana Inc.
The Humana Building
500 West Main Street
Louisville, Kentucky 40202
(502) 580-1000
(800) 486-2620

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

ANNUAL MEETING

The Company's Annual Meeting of Stockholders will be held on Thursday, May 14, 1998, at 10:00 a.m. in the Auditorium on the 25th floor of the Humana Building.

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.

1997	HIGH	LOW
First Quarter	23	17-3/4
Second Quarter	24-1/4	20-1/8
Third Quarter	24-15/16	22-13/16
Fourth Quarter	24-5/8	18-7/8

1996	HIGH	LOW
First Quarter	28-3/4	24
Second Quarter	26-1/2	17-5/8
Third Quarter	21-1/4	15-5/8
Fourth Quarter	21-1/4	17-3/4

EXHIBIT 21

HUMANA INC.
SUBSIDIARY LIST

ALABAMA
- -------
1. Humana Health Plan of Alabama, Inc.
2. QuestCare, Inc.

CALIFORNIA
- ----------
1. Centerstone Insurance and Financial Services (Marketpoint is a Division of CFS)
    a. West Coast Multiple Servs, Inc.

DELAWARE
- --------
1. EMPHESYS Financial Group, Inc.
2. Health Value Management, Inc.
3. Humana Compensation Management Source, Inc.
4. Humana HealthChicago, Inc.
5. Humana Inc.- Doing Business As:
    a. H.A.C. Inc.
6. Humana Military Healthcare Services, Inc.
7. Humrealty, Inc.
8. Medstep, Inc.
9. Physician Corporation of America

FLORIDA
- -------
1. Delray Beach Health Management Associates, Inc. - Doing Business As:
    a. Humana Health Care Plans-Delray
2. Family Health Plan Administrators, Inc.
3. Health Inclusive Plan of Florida, Inc. - Doing Business As:
    a. Humana Health Care Plans-Century Village Palm Beach
4. Humana Health Care Plans - Davie, Inc. f/k/a Coastal Physician Group of South Davie, Inc.
5. Humana Health Care Plans - Palm Springs, Inc. f/k/a Coastal Managed Care of Lake Worth, Inc.
6. Humana Health Care Plans - Rolling Hills, Inc. f/k/a Coastal Physician Group of North Davie, Inc.
7. Humana Health Care Plans - South Pembroke Pines, Inc. f/k/a Coastal Physician Group of Pembroke Pines, Inc.
8. Humana Health Care Plans - West Palm Beach, Inc. f/k/a Coastal Managed Care of West Palm Beach, Inc.
9. Humana Internal Medicine Associates, Inc. f/k/a Coastal Internal Medicine Associates of Dade, Inc. - Doing Business As:
    a. Humana Health Care Plans-Hialeah f/k/a Coastal Internal Medicine Associates of Hialeah
    b. Humana Health Care Plans-South Miami f/k/a Coastal Internal Medicine Associates of Larkin
    c. Humana Health Care Plans-Miami f/k/a Coastal Internal Medicine Associates of Miami
    d. Humana Health Care Plans-Miami Beach f/k/a Coastal Internal Medicine Associates of Miami Beach
    e. Humana Health Care Plans-Royal Oaks f/k/a Coastal Internal Medicine Associates of Miami Lakes
    f. Humana Health Care Plans-Miami Springs f/k/a Coastal Internal Medicine Associates of Miami Springs
    g. Humana Health Care Plans-Midway f/k/a Coastal Internal Medicine Associates of Midway
    h. Humana Health Care Plans-Boca Raton
    i. Humana Health Care Plans-Century Plaza
    j. Humana Health Care Plans-Coconut Creek

k. Humana Health Care Plans-Coral Springs
l. Humana Health Care Plans-Delray Harbor
m. Humana Health Care Plans-Hillsboro
n. Humana Health Care Plans-Lantana

(FL Continued on next page)

FLORIDA (Cont.)
- ---------------

o. Humana Health Care Plans-Lauderdale
p. Humana Health Care Plans-Lauderdale Lakes
q. Humana Health Care Plans-North Broward
r. Humana Health Care Plans-North Federal
s. Humana Health Care Plans-Palm Beach Gardens
t. Humana Health Care Plans-Pompano Beach
u. Humana Health Care Plans-Riverland
v. Humana Health Care Plans-Tamarac
w. Humana Health Care Plans-West Boca

10. Humana Internal Medicine Associates of the Palm Beaches, Inc. f/k/a Coastal Internal Medicine Associates of the Palm Beaches, Inc.
    Doing Business As:
    a. Humana Health Care Plans-Lake Worth f/k/a Coastal Internal Medicine Associates of JFK Circle
    b. Humana Health Care Plans-Flagler f/k/a Coastal Internal Medicine Associates of North Dixie Highway
    c. Humana Health Care Plans-Riverbridge f/k/a Coastal Internal Medicine Associates at Riverbridge
    d. Humana Health Care Plans-Palm Beach f/k/a Coastal Internal Medicine Associates of South Dixie Highway
    e. Humana Health Care Plans-Boynton Beach
11. Humana Health Insurance Company of Florida, Inc.
12. Humana Medical Plan, Inc. - Doing Business As:
    a. Atlantic Family Practice
    b. Coastal Pediatric-Ormond
    c. Community Medical Associates
    d. Daytona Gastroenterology
    e. Deland Family Health Care
    f. Flagler Family Practice
    g. Florida Dermatology Center
    h. Internal Medicine of Daytona
    i. Ormond Primary Care
    j. Personal Care Physicians of Apopka
    k. Personal Care Physicians of Casselberry
    l. Personal Care Physicians of Orlando
    m. Personal Care Physicians of Lake Mary
    n. Sugar Mill Medical Associates
    o. Suncoast Medical Associates
    p. Urological Associates-Ormond Beach
    q. Orange Park Family Health Care
    r. St. Augustine Family Health Center
    s. Urological Associates-Daytona
13. Humana Workers' Compensation Services, Inc. (FQ)
14. Lakeside Medical Center Management, Inc. - Doing Business As:
    a. University Medical Center
15. PCA Family Health Plan, Inc.
16. PCA Health Plans of Florida, Inc.
17. PCA Life Insurance Company
18. PCA Options, Inc.
19. PCA Property & Casualty Insurance Co.

GEORGIA
- -------

1. Humana Employers Health Plan of Georgia, Inc. f/k/a Emphesys Healthcare of Georgia, Inc.
2. Humana Health Plan of Georgia, Inc.

ILLINOIS
- --------
1. Health Direct, Inc. - Doing Business As:
    a. Behavioral Health Direct (IL)
2. Humana Health Direct Insurance, Inc.
3. Humana HealthChicago Insurance Company - Doing Business As:
    a. Goldcare 65
4. The Dental Concern, Ltd.- Doing Business As:
    a. TDC (MO)

KENTUCKY
- --------
1. ChoiceCare Medical Group, Inc.
2. HMPK, INC.
3. HPLAN, INC.
4. Humana Broadway Corp.
5. Humana Health Plan, Inc.- Doing Business As:
    a. Bluegrass Family Practice (KY)
    b. Central Kentucky Family Practice (KY)
    c. Franklin Medical Center (KY)
    d. Humana MedFirst (KY)
    e. Humana Health Care Plans of Indiana (IN)
    f. Madison Family and Industrial Medicine (KY)
    g. Humana Health Care Plans- Broadway Center (KY)
    h. Humana Health Care Plans-Floyd Health Care (IN)
    I. Humana Health Care Plans-Greentree Center (IN)
    j. Humana Health Care Plans- Jeffersontown Center (KY)
    k. Humana Health Care Plans- Middletown Center (KY)
    l. Humana Health Care Plans- Newburg Center (KY)
    m. Humana Health Care Plans- Preston Center (KY)
    n. Humana Health Care Plans- Somerset (KY)
    o. Humana Health Care Plans- Southwest Center (KY)
6. Humco, Inc. (shell corporation-keep active until 12/31/99 per Escrow Agmt.)
7. The Dental Concern, Inc. (f/k/a Randmark, Inc.)
8. The Dental Concern Insurance Company

LOUISIANA
- ---------
1. Humana Health Plan of Louisiana, Inc.
2. Humana Workers' Compensation Services of Louisiana, 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.

OHIO
- ----
1. ChoiceCare Corporation
2. ChoiceCare Health Plans, Inc.
3. Humana Health Plan of Ohio, Inc.

OKLAHOMA
- --------
1. Commonwealth Management, Inc.

PUERTO RICO

- ----------
1. PCA Health Plans of Puerto Rico, Inc.
2. PCA Insurance Group of Puerto Rico, Inc.

TEXAS
- -----
1. Humana HMO Texas, Inc.
2. Humana Health Plan of Texas, Inc. - Doing Business As:
    a. Humana Health Plan of San Antonio
    b. Humana Regional Service Center
    c. Leon Valley Health Center

(TX Continued on next page)

TEXAS (Continued)
- -----------------

    d. Lincoln Heights Medical Center
    e. MedCentre Plaza Health Center
    f. Perrin Oaks Health Center
    g. Val Verde Health Center
    h. West Lakes Health Center
    i. Wurzbach Family Medical Center
3. PCA Health Plans of Texas, Inc.
4. PCA Life Insurance Company of Texas, Inc.
5. PCA Provider Organization, 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.(Note: Assets sold to Kaiser Permanente 1/31/97)

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. Wisconsin Employers Group, Inc.

FOREIGN
- -------

BERMUDA
- -------
1. Hallmark RE Ltd.

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, No. 33-54455, No. 33-04435) of our report dated February 10, 1998, on our audits of the consolidated financial statements of Humana Inc. as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997, which report is incorporated by reference in this Annual Report on Form 10-K. We further consent to the incorporation by reference of our report on our audits of the financial statement schedules of Humana Inc. as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997, which report is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.
Louisville, Kentucky
February 10, 1998

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This schedule contains summary financial information extracted from Humana Inc.'s form 10-K for the twelve months ended December 31, 1997, and is qualified in its entirety by reference to such financial statement.
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