

JP Morgan Health Care Conference



Michael B. McCallister

Chairman of the Board and Chief Executive Officer

January 11, 2011

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Cautionary Statement

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

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Humana advises investors to read the following documents as filed by the company with the SEC:

- Form 10-K for the year ended December 31, 2009,
- Form 10-Qs for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010,
- Form 8-Ks filed during 2010 and 2011.



Today's Presentation

- In quiet period before 4Q10 earnings release (February 7, 2011)
- Recent events
- Humana's strategy
- Executing on our strategy



Recent Events

- Concentra acquisition completed December 21, 2010
- Draft RADV audit methodology issued by CMS; comments due January 21
- 2011 Medicare Enrollment Update

MAPD:

- Sales: Modestly higher than expected.
- Terms: Initial data indicates terminations generally consistent with expectations. Additional January termination data coming in through the end of the month.
- Net Growth: Slightly higher than previous expectation of 60k to 65k.

PDP:

- Sales: Humana Walmart-Preferred sales higher than expected. Other plans consistent with expectations
- Terms: Slightly lower than expectations. Additional January termination data coming in from CMS through the end of the month.
- Net Growth: Expected to be higher than previous expectation of 325k to 375k.

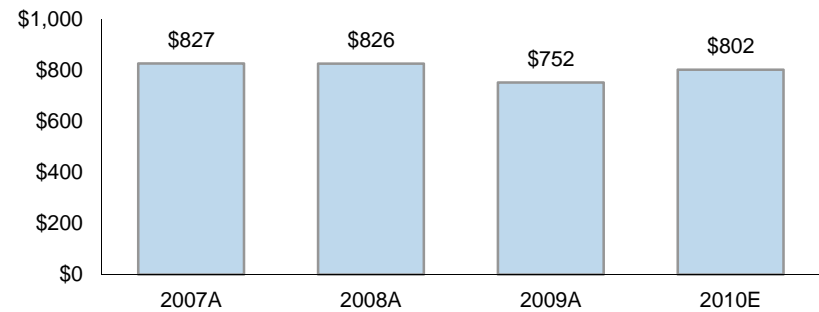
Concentra Overview

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

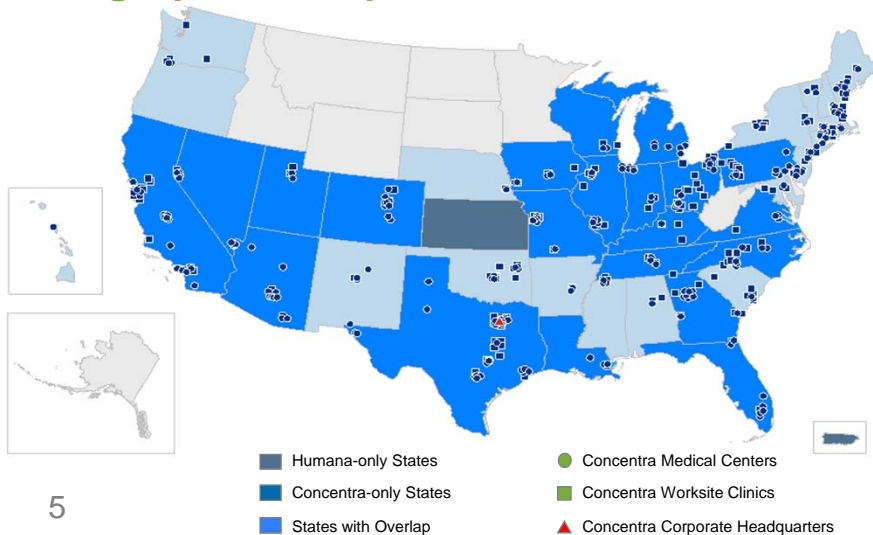
Key Facts

- High quality management team with specific expertise in Primary Care asset management and alternate site care
- Operates through 550 point-of-care locations
 - 307 free-standing centers in 42 states with 6 million patient visits per year
 - 243 health worksites
- 23% of Humana medical members live within 7 miles of a Concentra Center. 34% live within 10 miles
- Over 650 physicians and 450 physical therapists
- Relationships / accounts with over 100,000 employers
- >25,000 patient visits per day
- Market Leader: treats over 14% of US work-related injuries

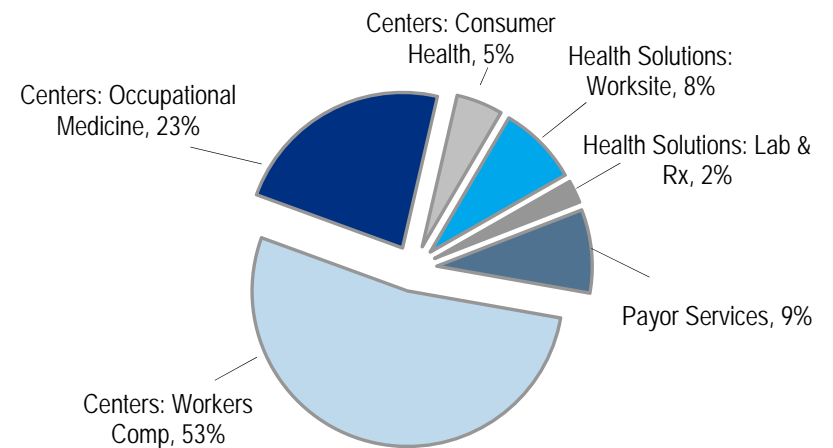
Revenues



Geographic Footprint



Revenue Sources



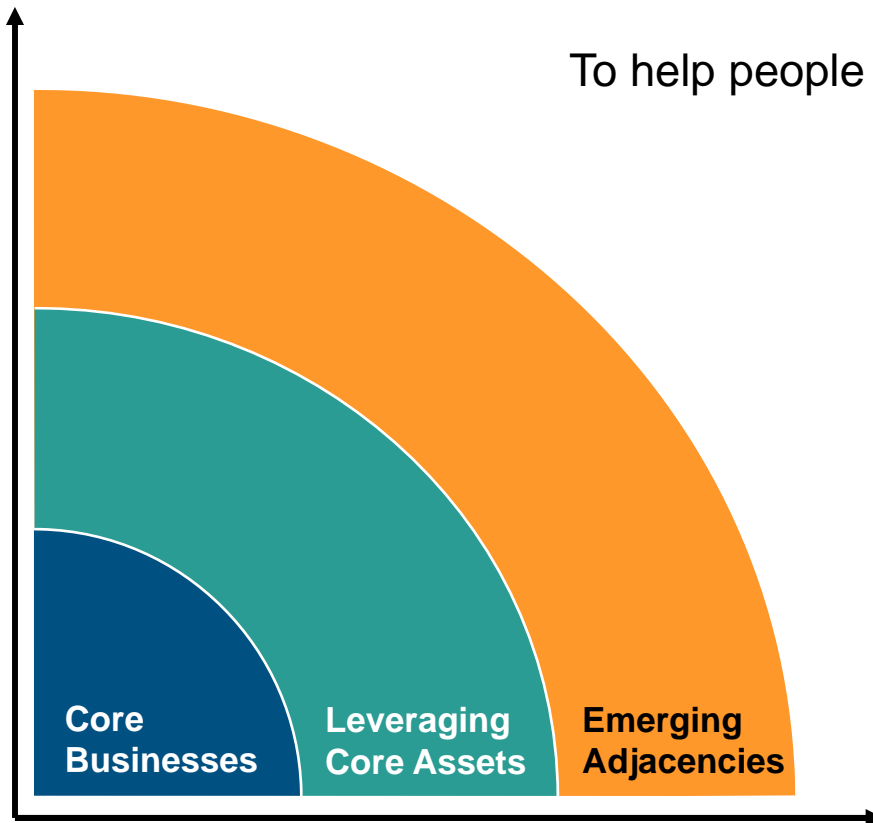
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Humana's Overarching Strategy

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

To help people achieve lifelong well-being.



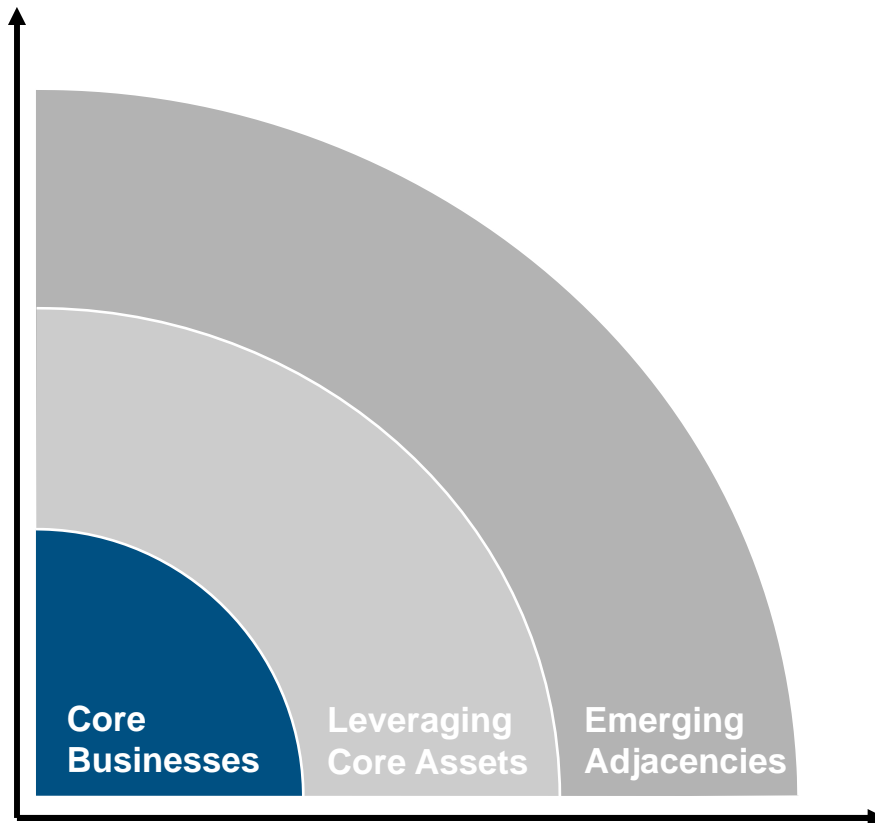


Executing on Our Strategy





Humana's Strategy – Core Businesses



Core Businesses

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



Our Core Business Tactics

Government Segment

Medicare

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

TRICARE

- Win South Region contract

Commercial Segment

Individual medical

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

Group medical

- Focus investments to manage for profitability
- Maintain pricing discipline

Ancillary and specialty businesses

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

Administrative Costs

Continuously improve operating efficiency and cost positioning across the enterprise.

Humana's 15 Percent Solution

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

1% to 2%

Early Identification

- Humana Health Assessment
- Predictive modeling

7% to 10%

Provider Contracting

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

3% to 4%

Clinical Integration & Guidance

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

1% to 2%

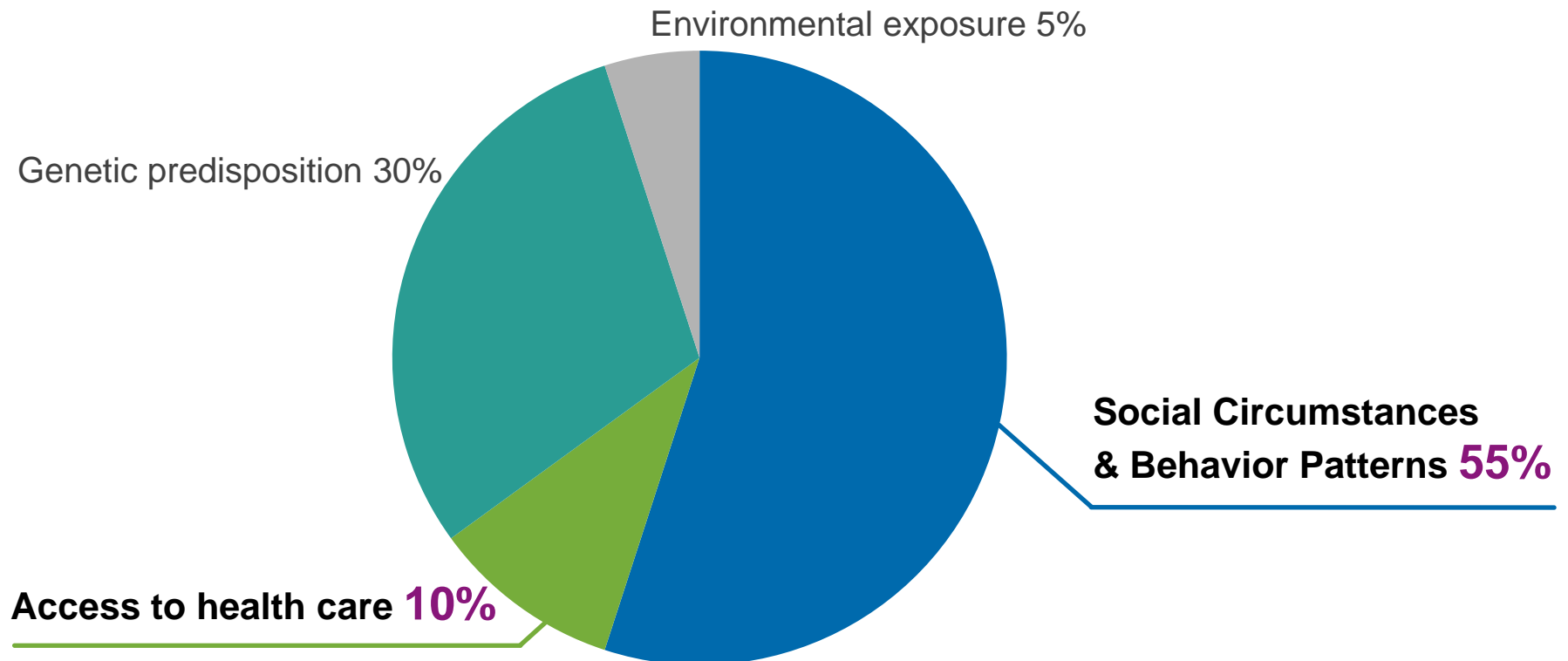
Claims Cost Management

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



What Are The Underlying Drivers of Health?

65 percent of the underlying drivers are areas in which we can be impactful.

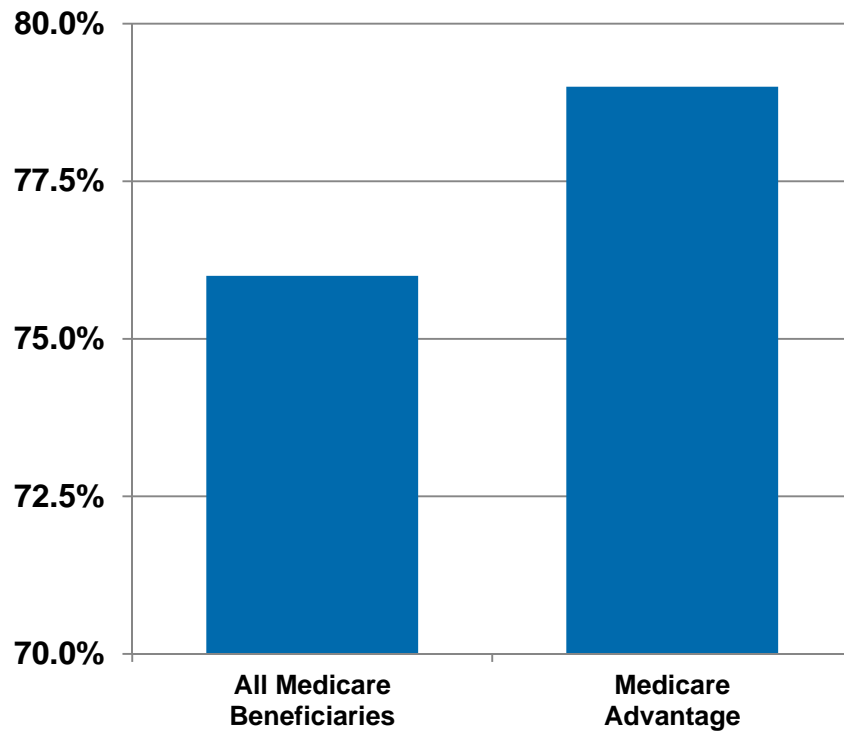




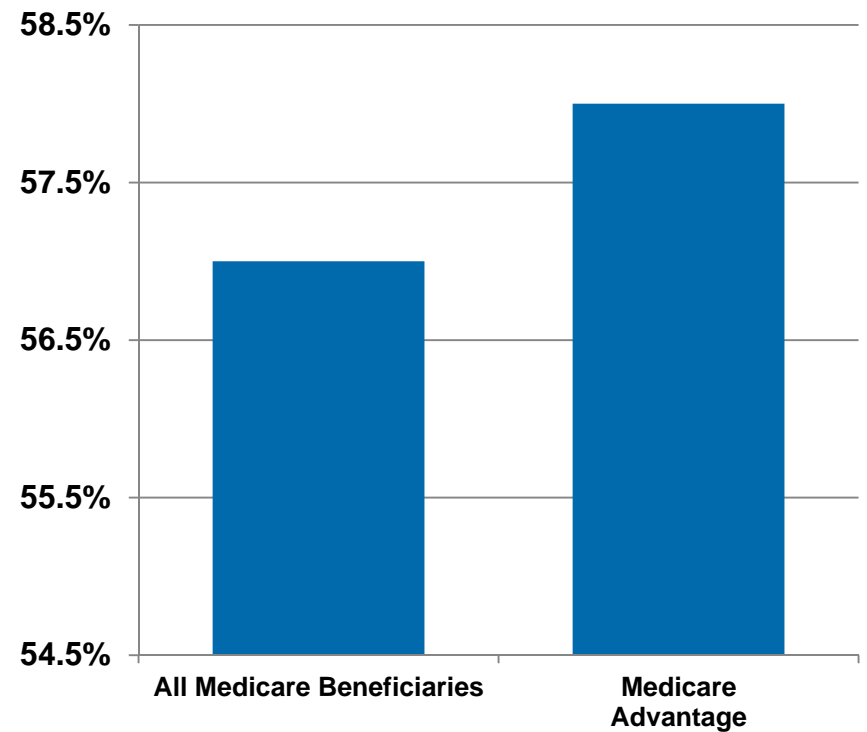
Preventive Care Utilization

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

**Prostate Cancer Screening –
Preventive Service Utilization by Male
Medicare Beneficiaries (age 50+)**



**Mammogram – Preventive Service
Utilization by Female Medicare
Beneficiaries (age 40+)**



Example of Actively Engaging a Group Medicare Customer's Members

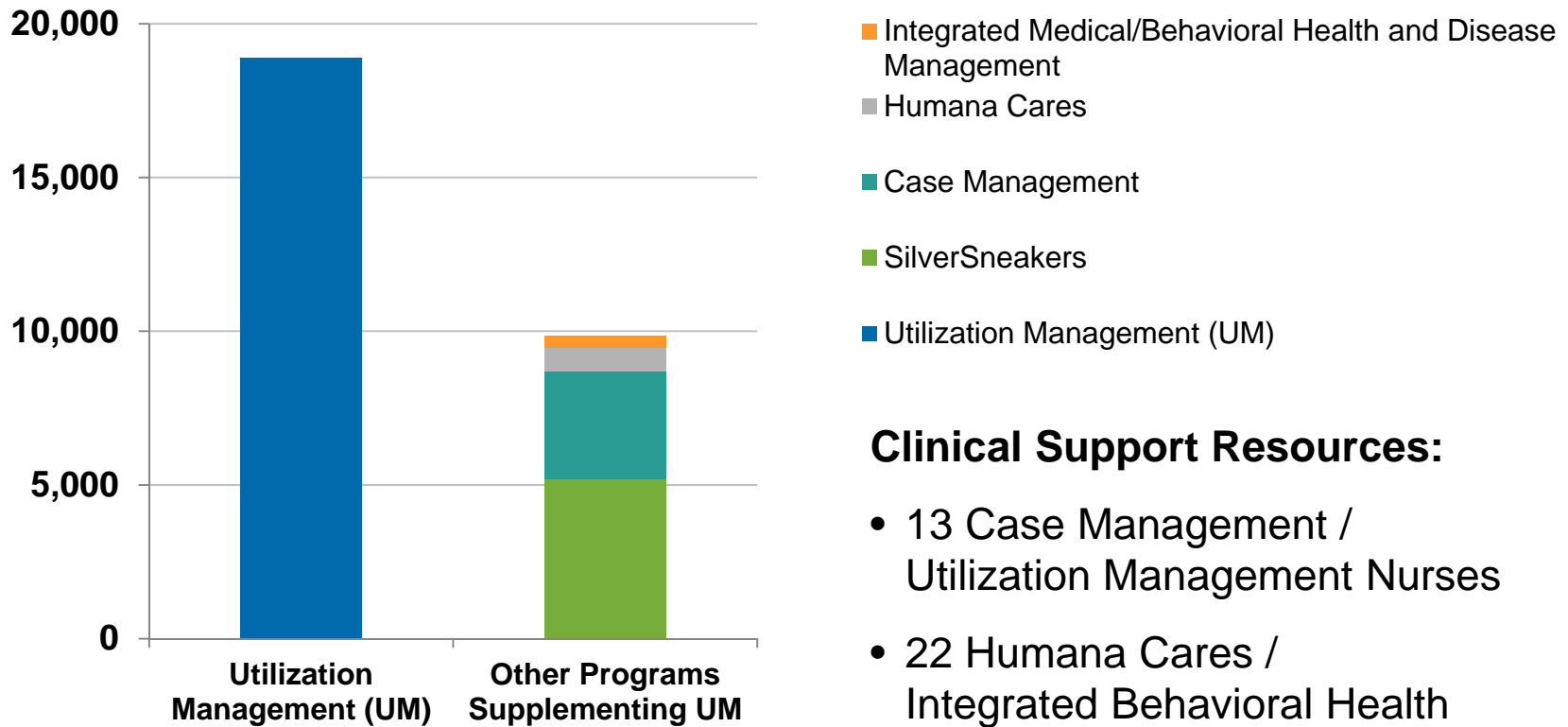
Nature of Engagement	Action	Metric
Early identification – <i>Pre-enrollment engagement</i>	Completed health risk assessments	65% of members
	Clinically evaluated for those at risk for medical event (i.e. high-risk members)	~ 100% of members
Ongoing support – <i>Right support, right place, right time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



This Group Medicare Customer's Participation in Clinical and Wellness Programs

Member participation in our clinical guidance and wellness programs has been high.

Participation by the Customer's Medicare Advantage Members



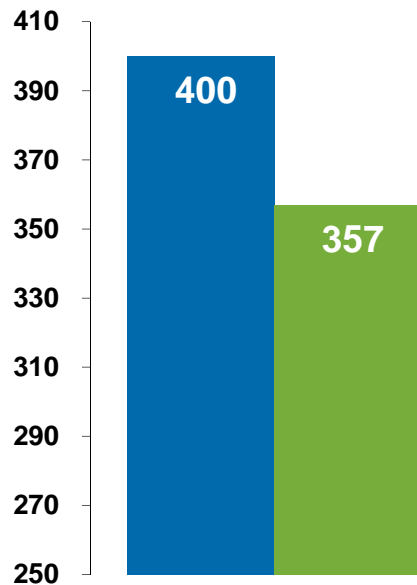
Clinical Support Resources:

- 13 Case Management / Utilization Management Nurses
- 22 Humana Cares / Integrated Behavioral Health Nurses; 1 social worker; 2 community health educators

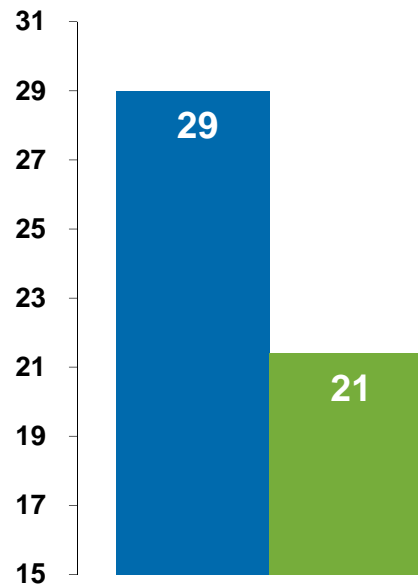
This Group Medicare Customer's Decline in Utilization After Only Six Months

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

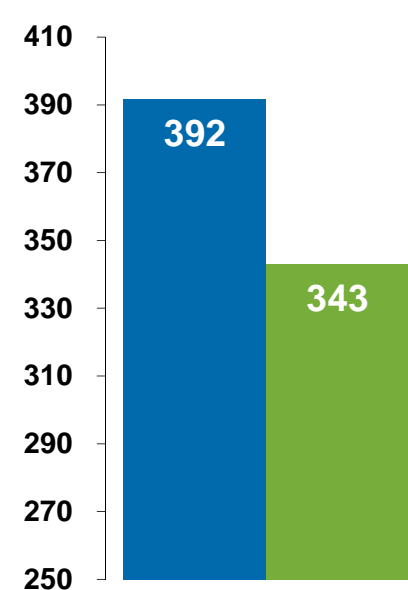
Acute Hospital Admits per Thousand



Skilled Nursing Facility Average Length of Stay



Emergency Room Visits per Thousand



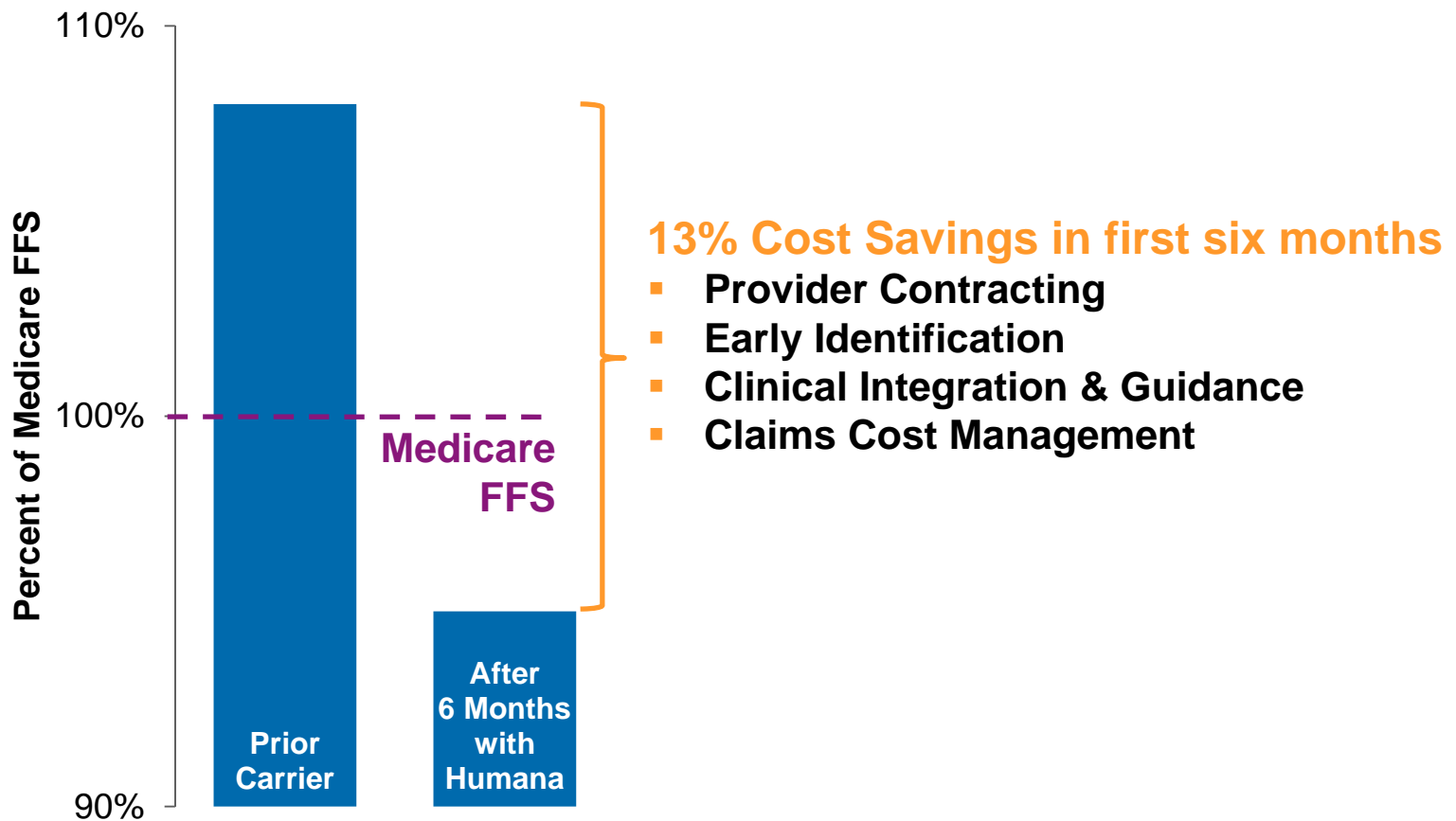
■ Jun YTD 09 ■ Jun YTD 10

Note: Customer joined Humana in January 2010.

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Impact of All Elements of the 15 Percent Solution on This Group Medicare Customer After Only Six Months

- 2010 projected gain share payment to group of \$28 million
- 2011 renewal premium increase of less than 1 percent
- No change in benefits for retirees



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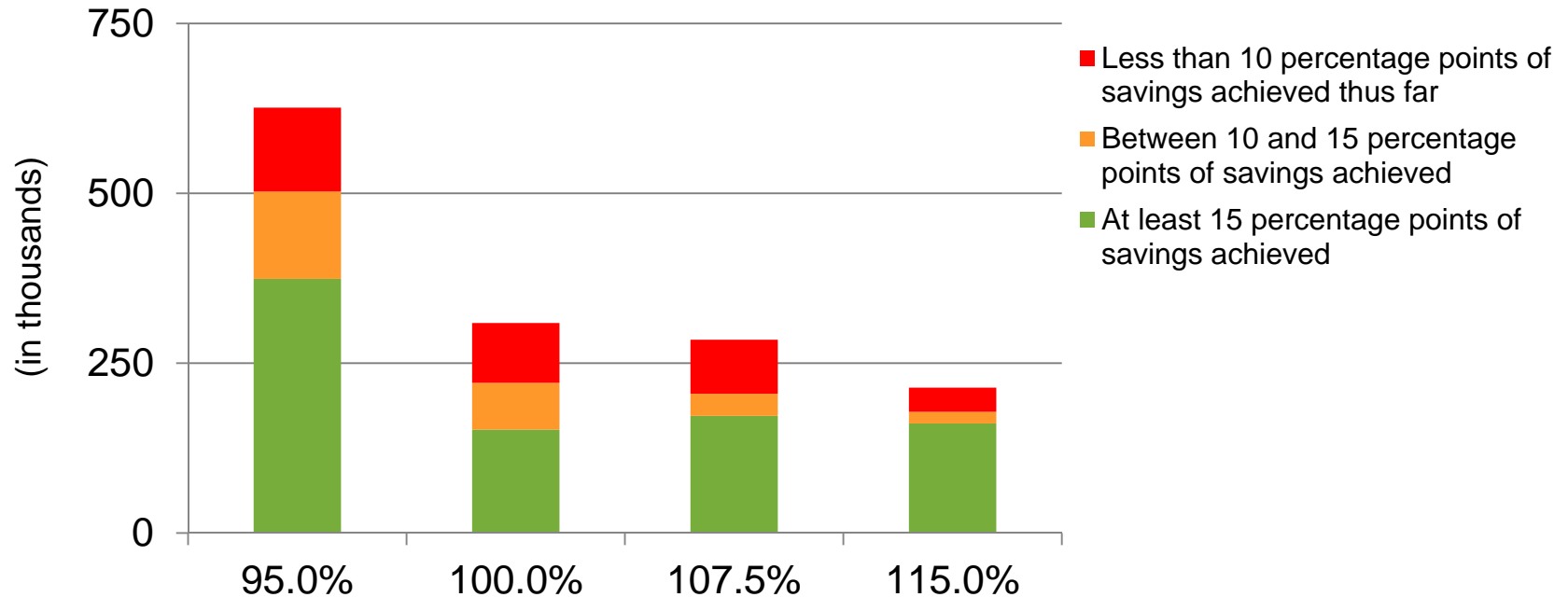


Continued Progress in Applying the 15 Percent Solution to Our Individual Medicare Members

Our 15 Percent Solution techniques are applied to our individual Medicare Advantage members, positioning us well to address the future.

September 2010 Membership*

15% Solution progress by future payment quartile



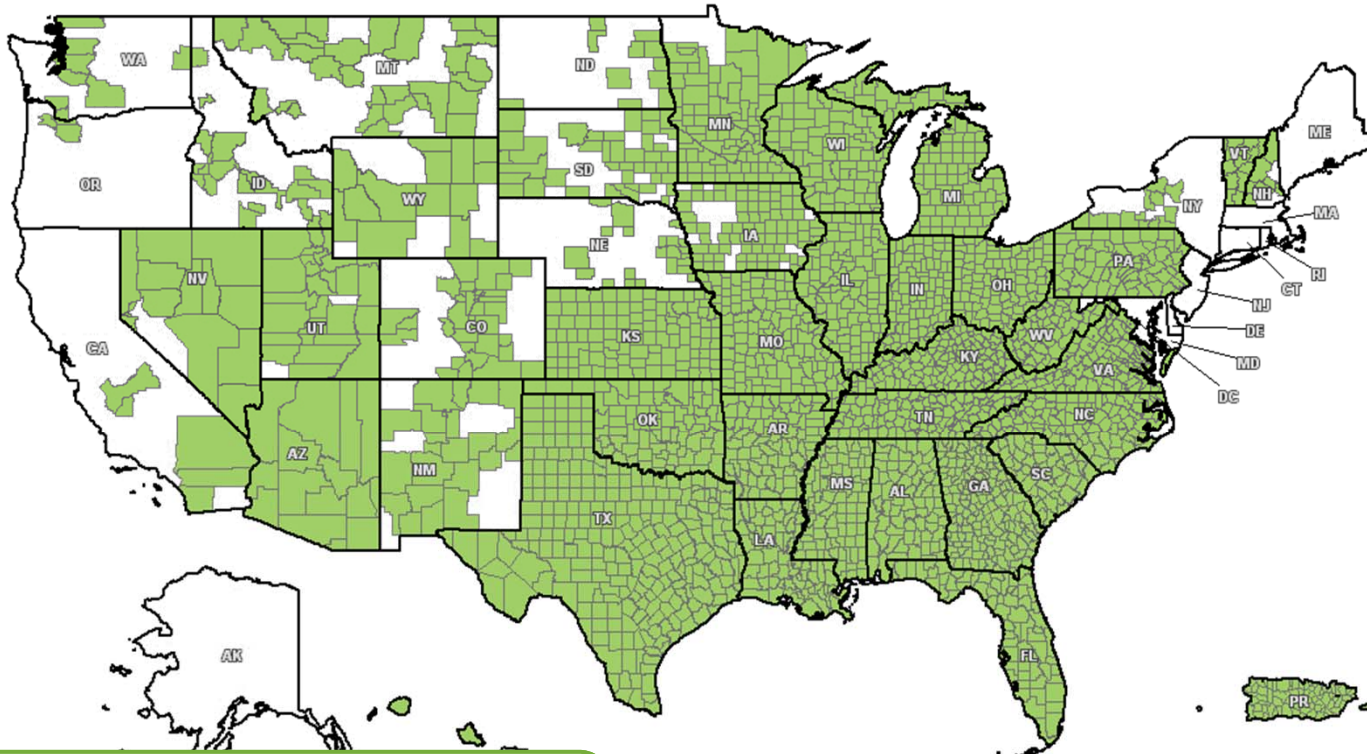


Executing on Our Strategy

Broadening Our Medicare Presence

Medicare Provider Network

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



Our 2011 Individual Medicare Advantage Plans

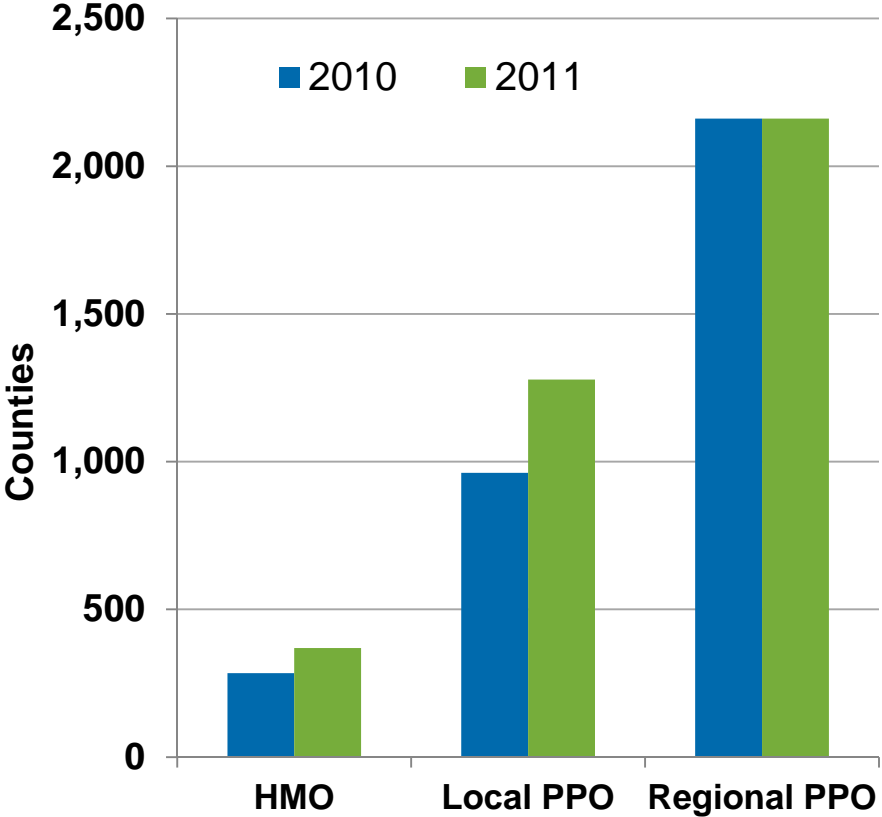
- 369 HMO counties
- 1,278 Local PPO counties
- 2,161 Regional PPO counties

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

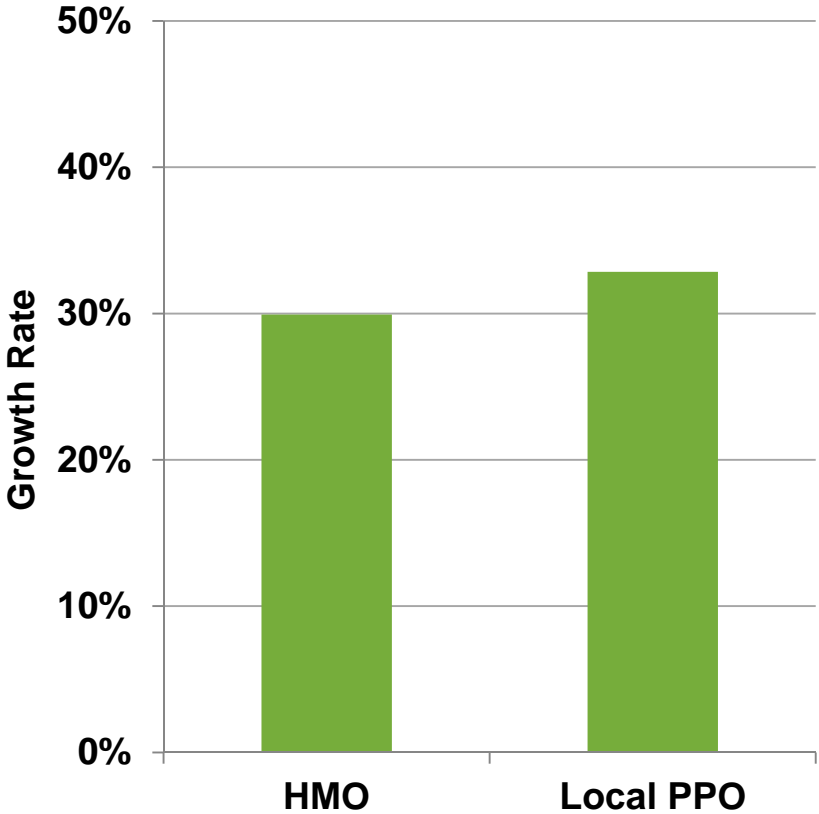


Our Networked Medicare Advantage Plans

Humana Footprint by Product



2010-2011 County Presence Growth Rate





Executing on Our Strategy

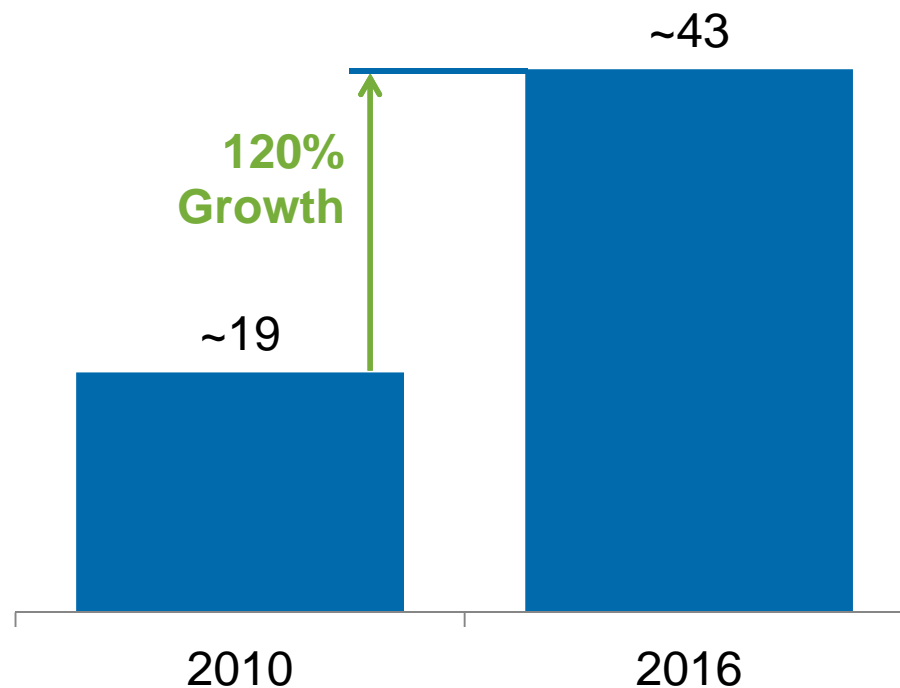
Commercial Segment

Potential Growth in Individual Market

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

Estimated individual market membership in U.S.

(millions of members)

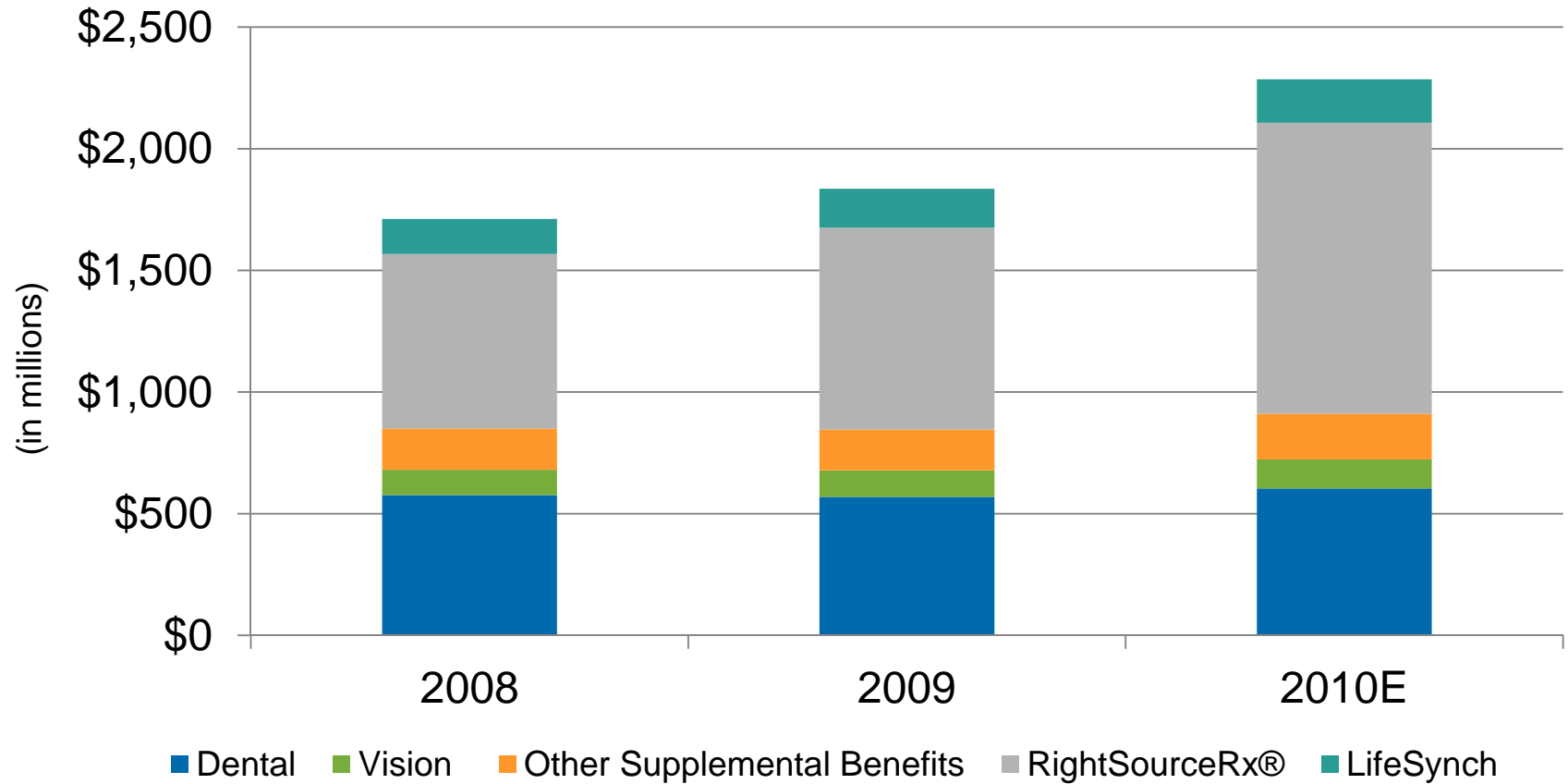


Opportunities:

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

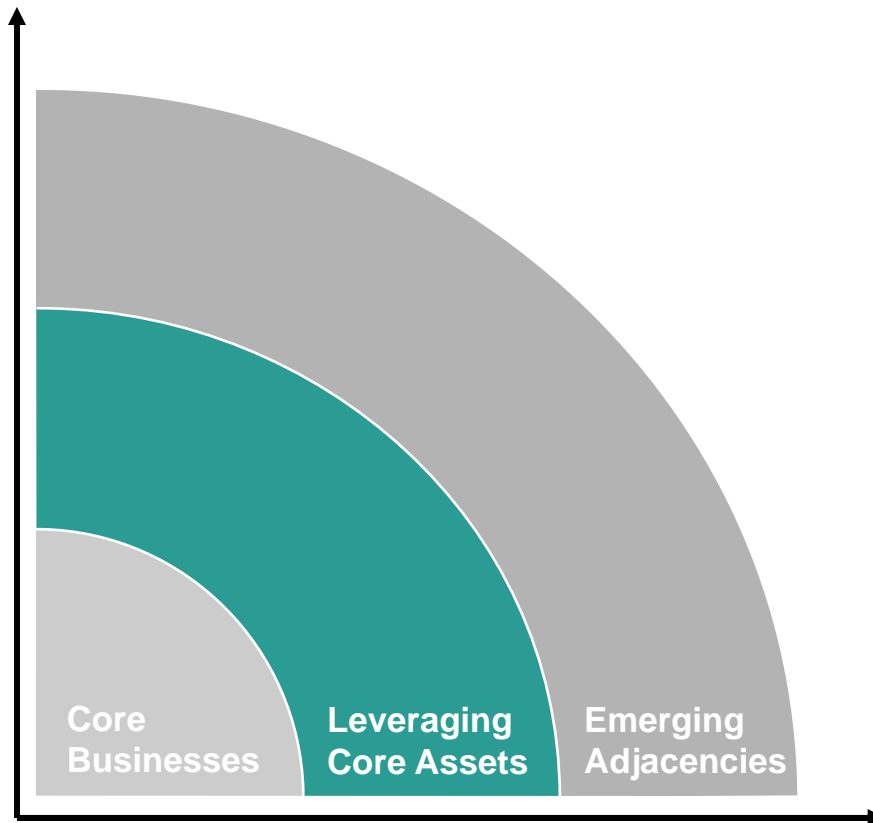


Specialty and Ancillary Product Revenues





Humana's Strategy – Leveraging Core Assets

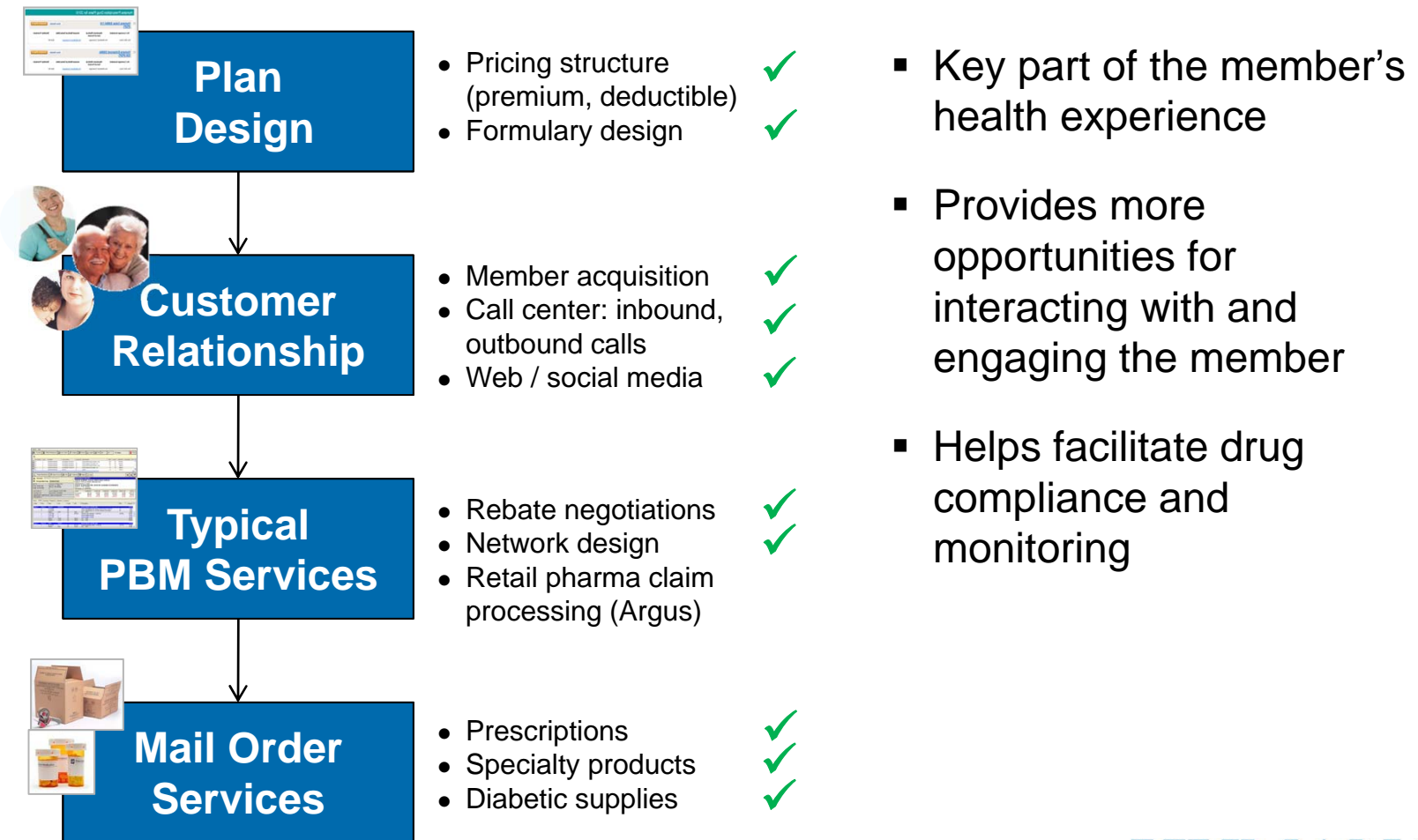


Leveraging Core Assets

- Humana Pharmacy Solutions
- Vertical Integration opportunities close to core

Humana Pharmacy Solutions

Fifth largest full-service PBM in the United States.





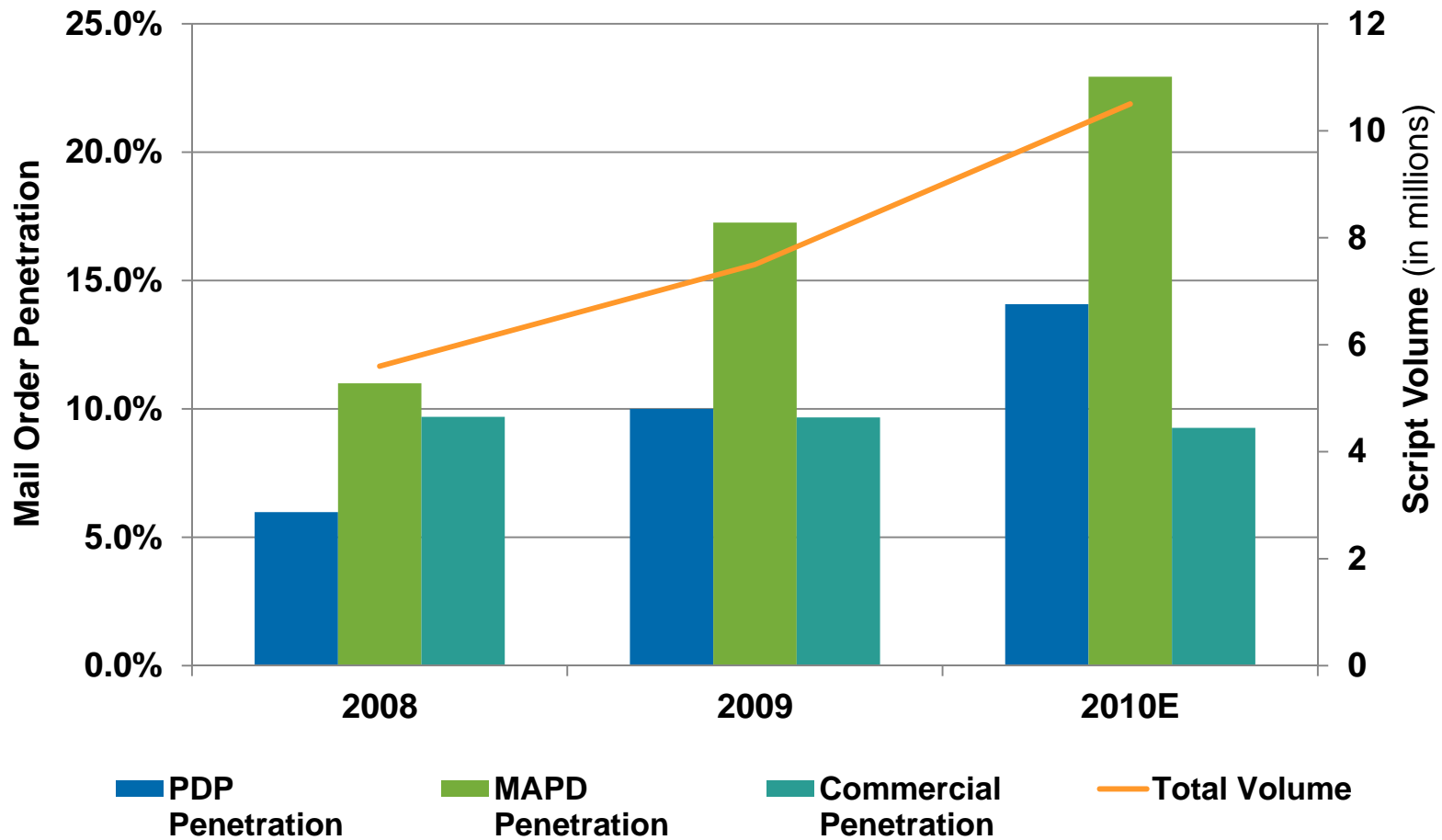
Humana Pharmacy Solutions / Humana *RightSourceRx* Growth Priorities

- Increase mail order penetration
- Increase specialty pharma distribution
- Increase diabetic supply distribution
- Forthcoming:
 - Drug discount cards
 - Pet medicine



RightSourceRx – Growing the Business

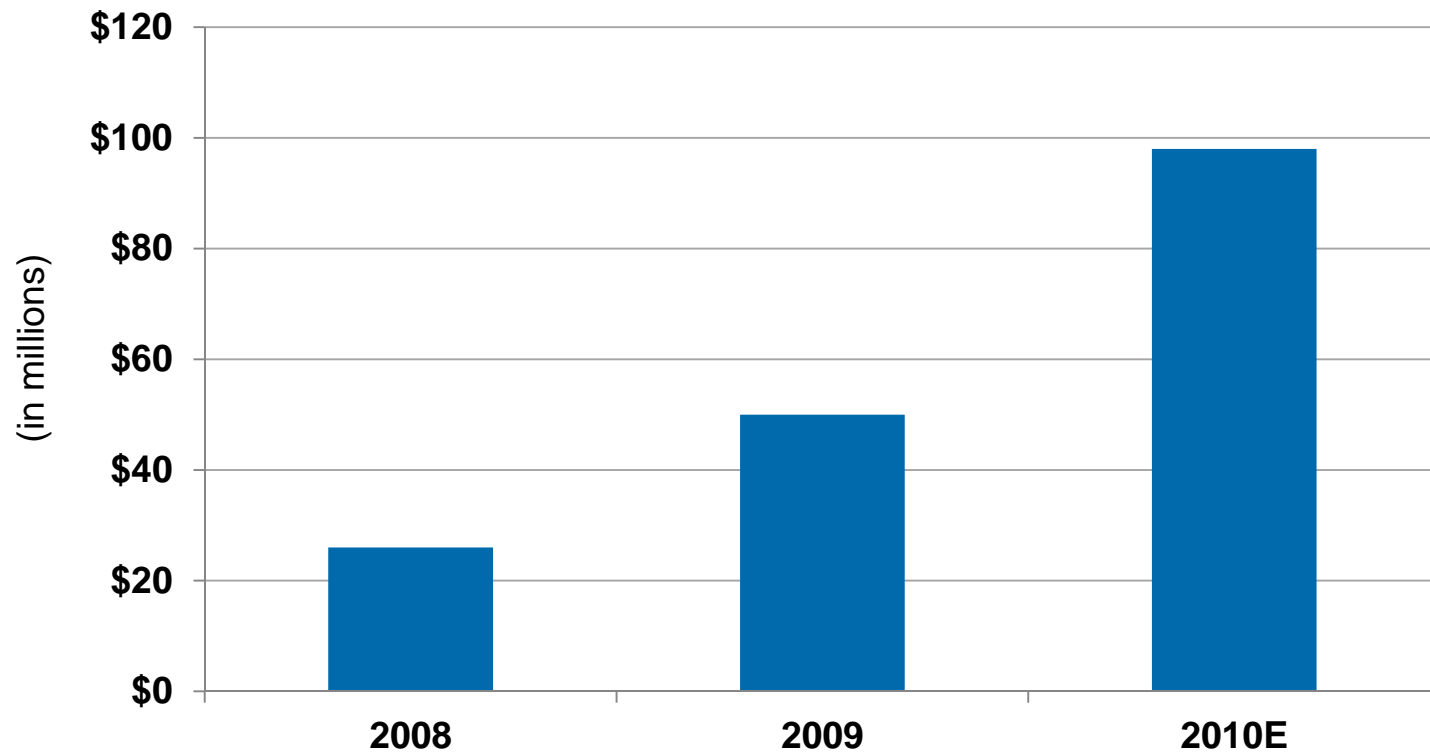
Significant upside potential with goal of over 25% penetration across all lines of business.





RightSourceRx – Pretax Income

The earnings power of our mail order business has been growing rapidly

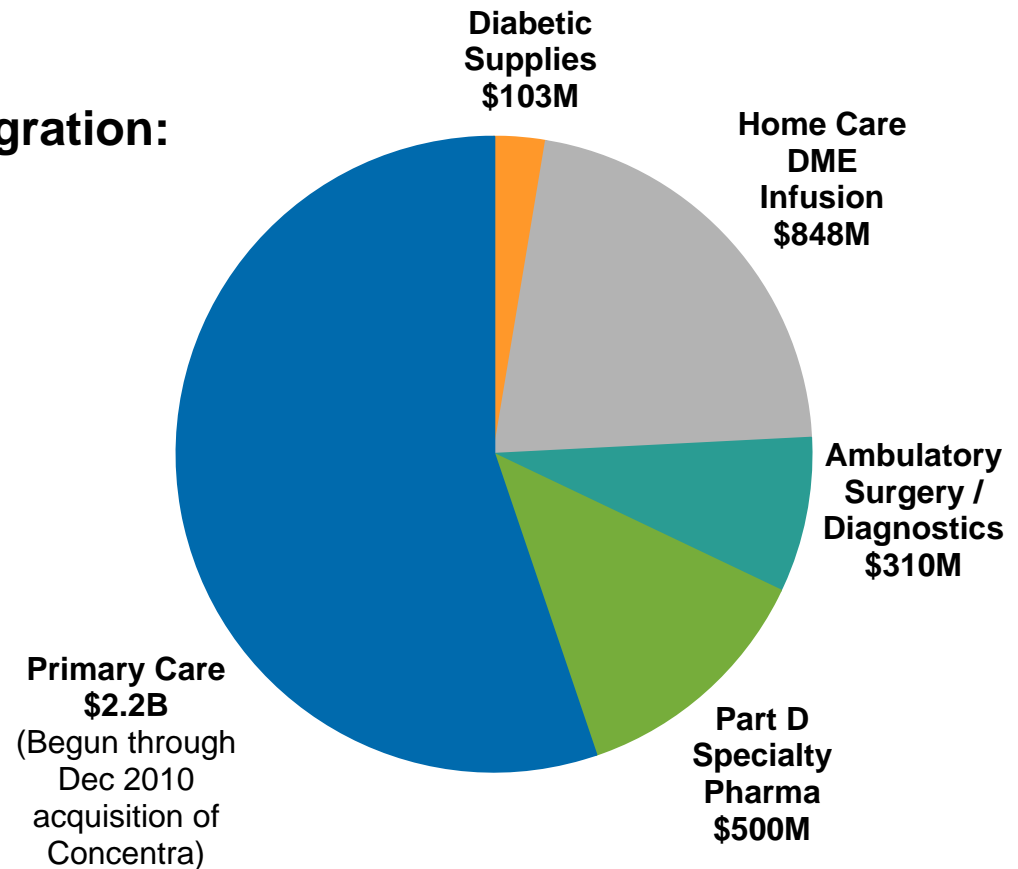


Vertical Integration Opportunities – Close to Core

Nearly \$4B in outside spend* opportunity.

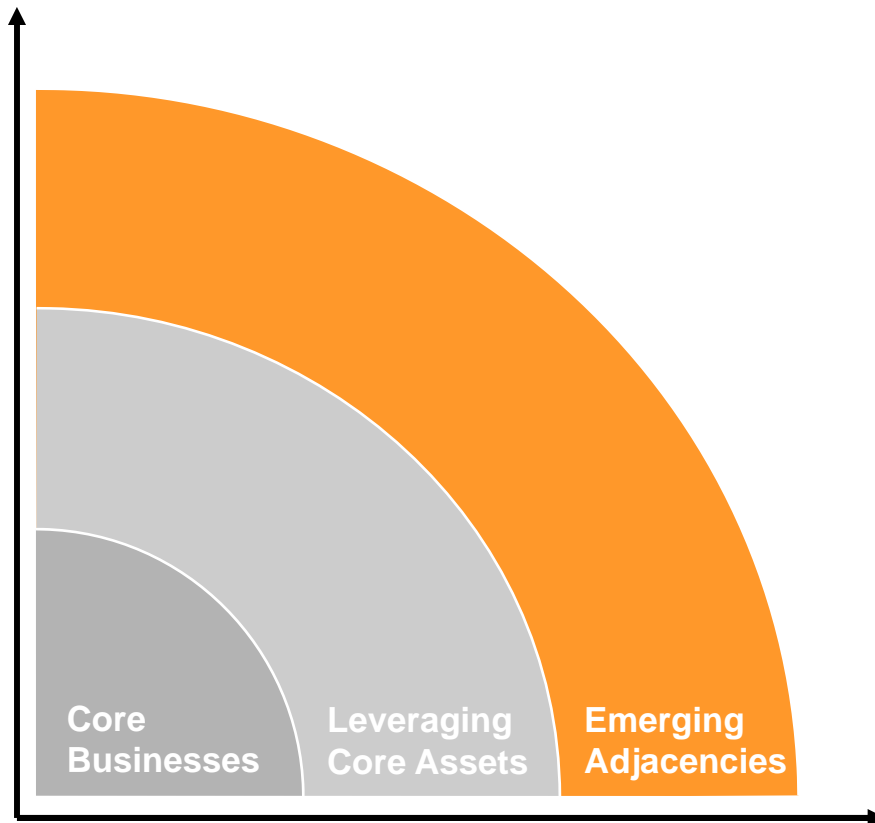
Benefits of vertical integration:

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





Humana's Strategy – Emerging Adjacencies



Emerging Adjacencies

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

Strategic Evaluation of M&A Candidates

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



Trends:

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

Opportunities:

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

Capabilities:

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



Vertical Integration Opportunities – Further from Core

Next generation growth platforms and long-term strategic options.

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



Conclusion

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

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