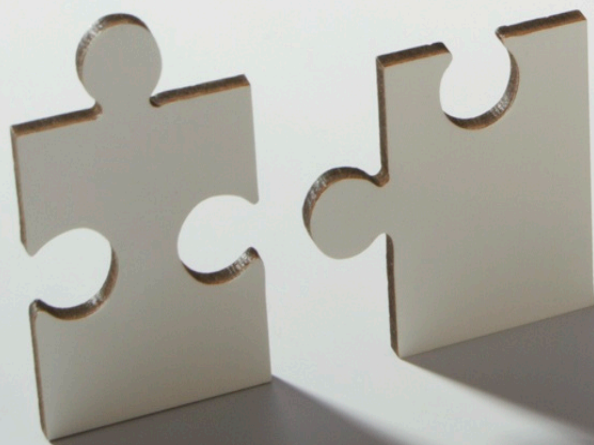


# 32<sup>nd</sup> Annual J.P. Morgan Healthcare Conference



**Jay Gellert**  
**President & Chief Executive Officer**

**January 14, 2014**

# Cautionary Statements

Health Net, Inc. and its representatives may from time to time make written and oral forward-looking statements within the meaning of the Private Securities Litigation Reform Act ("PSLRA") of 1995, including statements in this and other presentations, in press releases, filings with the Securities and Exchange Commission ("SEC"), reports to stockholders and in meetings with investors and analysts. All statements in this presentation, other than statements of historical information provided herein, may be deemed to be forward-looking statements and as such are intended to be covered by the safe harbor for "forward-looking statements" provided by PSLRA. These statements are based on management's analysis, judgment, belief and expectation only as of the date hereof, and are subject to changes in circumstances and a number of risks and uncertainties. Without limiting the foregoing, statements including the words "believes," "anticipates," "plans," "expects," "may," "should," "could," "estimate," "intend," "feels," "will," "projects" and other similar expressions are intended to identify forward-looking statements. Actual results could differ materially from those expressed in, or implied or projected by the forward-looking information and statements due to, among other things, health care reform and other increased government participation in and regulation of health benefits and managed care operations, including the ultimate impact of the Affordable Care Act, which could materially adversely affect the company's financial condition, results of operations and cash flows through, among other things, reduced revenues, new taxes, expanded liability, and increased costs (including medical, administrative, technology or other costs), and require changes to the ways in which the company does business; the company's ability to successfully participate in California's Coordinated Care Initiative, the Covered California health insurance exchanges and/or Arizona's Medicaid program; rising health care costs; the timing of collections on amounts receivable from state and federal governments and agencies, including collections of amounts owed under the T-3 contract; negative prior period claims reserve developments; continued slow economic growth or a further decline in the economy; trends in medical care ratios; membership declines; unexpected utilization patterns or unexpectedly severe or widespread illnesses; rate cuts and other risks and uncertainties affecting the company's Medicare or Medicaid businesses; litigation costs; regulatory issues with federal and state agencies including, but not limited to, the California Department of Managed Health Care, the Centers for Medicare & Medicaid Services, the Office of Civil Rights of the U.S. Department of Health and Human Services and state departments of insurance; operational issues; failure to effectively oversee our third-party vendors; noncompliance by the company or the company's business associates with any privacy laws or any security breach involving the misappropriation, loss or other unauthorized use or disclosure of confidential information; liabilities incurred in connection with the company's divested operations; impairment of the company's goodwill or other intangible assets; investment portfolio impairment charges; volatility in the financial markets; and general business and market conditions. Additional factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, the risks discussed in the "Risk Factors" section included within the company's most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q filed with the SEC and the other risks discussed in the company's filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements. Except as may be required by law, the company undertakes no obligation to address or publicly update any forward-looking statements to reflect events or circumstances that arise after the date of this presentation.

# A Changing Market

- Business increasingly government-driven
- Movement to budget-driven model from fee-for-service
- Growing cost-containment pressures
- Individual, Medicaid and Duals will be impacted by ACA
- California at forefront of change



# HNT: Solidly Positioned for Future

- Commercial growth driven by tailored network products and health insurance exchanges
- State Health Programs growing and diversifying
  - Medicaid expansion to 133 percent of FPL
  - TANF, SPDs
  - Arizona Medicaid
- California duals demonstration
- Stable Medicare Advantage and Government Contracts businesses
- G&A savings opportunities

# Commercial Opportunities

- California did not extend plans; approximately 500,000 enrolled for January 1 through Covered California
- HNT exchange products have a 15 to 17 percent market share in California
  - 93 percent of HNT enrollment in Southern California regions (represents 30 percent market share)
  - 67 percent of HNT exchange members chose Silver product, consistent with bidding strategy
- Stability provided by the 3Rs (reinsurance, risk adjusters, risk corridor)
- Focus on tailored network products extends in commercial market overall

# State Health Plans: Growth & Diversity

- Improved rates for TANF and SPDs
- Participation in Arizona Medicaid began on October 1, 2013
- Expect more than 300,000 new Medicaid members in Arizona and California in 2014
  - Growth driven by expansion to 133 percent of FPL and new business in Arizona
  - 133 rates set at actuarially sound levels
- Financial performance of California expansion included in state settlement agreement

# Duals Demonstration Update

- Selected for duals demonstration in Los Angeles and San Diego counties
- Expect program to launch in April 2014
- Full enrollment expected in mid-2015
- Included in state settlement agreement
- Reached agreement on rate setting methodology which is linked to actual costs



# Medicare Advantage & Government Contracts

- Initial MA 2014 enrollment better than expected
  - Targeting 5 percent growth
- Growth in higher margin counties
- Expect MA margin stability
- Early results confirm bidding strategy
- Stable Government Contracts performance



# 2014: A Transition Year to 2015

- Full top-line impact of new programs realized in 2015 (Exchanges, Medicaid, Duals)
- State settlement agreement provides margin stability and predictability for duals and Medicaid expansion
- Stable Medicare Advantage and Government Contracts businesses
- Reduced G&A pressure from lower investment spending and economies of scale
- Continued growth opportunities in commercial and government programs