

FINAL TRANSCRIPT

Thomson StreetEventsSM

WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Event Date/Time: Jan. 24. 2007 / 8:30AM ET

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

CORPORATE PARTICIPANTS

Wayne DeVeydt

WellPoint, Inc. - SVP, Chief Accounting Officer

Larry Glasscock

WellPoint, Inc. - Chairman, President, CEO

Dave Colby

WellPoint, Inc. - EVP, CFO

CONFERENCE CALL PARTICIPANTS

Bill Georges

JPMorgan - Analyst

John Rex

Bear Stearns - Analyst

Matthew Borsch

Goldman Sachs - Analyst

Justin Lake

UBS Securities - Analyst

Josh Raskin

Lehman Brothers - Analyst

Charles Boorady

Citigroup - Analyst

Christine Arnold

Morgan Stanley - Analyst

Scott Fidel

Deutsche Bank - Analyst

Tom Carroll

Stifel Nicolaus - Analyst

Greg Nersessian

Credit Suisse - Analyst

Doug Simpson

Merrill Lynch - Analyst

Peter Costa

FTN Midwest Securities - Analyst

Joe France

Banc of America Securities - Analyst

Carl McDonald

CIBC World Markets - Analyst

Michael Baker

Raymond James & Assoc. - Analyst

PRESENTATION

Operator

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Ladies and gentlemen, thank you for standing by and welcome to the WellPoint conference call. At this time, all lines are in a listen-only mode. Later, there will be a question and answer session. Instructions will be given at that time. (OPERATOR INSTRUCTIONS). As a reminder, this conference is being recorded.

I'd now like to turn the conference over to the Company's management.

Wayne DeVeydt - *WellPoint, Inc. - SVP, Chief Accounting Officer*

Good morning and welcome to WellPoint's fourth quarter earnings conference call. I am Wayne DeVeydt, WellPoint's Chief of Staff, Chief Accounting Officer and executive responsible for Investor Relations. With me this morning are Larry Glasscock, our Chairman, President and Chief Executive Officer, and Dave Colby, our Chief Financial Officer. Larry will begin this morning's call with an overview of our fourth quarter and 2006 accomplishments. Dave will offer a more detailed review of our fourth quarter financial performance, which will be followed by a question and answer session.

We will be making some forward-looking statements on this call. Listeners are cautioned that these statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of WellPoint. These risks and uncertainties can cause actual results to differ materially from our current expectations. We advise listeners to review the risk factors discussed in our press release this morning and other periodic filings we make with the SEC.

In addition, our discussion will include non-GAAP financial measures, such as comparable basis information, as defined under the SEC rules. As required by the rules, a reconciliation of those measures to the most comparable GAAP measures is available on our Web site at www.WellPoint.com.

I will now turn the call over to Larry Glasscock.

Larry Glasscock - *WellPoint, Inc. - Chairman, President, CEO*

Good morning and thank you, Wayne. We are very pleased to report an excellent fourth quarter of 2006 and another outstanding year with record revenues and earnings, and many accomplishments that will improve the products and services that we offer to our customers and drive future growth.

In the fourth quarter, our reported GAAP net income of \$1.28 per diluted share was 23% higher than the fourth quarter of 2005. This included \$0.01 per share in net realized investment gains, while the fourth quarter of 2005 included \$0.01 per share in net realized investment losses.

For the full year 2006, GAAP net income of \$4.82 per diluted share was 22% higher than 2005. This included a tax benefit of \$0.04 per share resulting from a lower effective tax rate due to changes in state tax apportionment factors following the WellChoice acquisition. Full year 2005 included \$0.10 per share for for litigation or for expenses related to the multi-district litigation settlement agreement, \$0.01 per share in net realized investment losses, and a \$0.04 per share tax benefit due to the favorable resolution of a tax matter relating to the sale of certain subsidiaries in the mid-1990s.

Our dedication to making WellPoint the most trusted choice for consumers and the leader in affordable quality care has produced real progress towards meeting our 2010 objectives. We had many successes in 2006, including the following. We successfully introduced our Medicare Part D portfolio of products and services, resulting in new enrollment of 1.6 million members and \$1.3 billion in incremental new revenue. We had continued success in our integration efforts related to the Anthem and WellPoint Health Networks merger, and the WellChoice acquisition. We also achieved the synergies expected with both transactions. We launched 360 Degree Health, the industry's most comprehensive and interactive set of tools for addressing health education, preventive care, well-being, health improvement, and care coordination. We rolled out our industry-leading consumer driven health plans, or CDHP, developed by Lumenos, our CDHP pioneer, to all customer segments. We introduced many new consumer

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

transparency tools, including a partnership with General Motors on a comprehensive hospital cost comparison program in the Dayton, Ohio area. We also grew the Company's State Sponsored business with contract awards for five new states that will add approximately 500,000 members. Three of these states began operation in 2006 and the two additional states began in early 2007. We also developed a new organizational structure that will capitalize on our ability to implement a national customer-focused approach while maintaining the "home-field" advantage that our large local markets share. We expect to achieve even greater scale and efficiency by standardizing back-office operations while continuing to deliver outstanding service to our customers.

With successes like these, we are well positioned for future growth, and one area from which we expect growth is the uninsured. In 2006, approximately 380,000 previously uninsured individuals found health care security through one of our company's individual products. We will continue to develop innovative and affordable products that appeal to individuals and small business and continue to help reduce the ranks of the uninsured. But we recognize that additional measures are required to provide that same health security to all Americans.

Over 46 million Americans under the age of 65 did not have health insurance during 2005. Approximately 45% of these individuals are either eligible for public programs and not enrolled, or voluntarily choose not to purchase coverage even though they have the income levels to do so. The remaining 55% simply cannot afford private insurance. This is why, earlier this month, we unveiled a comprehensive plan to help address the growing ranks of the uninsured. The WellPoint plan is a blend of public and private initiatives aimed at insuring universal coverage for children and providing new and more attractive options for the working uninsured. This plan is a part of the Company's mission to improve the lives of the people we serve and the health of our communities. We know that many share our view. Earlier this month, California Governor Schwarzenegger proposed a bold and sweeping health care program. WellPoint shares the Governor's concern about California's cost and coverage challenges, and we view many components of the Governor's proposal as very positive. WellPoint is very supportive of the Governor's call for universal coverage for children and the proposed expansion of public programs. Both of these items are consistent with the WellPoint action plan for covering the uninsured.

However, we are concerned that some components of the Governor's proposal may increase cost and reduce consumer choice in the marketplace. For example, the Governor is proposing to require health plans, insurers and hospitals to spend 85% of premium revenue on patient care. We believe a high benefit expense ratio requirement would result in health plans not being able to offer certain lower-priced products. This is because administrative costs are largely fixed costs that do not vary with premiums. Therefore, products with lower premiums naturally have a higher percentage of revenue attributable to administrative cost. Mandating a high benefit expense ratio would have the effect of eliminating the most affordable products in the marketplace, which would work against our company's efforts to increase the number of insured by offering affordable products. Further, some of a health insurers' administrative efforts serve to control costs and improve the help of our members, such as disease management, care management, anti-fraud efforts and information technology. Ultimately, our goal is to serve our enrollees by optimizing cost and improving medical outcomes. We look forward to working with Governor Schwarzenegger, his team and the California Legislature on the Governor's health care proposal.

Turning to our quarterly results, operating revenue totaled \$14.3 billion in the quarter, a 29% year-over-year increase and a 12% increase on a "comparable" basis. Comparable basis information throughout our discussion today has been calculated by adding the historical information for WellPoint and WellChoice. Comparable revenue increases were driven by disciplined pricing, the new Medicare Part D business, and the New York State prescription drug benefit contract.

At December 31, 2006, we had 34.1 million members, and our funding mix was 51% fully insured and 49% self-funded. Our reported membership reflected a change in our Puerto Rico joint venture from a 50% ownership in the entity to a 14% ownership in the parent company. Since we own less than half of the parent company, we will no longer include 222,000 members in our reported membership, but we will continue to receive financial benefits from these members, along with the parent company's Commercial and Medicare members. Excluding the Puerto Rico joint venture, our membership increased sequentially by 133,000 members during the quarter. Self-funded membership increased by 30,000 members, and our fully insured business increased by 103,000 members, led by State Sponsored business and Large Group.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Looking to 2007, we continue to expect growth of approximately 1.4 million members, or 4% during the year, led by National Accounts and our State Sponsored programs. We expect to add approximately 500,000 National Account members in 2007, with about 400,000 of these being added in the first quarter. National Accounts are attracted by our outstanding customer service and strong value proposition. We offer the largest provider network in the country with very competitive discounts, and we are able to quantify these discounts through our ClaimsQuest tool.

We are the largest managed Medicaid and State Children's Health Insurance Program carrier in the country with approximately 1.9 million members currently enrolled. We expect to add about 400,000 more members during the year. To support this business, in the fourth quarter of 2006, we opened community resource centers in Topeka and Wichita, Kansas, Dayton and Cleveland, Ohio, and Dallas, Texas.

While existing managed Medicaid programs primarily address the Temporary Assistance for Needy Families population, commonly known as TANF, we expect a significant future growth opportunity in the aged, blind and disabled and long-term care Medicaid population. These two groups represent 25% of Medicaid enrollees but account for 69% of Medicaid expenditures. While we are the largest managed Medicaid carrier in the country, it is just one part of our very diversified membership base. Managed Medicaid comprised less than 6% of our total membership at December 31, 2006.

Another area in which we are seeing growth is in our CDHP products. At December 31, 2006 we had 821,000 CDHP members. This represents 62% growth over the 507,000 CDHP members we had at December 31, 2005. This represents 2% of our business today, and we expect CDHP membership to grow significantly.

We are helping to educate members, employers, providers, and other health care professionals through our Generation Consumer First Project. This is our initiative to make CDHP products and services available in all states and all markets, from the largest national employer to an individual member, with enrollment that began this month. Early evidence about CDHPs points to increased healthy behaviors by those who have chosen a health reimbursement account, health savings account, or health incentive account plan. In a recent study by McKinsey & Company, CDHP consumers were found to be: 25% more likely to engage in healthy behaviors than those enrolled in traditional health plans; 30% more likely to get an annual checkup; and 50% more likely to ask about cost. What's more, consumers with chronic conditions were 20% more likely to follow their treatment regimens. This is a powerful figure for both members and their employers, because consumers with these conditions, such as diabetes or high blood pressure, generally have complex, sometimes expensive, health regimens they must follow. Successfully following these regimens can mean better health outcomes, lower long-term costs, and less absenteeism from work.

But consumerism is catching on within all of our products and is not just limited to our CDHP offerings. We are providing our members with information-rich Web-based tools that they can use to research prescription drug prices and estimate cost of care. In Dayton, Ohio, our members can review the total cost of care and quality data associated with a particular procedure, such as a knee replacement. Furthermore, members now have the ability to recommend their providers to other members. These recommendations are then summarized and viewable by all members within the provider search tool. As part of these tools, we are offering our consumers detailed health information about common conditions, health care terminology and preventive steps they can take to lead a healthier life.

This quarter we announced within our Dental products, the availability of an enhanced version of the treatment cost advisor, an innovative online cost comparison tool that now offers dental procedure and price comparisons to help dental members make informed decisions and reduce their out-of-pocket dental expenses. As part of WellPoint's ongoing commitment to consumer driven health care and cost transparency, the addition of this dental data builds on the already comprehensive pricing comparison information for medical care.

WellPoint believes very strongly that consumers are ready to take a more active role in their health care. And the early results show promising evidence. We will continue to work with our consumers, their health care providers and our employer groups to ensure they understand the products and services available to them as members.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

In addition to our CDHP plans, our Part D and senior businesses are continuing to grow. At year end, our Part D membership was approximately 1.6 million members. We had more than 1.2 million Senior medical members, comprised of about 287,000 Medicare Advantage members and 942,000 Medicare Supplement members. Our January activity is tracking right on plan and we continue to expect our Senior medical membership and our Part D membership to grow by approximately 100,000 members in 2007.

Affordability is a significant issue in providing health care benefits to our members. In this quarter, we have expanded the offering of two products with lower price points to address these needs. We now have our popular Tonik plan available to individuals in Georgia, Connecticut and New Hampshire, and HMOSelect is now available to small groups in certain Colorado counties. HMOSelect features HMO plan benefits and a smaller network of facilities and other health care providers. This product offers comprehensive HMO benefits at an affordable price.

We're also planning to launch our new Employee Elect portfolio this quarter for small group business in Nevada. This product portfolio offers small employers flexibility to create a custom benefit package with a choice of new PPO and HMO plans, and new cost control opportunities through fixed-dollar and variable contribution options.

In Maine, a new innovative Chamber Blue Options product suite was launched late in 2006. This product includes five plan options for employees and small businesses, features a lower participation threshold of 60% of eligible employees, and, very importantly, a wellness credit for groups of 25 to 50.

In another initiative to become the leader in affordable quality care, we recently launched our new 360 Degree Health product. This is the industry's first program to integrate all aspects of wellness and care management into a centralized, consumer-friendly resource. This program integrates access to wellness information for our healthiest members with health care guidance tools that assist members when they are in need of care and provides on-going health management and program coordination for our severely or chronically ill members.

In addition to expanding our Health products and services, we're also expanding our Specialty products. Our employee assistance plan business exceeded the 1 million-member milestone in the fourth quarter of 2006. For 2007, we have added some significant new stand-alone PBM customers, including AmeriScripts and Missouri Department of Transportation members, and we added 320,000 Cal Optima members.

Last month, we announced that we're expanding our specialty pharmacy operations. We will house our rapidly growing PrecisionRx Specialty Solutions operations in Indianapolis. PrecisionRx Specialty Solutions is a full-service specialty pharmacy unit created to more effectively coordinate care and distribute specialty drugs. These drugs are used for treating conditions such as hepatitis C, rheumatoid arthritis, multiple sclerosis, hemophilia, infertility, and transplants. We do this in collaboration with physicians, pharmacists and patients to more effectively manage the patient's medication and condition.

In addition to expanding our product offerings, we are receiving recognition for our technology initiatives. In December, for example, we received three eHealthcare Leadership Awards for our web sites. Our web sites were selected from more than 1,100 entries. This recognition underscores our commitment to continually finding new and better ways to serve our members through innovative online tools, information and experiences. The awards recognize health care organizations that use the Internet and various technologies to successfully achieve business objectives and improve customer service. We are a recognized leader in technology and during the quarter, Monye Connolly, President of Blue Cross Blue Shield Georgia, was appointed to serve on Georgia's Health Information Technology and Transparency Advisory Board.

During the quarter, we were also recognized at the Latino Coalition annual Small Business Economic Summit for providing innovative products and supporting the Latino small-business community. This is just another example of the customer-first approach that we follow each and every day.

Let me now turn the call over to Dave Colby, who will discuss our fourth quarter financial results in more detail. Dave?

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Dave Colby - WellPoint, Inc. - EVP, CFO

Thank you, Larry, and good morning. We are very pleased with our fourth quarter 2006 earnings per diluted share of \$1.28, representing yet another quarter of outstanding earnings in excess of our prior guidance, and a 23.1% increase in EPS over 2005 despite incurring \$19 million in net severance costs related to our recent reorganization. For the year, our reported EPS grew by 22%. If you exclude investment gains and losses, tax benefits, the multi-district litigation settlement, and the impact of FAS 123R, EPS would have still increased by 23%.

A significant driver of fourth quarter year-over-year changes relates to the inclusion of WellChoice operations following the acquisition on December 28, 2005. Where appropriate, my financial commentary this morning will compare current results to the three months of WellPoint and WellChoice on a combined basis for the fourth quarter of 2005, which I will refer to as "comparable" basis information.

Premium revenue for the quarter was 13.3 billion, an increase of 1.5 billion or 12.7% on a comparable basis over the fourth quarter of last year, due to disciplined pricing across all line of business, enrollment in Medicare Part D products, the addition of the New York State drug contract, and new Medicaid managed care awards. Fully insured membership increased by 84,000 members over the past 12 months with State Sponsored business leading the way.

Administrative fees were 881 million in the fourth quarter of this year, an increase of 25 million or 2.9% on a comparable basis over the fourth quarter of 2005, primarily due to our National Account business. Our total National membership increased by 632,000 members in 2006 or 7.3%, reflecting our strong and sustainable value proposition that combines the largest provider network in the nation with the best discounts and excellent customer service.

Our benefit expense ratio was 81.1% in the fourth quarter of this year, 50 basis points higher than the fourth quarter of 2005 on a comparable basis. The 50 basis point increase primarily results from business mix with growth in businesses with a higher than Company average benefit expense ratio, such as the New York State prescription drug contract, FEP business (for which we are reimbursed for our costs plus a fee), Senior Medicare Advantage plans and our State Sponsored business.

Sequentially, the benefit expense ratio decreased by 20 basis points from 81.3% in the third quarter of this year. This decline was less than the 70 basis point reduction we had expected at the end of the third quarter, due to the three following reasons. First, in the FEP business, we did not see the expected 20 basis point favorable impact in the fourth quarter. Our experience in FEP was very comparable to the third quarter. Second, liabilities incurred as a result of the CMS reconciliation process resulted in Part D seasonality having a 20 basis point smaller impact on the fourth quarter benefit expense ratio than expected. This reconciliation process included the recognition of items such as 59 million of unanticipated claims to state Medicaid programs that were offset by CMS low-income subsidies. Third, our State Sponsored programs, which included new Medicaid managed care awards that were implemented faster than expected, increased the fourth quarter 2006 benefit ratio by 10 basis points more than our prior guidance.

Although these variances were unfavorable from a benefit expense ratio perspective, they did not have a material impact on profitability because the FEP business functions as a cost base contract, and we are under the Medicare Part D risk corridor, so that performance is shared with the federal government. I would note that our underlying commercial business performed right on our prior guidance.

For full year 2006, the benefit expense ratio increased by 20 basis points on a comparable basis, due again to business mix, as we added the New York State and Medicare Part D drug programs in 2006, as well as more State Sponsored and Medicare Advantage business.

Our 2006 medical cost trend was less than 8%. We expect that it will remain relatively flat in 2007 at just less than 8%.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

The marketplace remains competitive but we see generally rational pricing which allows us to achieve targeted margins. We remain very disciplined in our underwriting approach and will not sacrifice margin for market share.

Outpatient and inpatient services continue to drive our medical trend increase. Trend in outpatient services is in the upper single digits and is mostly unit cost related as our unitization optimization programs have been highly successful. Inpatient trend is in the upper single digits and is unit cost driven, as utilization remains flat. In addition to our multi-year contracting strategy, we are able to add more performance based compensation to our hospital contracts, such as our award-winning Quality-In-Sights Hospital Incentive Program.

Pharmacy trend, which is in the mid single digits, is about 1/4 utilization and 3/4 unit cost driven. We have clinical programs in place for the top 10 therapeutic classes that account for 53% of our total pharmacy spend, with the largest being for cholesterol, antidepressants, antiulcer, hypotensives and diabetic therapy.

Physician trend is in the mid single digit range and is about 2/3 unit cost and 1/3 utilization driven. We are collaborating with physicians to improve the quality of care through programs like our Quality Physician Performance Program. This program provides incentives to physicians who meet certain standards. The first specialties to participate in this program include cardiology and gastroenterology.

Our selling, general and administrative expense ratio in the fourth quarter was 15.7%, 110 basis points lower than the fourth quarter of last year on a comparable basis. Our SG&A ratio improved significantly year-over-year, as we spread administrative costs over a growing revenue base and become more efficient in our operations. Our EDI rate was 79.1% for 2006, an increase of 300 basis points over 2005. Our auto-adjudication rate was 77.1% in 2006, a 500 basis point increase.

We began expensing stock options in 2006 and this increased the fourth quarter 2006 SG&A ratio by 20 basis points. Severance costs of 19 million related to our reorganization also increased our SG&A ratio in the fourth quarter by about 10 basis points. We expect our SG&A ratio to decline by 110 basis points in 2007, in accordance with our guidance, and we continue to anticipate additional reductions in future years as we leverage technology, control spending, and spread our administrative costs over a larger membership base.

Our net investment income was higher in the fourth quarter of 2006 than in the prior year due to the WellChoice investment portfolio and higher interest rates. Amortization of interest expense in the fourth quarter was also higher than last year due to the WellChoice transaction.

On a business segment basis, at December 31, 2006, the Healthcare segment consisted of our three health insurance geographic regions plus National Accounts, as well as our Senior and State Sponsored businesses. In the fourth quarter of 2006, operating revenue in our Healthcare segment was 13.8 billion, an increase of 1.5 billion or 12.5% on a comparable basis to the fourth quarter of last year, led by disciplined pricing, Medicare Part D products, new State Sponsored businesses and the New York State prescription drug contract.

Operating gain was 1.1 billion, an increase of 143 million or 15% on a comparable basis over last year. The operating margin was 8.0%, a 20 basis point increase on a comparable basis, primarily due to Medicare Part D, disciplined pricing and continued SG&A expense control. Operating gain in the fourth quarter of 2006 included costs of 33 million for expensing stock options and 16 million of net severance costs related to the recent reorganization.

The Specialty segment included Pharmacy, Specialty Pharmacy, Dental, Vision, Life, Disability, Behavioral Health and Workers' Compensation business. In the fourth quarter of this year, operating revenue in our Specialty segment was 929 million, an increase of 127 million or 15.9% on a comparable basis from the fourth quarter of 2005. The main drivers were an increase in our specialty drug business and higher script volume with the addition of Medicare Part D.

Jan. 24, 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Operating gain was 143 million, an increase of 10 million or 7.8% on a comparable basis over the fourth quarter of last year, primarily due to higher prescription volume in our PBM with the addition of Medicare Part D and better overall generic mix in the mail-order operation. These increases in operating gain were partially offset by higher Vision claims expense, as favorable development in the fourth quarter of 2005 did not reoccur in the fourth quarter of 2006, and the sale of the Company's at-risk Workers' Compensation program at the end of 2005.

Many of our Specialty products are complementary products providing incremental value by improving the quality of health care outcomes, optimizing the cost of care, and expanding our customer relationships. We expect continued growth in our specialty businesses, which generally have higher margins than our health business does.

We're planning to revise our reportable segments and customer types in the first quarter of 2007 in accordance with the new organizational structure, which reflects how management makes business decisions, beginning January 1, 2007.

Now, moving to the balance sheet, our current assets were 11.8 billion at year end, an increase of 358 million from year end 2005, as our receivables have increased as our revenues have grown. Total assets were 51.8 billion at December 31, 2006, an increase of 473 million from year end.

Our medical claims payable were 5.3 billion at December 31, 2006, an increase of 437 million from year end, 2005.

Our days in claims payable reported at year end were 45.2 days, a decline of 0.4 days in the quarter. This decrease was primarily attributable to a decrease in our claims cycle turnaround times, or the average time between when our member receives service and when we pay a claim, which came down by 0.3 days, and the timing of payments in our PBM, which reduced days in claims payable by 0.2 days. We also had some miscellaneous items that increased days in claims payable by 1/10 of a day.

We have included, in our press release, a reconciliation and roll-forward of our medical claims payable reserves. We calculate the percentage of prior year redundancies to total incurred claims recorded in the prior year in order to demonstrate the adequacy and consistency of prior year reserves. Adjusting for acquisitions, this metric was 1.6% in 2006, right in line with our historical pattern. I believe this schedule demonstrates that we continue to establish reserves for medical costs in a consistent and conservative manner.

Long-term debt was 6.5 billion at December 31, 2006, a 169 million increase from year end 2005, as we executed on our share repurchase program. Even with 4.6 billion of share repurchases during 2006, our debt-to-capital ratio was 22.2% at December 31, 2006, compared to 21.4% at the end of the last year.

Our cash flow from operations was strong for the quarter totaling 1.4 billion or 1.8 times net income. The fourth quarter operating cash flow was negatively impacted by the \$209 million payment of the multi-district litigation settlement. For the year, cash flow was \$4 billion or 1.3 times net income. At December 31, 2006, WellPoint had 1.7 billion of free cash at the parent company.

During the fourth quarter, we used 550 million to repurchase 7.3 million shares of WellPoint common stock. For the year, we repurchased 60.7 million shares for nearly \$4.6 billion. As of December 31, 2006, we have remaining share buy-back authorization of 950 million that we expect to utilize early in 2007, subject to market conditions.

In terms of 2007 guidance, as we discussed at our Investor Day last month, we expect year end membership to be 35.5 million members with 17.9 million fully insured members and 17.6 self-funded or self-insured members. This represents 4% growth over 2006.

Our 2007 operating revenue is expected to be 61.9 billion, and our 2007 benefit expense ratio is expected to be 81.5%. This is approximately 30 basis points higher than 2006. The entire increase is due to business mix as a significant portion of our new fully insured business will be in State Sponsored and Medicare Advantage businesses that carry higher medical loss ratios.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

As noted earlier, our SG&A expense ratio is expected to be 14.6%, which should result in full year 2007 GAAP earnings per share of about \$5.53, with a first quarter earnings per share of \$1.25. We now expected 2007 operating cash flow in excess of 4.4 billion, which is a \$200 million increase from our prior guidance.

I will now turn the call back over to Larry to lead the question and answer session.

Larry Glasscock - *WellPoint, Inc. - Chairman, President, CEO*

Dave, thank you very much. Now, let's open the call up for questions. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. (OPERATOR INSTRUCTIONS). Bill Georges, JPMorgan.

Bill Georges - *JPMorgan - Analyst*

Good morning. My question relates to the medical loss ratio. First of all, the impact from the Medicaid business you mentioned was a 10 basis point impact. Is that exclusively because that business came on earlier, or was that metric higher in addition to just coming on more quickly?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Bill, if you actually go through the numbers, of the 10 basis points, about half of that was associated with just the new business that came on, and the other half or just 5 basis points was just the overall state-sponsored business. It did come in 5 basis points higher than what we had guided to.

Bill Georges - *JPMorgan - Analyst*

Okay. As a follow-up, can you just explain, in a little more detail, the impact of the CMS reconciliation and the moving parts there?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Sure. I mean, again, I think this probably impacted us a little bit more than others since we were the facilitated provider, but CMS didn't really start their reconciliation process until the fourth quarter, where we got to reconcile any claims that we might owe other plans that paid claims on our behalf or other plans for which we paid claims on their behalf and they owe us, along with, if you remember early in the year, because of some of the confusion and data problems, a number of state Medicaid agencies stepped up to pay claims so that these low-income individuals would have their drugs. The magnitude of that was somewhat higher than what we anticipated, and it increased our, in essence, loss ratio in the Medicare Part D area. But the impact on profitability really wasn't that great because with the extra money that was owed to state, we get low-income subsidies and for the other reconciliations, to the extent it was negative, we are under or below the risk corridor. So that unfavorable performance is primarily shared with the Medicare program, so the actual net income impact is very small but it does impact the medical care ratio in that business.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

The loss ratio did come down. It had a very favorable loss ratio in the fourth quarter, just not as good as we had thought when we gave our guidance.

Operator

John Rex, Bear Stearns.

John Rex - Bear Stearns - Analyst

Thank you. A few additional questions on medical cost and MCR expectations. I guess I want to think about the FEP program, kind of the--while we realize it doesn't have any earnings impact, the impact that it has on your reported consolidated MCR. When you look at that higher claims volume that's been going for a couple quarters now and you think about your '07 guidance, do you anticipate that normalizes? I'm wondering what your analysis tells you in terms of why it is running at a higher claims volume. I'm wondering if we should be having any read-through to your broader commercial book. I did note that it seemed like you picked up your in-patient trend just a bit, from your commentary last quarter, I think you said mid to upper single digits and I think you made it a more firm upper single digits this quarter. I'm just wondering if there's any read-through to the commercial book we should be thinking about.

Then just if you could just talk to the seasonal patterns for medical cost ratio for '07.

Dave Colby - WellPoint, Inc. - EVP, CFO

First, I guess, if I gave an application, and this is probably like all the economists reading fed minutes and trying to understand what English majors say, I certainly don't want to give the impression that our inpatient trend is going up because it still is running about the same as what it had been and it's almost all unit cost related.

The FEP program is a difficult one to draw judgments from. It is a very unmanaged plan with fewer of the cost controls than we have in more of our standard products. You know, that may change over time. But it really has been a very consistent plan, hasn't had the type of benefit changes that many of our commercial plans would do to try to keep costs in line. So I don't think that it is a harbinger of overall commercial business.

What was your other question?

John Rex - Bear Stearns - Analyst

Do you assume that--does your 81.5 for '07 assume that normalizes from the levels you've seen in the last two quarters?

Dave Colby - WellPoint, Inc. - EVP, CFO

I think it does assume a little bit of improvement. I don't think we are assuming right now that we'll get back to where we were in that first and second quarter.

John Rex - Bear Stearns - Analyst

Okay. Then the last question was just your seasonal MCR patterns. What should we expect in '07--certainly, that's still highest in Q1 and--?

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Dave Colby - *WellPoint, Inc. - EVP, CFO*

I think the guidance that we gave indicates it's actually relatively flat. And that's primarily driven by the new Part D program, because if you go back historically, generally our loss ratio tended to increase a little bit as people started meeting deductibles, but Part D has a very strong seasonality that goes the other way. So just like this year, it was a much more consistent medical care ratio quarter-to-quarter than what you would have seen in the past.

Operator

Matthew Borsch, Goldman Sachs.

Matthew Borsch - *Goldman Sachs - Analyst*

Thank you. I had a question on product update, and wanted to ask both about what you're seeing in terms of consumer-directed product update for 2007, you know, in light of some indications that maybe there's a little bit of slowing there or perhaps a little bit less adoption than some expected. Then on a different note, on Medicare Advantage, if you can give us any insight into how you think the senior market has responded overall to the offerings in Medicare Advantage in particular.

Larry Glasscock - *WellPoint, Inc. - Chairman, President, CEO*

Matt, let me start that and Dave, feel free to add in. I think in terms of the CDHP products and the reception in the marketplace, we continue to see a tremendous interest in this, Matt. And our new product delivery that we got out there 1/1/07 really is being very, very well received.

What we are continuing to see is that many customers kind of want to kick the tire first. They really want to offer it as an option and get some experience with it, and then they want to ratchet it up from there. So we continue to believe that we're going to get much deeper penetration in these products. They are being well received. Customers continue to want to see the in-depth capability in the RFP process, so we continue to see a lot of opportunity here.

In the area of Med Advantage: we are continuing to give guidance that we will grow in our Senior business by about 100,000 members for the full year. We've expanded in several counties, not a huge number but you know we like what we see there and seniors continue to be very interested in what we are offering. We didn't have any issues with getting the product out on time or advertising or anything like that, so we think we are well-positioned.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Yes. The only thing I would add is, on the consumer-directed side, I think consumerism is going to be one of the biggest trends you see, and it's not all occurring in consumer-directed health plans, which we define as the high deductible plans with a tax advantaged savings account. In all of our plans, we are seeing much more interest in some of our Web tools on cost and quality because whether you are in a CDHP plan or in one of standard plans, we are seeing our members getting more actively involved in their health care decisions. That's why 360 Degree Health with a personal health record that members can maintain and a wide assortment of programs from wellness and well being for the 70% of our members who are reasonably healthy, or more advanced care management for the few that have more chronic conditions, I think you are seeing more take-up on.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Larry Glasscock - *WellPoint, Inc. - Chairman, President, CEO*

Matt, just to be clear on this, and I don't know if I said this but to just make sure I do, you know, our senior medical products, particularly Advantage as well as the others, are right on plan with what we projected this early part of the year. So I think we are seeing exactly what we expected.

Operator

Justin Lake, UBS Securities.

Justin Lake - *UBS Securities - Analyst*

Thank you. Just a couple of questions on the government business. One, you mentioned you have been talking a little bit about Medicaid for the past year, the MLR being a little bit pressured in California and some of your other markets. Do you expect that to kind of unstabilize in 2007? Do you see any improvement on the Medicaid MLR coming or is that still something that you feel like could pressure overall MLR results. Then I just have a quick follow-up on Part D.

Larry Glasscock - *WellPoint, Inc. - Chairman, President, CEO*

Well again, as you know, Justin, we don't report financial results by business type, but again the experience we're having right now is very consistent with what we expected. So beyond that, I don't know what more we can say since we don't comment on MLR by segment.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

We certainly have said that the medical care ratio in our Medicaid or state-sponsored business is higher than our company average, and as we add 400,000 new insured lives in 2007, that will bring up our overall average medical care ratio. But we remain disciplined, and we have a history in our Medicaid business of exiting counties or states if we don't believe we can make a reasonable margin in it. We think we're doing quite well and we think it's a good business. (multiple speakers).

Justin Lake - *UBS Securities - Analyst*

A quick follow-up on Part D--you mentioned that the MLR impact of Part D was 20 basis points but it didn't have much of an impact on profitability. I would think that any offsetting risk-sharing or whatever would also run through medical costs as a contra expense. Where is that offset running through if it's not through medical costs?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Yes, what happens, Justin, is in a risk corridor, let's just say an example that you wind up with \$5 more benefit expenses, which brings on the risk corridor, you still are at some risk, but say you wind up with additional payments from the government that you otherwise wouldn't have if you're under the risk corridor. I'm saying \$4 million, or \$4, so you are down \$1, not \$5. And the medical care ratio for that incremental thing is well over 100%.

Operator

Josh Raskin, Lehman Brothers.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Josh Raskin - *Lehman Brothers - Analyst*

First question on Part D, I think I heard you say 1.3 billion in revenues for the year. I just want to confirm that's just stand-alone Part D; it doesn't include any of the MAPD correct?

Larry Glasscock - *WellPoint, Inc. - Chairman, President, CEO*

Correct.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

That's correct.

Josh Raskin - *Lehman Brothers - Analyst*

Then the MLR on that business, I know you guys don't give specific MLR, but can you give us just sort of a sense of where it came in versus your expectations at the beginning of the year? Then how should we think about it in terms of versus the overall Company MLR?

Larry Glasscock - *WellPoint, Inc. - Chairman, President, CEO*

I'm sorry, Dave. Go ahead.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

I think, in terms of where it came in overall, I think it's fair to say it came slightly below our expectation at the beginning of the year. In terms of margin-wise, it came out pretty close because we had much higher administrative expenses earlier in the year because of some of the confusion we had. So we're actually pleased with the performance with the slightly lower than a year ago at this time expected loss ratio. Obviously, in the fourth quarter, it missed our expectation, our revised expectation at the end of the third quarter.

Josh Raskin - *Lehman Brothers - Analyst*

Versus the overall company?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

I don't understand the question.

Josh Raskin - *Lehman Brothers - Analyst*

The Part D MLR, if you think about your overall MLR at 81.5 or so, where was Part D? Was it above or below the full year?

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Dave Colby - *WellPoint, Inc. - EVP, CFO*

I really don't want to get into exactly specifically what it was, but as we've said, the senior business, including Medicare Part D, tends to increase our medical care ratio, not reduce it.

Operator

Charles Boorady, Citigroup.

Charles Boorady - *Citigroup - Analyst*

Thanks, good morning. Just again--and sorry we are all asking about medical trends, but the two biggest, you and United, reported higher MLRs. And I recognize year one of Part D made it really difficult to predict, especially with a short year for some of the customers, but do you know what the MLR would be in the commercial business?

As for the rest of the business and for the overall underlying trend below 8%, how confident can you be in that estimate of the underlying trend? Can you give us any more granularity on any inflection points you might be seeing in terms of a pickup either in admissions anywhere or in pricing anywhere, or any other granularity you can give us to get us comfortable with how you are confident in the trends staying below 8% for '07?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

In terms of your question, I think we obviously feel pretty comfortable with our estimates. If you actually look at the fourth quarter, while we did not achieve our guidance, which was coming down 70 basis points, it did come down 20 basis points, all of it explained by FEP, the Part D, and some state-sponsored. Actually, our commercial business was pretty much right on track in aggregate, which is a normal slight uptick in commercial in the fourth quarter due to deductible leveraging. But that was pretty much right on our expectation and had very little variance. So, we feel pretty good about what we are estimating.

As I said at the investor day, to some extent, our trend is looking at being more level in 2007, and one factor is that in the WellChoice and WellPoint Anthem mergers, some of those synergies were cost-of-care synergies that brought down our trend. Even though they are not one-time synergies, unless they repeat in that order magnitude increase, it sort of hides trends. So I think you could say that somewhat underlying trend may be still coming down slightly, but we don't have those synergies reoccurring on an incremental basis. So for us, the trend is going to be relatively flat, and that's what we're looking for.

Charles Boorady - *Citigroup - Analyst*

I see. But you mentioned commercial being right on guidance, which means up a little bit. Is that on a same-product basis, Dave, for commercial? Because I know there's also a change going on with Tonik and other things.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Yes. On the commercial side we haven't seen that much change of mix. Tonik has been a big seller but it is relatively small in the grand scheme of total commercial business, so it doesn't have that big of an impact on us, although it certainly does run a lower benefit expense ratio in aggregate because of commissions and selling costs and other administrative factors. But again, the commercial business is running right as expected.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Operator

Christine Arnold, Morgan Stanley.

Christine Arnold - Morgan Stanley - Analyst

Good morning, two questions. You said that your commercial MLR year-over-year kind of did what it did a year ago sequentially. Could you just quantify that for us. Was the commercial MLR excluding FEP up exactly the same amount sequentially as a year ago, less or more?

Then could you help us with your expectations for the commercial business? How do you think about entering 2007, your commercial at-risk enrollment growth and what do you expect that to do for the full year?

Dave Colby - WellPoint, Inc. - EVP, CFO

Well, I think, as we discussed at the investor day, if you look at the enrollment guidance that we gave, you are probably looking at about just less than 100,000 new commercial risk lives getting added to our business.

In terms of the sequential bump-up in the medical care ratio there, if you've followed us historically, you usually see somewhere between a 20-30 basis point increase in the fourth quarter. That's about what we saw, maybe slightly higher because we have more higher-deductible plans, but not materially different.

Larry Glasscock - WellPoint, Inc. - Chairman, President, CEO

Again, just on the issue of enrollment, Dave mentioned the 100,000 sort of commercial fully-insured members. We've already talked about senior and that's coming in exactly where we expected; that's about 100,000. I talked earlier in my remarks about an additional 400,000 in state-sponsored, so we are feeling pretty confident in that 600,000 growth in fully-insured membership.

Operator

Scott Fidel, Deutsche Bank.

Scott Fidel - Deutsche Bank - Analyst

First question, just following up on the consumer-driven conversation, do you have a point estimate of what you expect your CDHP enrollment to be in 2007, and then also how that mix is between self-funded and fully-insured?

Larry Glasscock - WellPoint, Inc. - Chairman, President, CEO

Well, I don't have that exact number; and we don't--we just see. I'm not sure that--at least I don't have committed to memory the exact number. I will try to get that before we end. Let's take your second question. Let me see what I can find here.

Scott Fidel - Deutsche Bank - Analyst

Okay, and then the follow-up, just sort of two parts--one, if you have sort of an estimate of, on a percentage basis, how much average deductibles went up in 2006 relative to 2005. Obviously, that's been in the trend and in the marketplace. Then just on

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

a separate topic maybe if you can address the President's proposal that he put out around access and coverage and how you think that could affect the individual and employer-sponsored markets. Thanks.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Yes, Scott, I don't have exact numbers on what the average deductible increased from 2005 to 2006. I do know that the average amount for benefit buydowns was about--just a little bit less than 200 basis points. I guess it's, in 2006, more like 120 basis points in 2006, which was slightly less than what we saw between 2004 and 2005. Most of that would come in probably the deductibles and co-pay area.

Larry Glasscock - *WellPoint, Inc. - Chairman, President, CEO*

On the issue of the President's proposal, first of all, that proposal is a sum total of a couple of sentences so I don't want to be--I don't want to assume that everything he said is going to happen. But I will say that we think his proposal overall is constructive and we think it deserves a pretty thorough review and hopefully full consideration by all the stakeholders.

One thing that we have said for a long time is that tax policy really can be a very important factor in encouraging more people to attain coverage, so the whole notion of letting individuals get a deduction for their health insurance is very important because obviously employers get that. So we think it's going to stimulate potentially more coverage for individuals. So, we like the notion of equalizing that tax treatment. But at the same time, we can't lose sight of the fact that we've got the majority of people that are covered in the employer-sponsored area, and so we need to be very cautious about how we change, if we change, the deductibility levels for the benefits that are provided.

So I think it's too early to tell. There will be a lot of debate, a lot of negotiation along the way here, but I think he's put a couple of important issues on the table.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

The uninsured topic is so complex; I think it is going to get a lot of attention at the state level and certainly his proposal to provide federal funds to governors to help them figure out what's best in their state, I think will be good.

Larry Glasscock - *WellPoint, Inc. - Chairman, President, CEO*

Finally on the issue of the '07 growth in CDHP, you know, we are seeing a good uptake in these products that came out 1/1/07. I'm not prepared to say yet or guide what the total of growth will be in CDHP.

In terms of mix of fully insured versus ASO, the level of interest continues to be very high among larger employers. That would imply that there will be more self-funded kinds of enrollment there but we will give you an update obviously as we progress through the year.

Operator

Tom Carroll, Stifel Nicolaus.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Tom Carroll - *Stifel Nicolaus - Analyst*

Good morning. Again, I've got a question on MLR, just a couple items. Your comment on more members reaching their deductible and that being a reason for seasonality as we get to the end of the calendar year, with the big growth in CDHPs, do you expect that seasonality to get worse perhaps over the longer haul in the next couple of years? I understand it's only 2% of your membership right now but has that been thought about out all in terms of thinking about guidance in MLR in the future?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Well, your comments are right on, although, again, it needs to be a larger shift. When we put together our annual plans, you know, the business units and actuaries do look at the expectations regarding plans, so we had that somewhat factored in. But CDHP alone won't have as big of impact as just more movement even within standard plans of just higher deductibles across the board.

Tom Carroll - *Stifel Nicolaus - Analyst*

So just quickly on the CMS reconciliation process, you indicated that the impact on your business was greater than expected. As we think about next year, or at least as I think about next year, that should be a lot less than it is this year. Would you agree?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

I would think it would be tremendously less because although it does look like we will handle facilitated enrollment in 2007 also, you don't have that many of the auto assigns actually moving carriers and I think it will be a lot more stable. I mean, this was a hard program to implement. We had more than 1.5 million members join us in a relatively short period of time, and if you look nationally - I forget what the total number of Medicare beneficiaries in Part D is - but it's 20 or 30 million people came in, and it was hard. It was a difficult undertaking, but this year should be a lot better.

Operator

Greg Nersessian, Credit Suisse.

Greg Nersessian - *Credit Suisse - Analyst*

Thanks. I have two Medicaid questions, actually. The first is a follow-up. I think it was Justin's question on the seasonality. You are bringing on about 80% of your new Medicaid business in the first quarter with the Indiana-Kansas rollouts. I'm just curious about how the MLR on that business flows throughout the year. Would you -- I think you mentioned that you don't anticipate much impact from the Medicaid business on the overall MLR. Is that because there are offsets or you are anticipating the Medicaid MLR to be relatively consistent throughout the year?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Yes, what we said was that for the year when we look at our guidance for 2007, where the medical care ratio is going up about 30 basis points, one of the major drivers of that is the new Medicaid business. But as you say, since that comes on early on, it should have that kind of impact relatively consistently throughout the year. It is not a business that has a great deal of seasonality, since with Medicaid you don't have deductibles and things, so it should be pretty even across all of our quarters.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Greg Nersessian - *Credit Suisse - Analyst*

Okay. Then my second question is more a theoretical question. But in both the California and the Connecticut health care reform proposals, you know, the states have explicitly acknowledged the fact that their Medicaid reimbursement rates, particularly on the inpatient side, are too low and that part of their proposals would significantly increase the reimbursement for Medicaid providers and health plans as well. I guess what I'm curious about is how you think that might impact your commercial business, given that one of the reasons they're doing it is because they think that the cost shift of Medicaid to commercial is causing commercial rates to go up. Since you are a big Medicaid carrier in both of those states, how would the impact of higher Medicaid reimbursement rates potentially impact your commercial business in those states, perhaps more so than other players that don't have big Medicaid businesses?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Well, I think that we are all in favor of government programs paying their fair share of provider costs and eliminating this shift to the commercial payers. Over time, as those Medicaid payments improve, certainly we will be negotiating for better cost structure within the provider group for less of that cost-sharing. Again, what that should result in is, since we're not looking to drive our medical care ratio down--we like where it is--it should result in more favorable rates to our customers and hopefully more affordable products.

Operator

Doug Simpson, Merrill Lynch.

Doug Simpson - *Merrill Lynch - Analyst*

Good morning. Dave, not to beat a dead horse here but I just wanted to understand. Could you qualify the dollar impact that the CMS reconciliation had on premiums and medical expenses in the quarter? Is it just, as we are thinking about it, is it accurate to say that it just kind of grosses up both premiums and expenses at greater than 100% MLR, understanding it doesn't hit the bottom line a lot but just trying to quantify the impact on the P&L.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

It would be--it's very hard to go through the mathematics of it because we are comparing it to our guidance, not to the last quarter or so. But it gets very complicated because the portion that's associated with some \$50 million we had to pay the state Medicaid programs, you get both low-income subsidy dollars for that that offsets it, and if you're--again, under the risk corridor, you wind up paying back less to the feds in terms of that. For some of the other reconciliations in terms of what we had due from other payers or due to other payers, that gets handled by the risk corridor. So it's very complicated and I'm not sure I have in front of me the top line and middle line. Just know that the loss ratio in Part D as a result of all that had, compared to what we had thought it would come down to, had a 20 basis point impact on our overall loss ratio.

Doug Simpson - *Merrill Lynch - Analyst*

Okay. Then just thinking about next year and the 81.5 that you guys have put out there, this I think was something that was a little bit unexpected, the CMS piece. Is there any other noise-type issue that we should be watching for or any other--as you are thinking about the 81.5, it sounds like on the FEP stuff, you are assuming it gets a little more normal but not all the way back to where you were in the first half. I mean just what other things should we be watching for there, if anything?

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Well, we are constantly monitoring it. We obviously track trend on a daily, weekly, monthly basis and we adjust rates to the extent that we see differences. I wish I could say that projecting the medical loss ratio was an exact science, but I think we do a pretty good job. Our benefit expense ratio has been very stable over a multiyear period of time, and that's what we expect to continue. I can't think of anything offhand that would jump up and surprise us, just like I didn't really expect the reconciliation process to yield that many differences.

Operator

Peter Costa, FTN Midwest Securities.

Peter Costa - *FTN Midwest Securities - Analyst*

Back to the MLR issue and maybe in slightly a different way, I'm looking for what the assets are, David, you know, regarding why you don't think it affected the bottom-line. You know, you would expect to see some more in revenues from at least the Federal Employee Benefit plan and the start of Medicaid, yet revenues were, in my view, sort of just barely in line. So was there some other offsetting revenue that wasn't there that we should have expected?

Then another question on national accounts and your guidance there, how much of that is Blue Card? Can you give us that on sort of a same basis as it was last year without the change in definition of what is a national account?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

I'm trying to remember your questions now. In terms of the national accounts, that's fairly easy. We are getting--of the 500,000 lives that will be added in 2007 and I think about 300,000 are control and 200,000 BlueCard, and last year, by the time it was all settled, I think we added about 380,000 control and 250,000 Blue Card.

Peter Costa - *FTN Midwest Securities - Analyst*

Then the first question was what are the offsets to the MLR in terms of the higher MLR, if it's not affecting the bottom-line? Why didn't we see it in revenue? Was there some other offsetting revenue that didn't occur?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

No, I think you did see it in revenue. Certainly, the revenue was higher than what our expectation was in the fourth quarter. So I think we do see it there. To say it had 0 impact on bottom-line--I just want to make sure it's clear--for the FEP program, in did pretty much have 0 impact but for the Medicare Part D, it was some impact but it is hedged or mitigated by the risk corridor so it had really much smaller impact than you would normally associate with that higher loss ratio.

Operator

Joe France, Banc of America.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Joe France - Banc of America Securities - Analyst

Larry, when he talked, alluded to the new proposals in California. WellPoint has obviously been very successful in the past in adding lives that have previously been uninsured, but some of the new plans that have come about over the last year or so have had problems because the basic plan is too expensive. For example, in Massachusetts, the basic plan is something approaching \$400. How does this cost compare with WellPoint's offerings that have been successful with the uninsured? What kind of basic benefits should a basic plan include to make a program successful?

Larry Glasscock - WellPoint, Inc. - Chairman, President, CEO

Well, we've talked in the past, Joe, about Tonik, which has been incredibly successful. You know, the premiums there can be as low as \$60 to \$70 and up to about \$100. I'm trying to think exactly, maybe \$130, \$140.

Dave Colby - WellPoint, Inc. - EVP, CFO

For 19 to 29-year-olds.

Larry Glasscock - WellPoint, Inc. - Chairman, President, CEO

Yes, for 19 to 29-year-olds, yes, absolutely. But that is a huge--you know, when you look at the details around the uninsured, that's a huge number in the uninsured population. Those are, you know, they are really very good insurance products. They have deductibles that range up to I think \$5000, and they have office visits at certain levels, so they are very good products.

A concern I have, and I think it's going on in Massachusetts, you know, they didn't really put any--they didn't address the whole issue of the mandates there, so it's a state that has many, many, many mandates and that's why in part you're ending up with--I think the last number I saw was, what, maybe a \$380 premium, something on that order? So I think states will need to continue to come back and revisit what mandates are going to be excluded from some of these products.

Dave Colby - WellPoint, Inc. - EVP, CFO

The California basic plan is really almost more of a major medical plan, which also gives some incentive for beneficiaries to try to promote health and well-being and taking personal responsibility while still providing good coverage if there's some sort of real medical event.

Operator

Carl McDonald, CIBC.

Carl McDonald - CIBC World Markets - Analyst

Good morning. I just had a follow-up question on Medicaid. The 10 basis point negative impact in the fourth quarter works out to something like \$52 million. If we bring that back to the Medicaid segment, depending on what kind of revenue you want to assume, that suggests that the loss ratio in Medicaid was somewhere between 600 and 1,000 basis points higher than what you expected, and sort of split between the new markets and MLR in existing business coming in higher. So first, numbers in the ballpark? Then second, could you talk about what it was in the existing business that drove the loss ratio so much higher this quarter?

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Well, I would have to go through your math because that is much higher than what was--actually, again, in terms of the existing business, it was like 5 basis points higher in the quarter.

Carl McDonald - *CIBC World Markets - Analyst*

Right, but that's on a consolidated basis.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

--for our business, and 5 basis points was just new business that got added on. So it did tick up a bit but really nothing that has us looking at changing guidance or worried.

Carl McDonald - *CIBC World Markets - Analyst*

Okay, just to clarify, 5 basis points refers to the consolidated loss, right?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Right, yes.

Carl McDonald - *CIBC World Markets - Analyst*

Correct?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Yes.

Carl McDonald - *CIBC World Markets - Analyst*

Just a follow-up question is if you could break down the PDP membership into the various buckets, just stand alone, how much is MAPD, group waiver and the external?

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Yes, let me just pull that out. Okay, the Part D, if you count our auto assigned and stand alone, was 1.116 million. Our Part D and Medicaid Advantage was 212,000. Our group waiver Part D was 65,000. The Part D members that were external PBM members that we serviced was 175,000.

Carl McDonald - *CIBC World Markets - Analyst*

Great, thank you.

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

Operator

Michael Baker, Raymond James.

Michael Baker - *Raymond James & Assoc. - Analyst*

Yes, the first question is your expectation for growth for '07 in terms of prescription volume.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

In terms of prescription volume in our PBM?

Michael Baker - *Raymond James & Assoc. - Analyst*

The overall number that equates to the one that you provided in your release, in other words that showed for this year 4% growth.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

We're talking about scripts in the PBM then?

Michael Baker - *Raymond James & Assoc. - Analyst*

Yes.

Dave Colby - *WellPoint, Inc. - EVP, CFO*

Okay, in our specialty business, I think that we're looking at fairly consistent growth there in terms of scripts. I think our number is in the--around 5 or 6% range.

Michael Baker - *Raymond James & Assoc. - Analyst*

Okay. Then my last question had to do with, you know, you provided some commentary on California. I was wondering. As states try and push forward to address the uninsured and throw out proposals like they did in terms of the MLR, regulating that across the book, do they have the potential of running afoul of federal ERISA laws?

Larry Glasscock - *WellPoint, Inc. - Chairman, President, CEO*

Well, you've read what we've read, so I wouldn't want to comment beyond that. Again, you know, we have a number of states, as you know, that we serve, and 14 of them where we have the Blue Cross or Blue Cross and Blue Shield license, so we're going to see a lot of different experiments out there. Indiana is an example; the model that at least has been proposed by the governor here is much more of a CDHP kind of model.

So we are delighted that the whole issue of the uninsured it's been put on the table more aggressively. We put out our own proposal, as you may have seen recently, and I think we will continue to weigh in and make sure that people understand what the downside is on some of these various proposals. But again, at the end of the day, we think that there is tremendous

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

opportunity in having more Americans covered, and that can be good for our business. But there will be aspects that we will work very hard to make sure get addressed and resolved before those various proposals become law.

That was the last question, so let me thank all of you very much for your questions. I hope, at the end of the day, that you realize that our opinion is we had an outstanding '06 and we think we are off to a great start in '07. We feel very good about where we are and we've talked more about our guidance today.

I personally could not be more proud of our organization. You know, we have over 40,000 associates who are working very hard and achieving a lot. As a result of that, we have this incredible dedication to making WellPoint the most trusted choice for consumers and at the same time the leader in affordable quality care. So I want to make sure that I thank our associates for all of the efforts which have been enormous. I also want to thank you for all your interest this morning and the trust, frankly, that you've placed in us as our shareholders. So again, we hope you have a great day and thank you very much.

Operator

Ladies and gentlemen, this conference will be available for replay after 1:45 PM Eastern time today, running through February 7, 2007 at midnight. You may access the AT&T teleconference replay system at anytime by dialing 1-800-475-6701 and entering the access code 850122. International participants, please dial 320-365-3844. (Operator repeats numbers).

That does conclude our conference for today. Thank you for your participation and for using the AT&T executive teleconference. You may now disconnect.

PLEASE NOTE THIS TRANSCRIPT HAS BEEN EDITED FOR ACCURACY

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This press release contains certain forward-looking information about WellPoint, Inc. ("WellPoint") that is intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of WellPoint, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include; those discussed and identified in public filings with the U.S. Securities and Exchange Commission ("SEC") made by WellPoint; trends in health care costs and utilization rates; our ability to secure sufficient premium rate increases; competitor pricing below market trends of increasing costs; increased government regulation of health benefits, managed care and pharmacy benefit management operations; risks and uncertainties regarding the Medicare Part D Prescription Drug benefits program, including potential uncollectability of receivables resulting from processing and/or verifying enrollment (including facilitated enrollment), inadequacy of underwriting assumptions, inability to receive and process information, uncollectability of premium from members, increased pharmaceutical costs, and the underlying seasonality of the business; significant acquisitions or divestitures by major competitors; introduction and utilization of new prescription drugs and technology; a downgrade in our financial strength ratings; litigation and investigations targeted at health benefits companies and our ability to resolve litigation and investigations within estimates; our ability to contract with providers consistent with past practice; other potential uses of cash in the future that present attractive alternatives to share repurchases; our ability to achieve expected synergies and operating efficiencies in the WellChoice, Inc. acquisition within the expected time frames or at all, and to successfully integrate our operations; our ability to meet expectations regarding repurchases of shares of our common stock; future bio-terrorist activity or other potential public health epidemics; and general economic downturns. Readers are cautioned not to place undue reliance on these forward-looking

Jan. 24. 2007 / 8:30AM, WLP - Q4 2006 WellPoint, Inc. Earnings Conference Call

statements that speak only as of the date hereof. WellPoint does not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures in WellPoint's various SEC reports, including but not limited to WellPoint's Annual Report on Form 10-K for the year ended December 31, 2005, and its Quarterly Reports on Form 10-Q for the reporting periods of 2006.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2007, Thomson Financial. All Rights Reserved.