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Conference Call Transcript

WLP - Q2 2006 WellPoint, Inc. Earnings Conference Call

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PRESENTATION

Operator

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

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

Good morning and welcome to WellPoint's second quarter earnings conference call. I'm Wayne DeVeydt, Chief Accounting Officer and executive responsible for investor relations. With me this morning are Larry Glasscock, our Chairman, President and Chief Executive Officer and David Colby, our Chief Financial Officer.

We will begin this morning with Larry making some comments and an overview of our second quarter accomplishments. Dave will offer a more detailed review of our second-quarter financial performance which will be followed by a question and answer session. It's important to note 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 these 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. - President, CEO***

Good morning everyone and thank you, Wayne. We are very pleased to report a solid second quarter of 2006 with record earnings and sequentially lower benefit and SG&A expense ratios, and therefore very importantly, higher margins from the first quarter of this year.

In the second quarter, WellPoint reported GAAP net income of $1.17 per diluted share, 30% higher than the second quarter of 2005. This included $0.01 per share in net realized investment losses, and as expected, $0.05 per share in stock option expense. We exceeded our prior guidance due to continued operational excellence, higher-than-expected investment income and fewer shares outstanding as a result of our share repurchase program.

As a reminder, net income in the second quarter of 2005 was $0.90 per share, which included expenses of $0.10 related to the agreement that resolved two national multi-district lawsuits with physicians.

Operating revenue totaled $13.9 billion in the quarter, a 27% increase year-over-year and an 11% increase on a comparable basis. Comparable basis information throughout our discussion today has been calculated by adding the historical information for WellPoint and WellChoice, adjusted for minimum premium contract reclassifications. Comparable revenue increases were driven by disciplined pricing, the New York State Prescription Drug Benefit contract and the new Medicare Part D business.

Our membership has increased by more than 600,000 members, or 2% on a comparable basis, from June 30, 2005. This growth is after covering the loss of almost 400,000 Georgia and Kentucky state employee members we discussed last quarter. Every region contributed to this growth with increases ranging from 1% in the East region to 4% in the West. Sequentially, our fully insured business increased by 22,000 members despite May rate increases in our California Small Group business. We continue to remain very disciplined in our underwriting and pricing approach and do not trade margins for volume.

Our self-funded business declined sequentially primarily due to a termination of a rental network business in Texas that serves 67,000 members. We have a superior UniCare network available in the area and expect to add business to this proprietary network. At June 30, 2006, our funding mix was approximately one-half self-funded and one-half fully insured.

We have seen particularly strong growth of 8% on a comparable basis over the last year in our National Accounts business, and we expect our success to continue. Our 2007 selling season for National Accounts remains competitive, similar to prior years. While proposal activity is slightly lower than last year, we again anticipate robust National Account membership growth for January 1, 2007. We have a number of accounts already committed and more decisions are expected in the next six to eight weeks. National Account employer groups continue to look for ways to tightly manage health care costs. Carrier selection is determined by an overall value equation which includes network breath, discounts,

consumer programs, service and an increased focus on health improvement and wellness, including disease and case management and the management of risk factors. We believe we are very well positioned in all of these areas.

Also during the quarter, Anthem National Accounts introduced Anthem Value Networks, a new PPO product that highlights quality, cost-efficient physicians in several key specialty areas. With nearly 740,000 providers in our coast-to-coast networks, many national accounts have been asking for a product that would allow them to more easily identify the physicians who are offering their employees the most cost-efficient care consistent with evidence-based medicine. Anthem Value Networks will help them do just that. These networks will be offered to National Account members beginning January 1, 2007 through select markets in WellPoint's family of Blue plans across the country and other Blue Cross and Blue Shield plans. Additional markets and evolution towards an even more quality focused approach are planned enhancements.

Turning to our Large Group business, on a comparable basis, membership declined by 283,000 members from the second quarter of 2005. This was due primarily again to the loss of almost 400,000 members in the states of Georgia and Kentucky employee accounts. Excluding these accounts, our Large Group membership would have increased. New Large Group sales in the second quarter remained strong, adding 187,000 members in the quarter. The sequential membership decline of 23,000 was primarily due to the previously discussed termination of a rental network as I mentioned in Texas, and less than expected in-group growth, particularly in the automotive industry.

We have been expanding some of our successful marketing practices in our Large Group market across the country as part of our Large Group Center of Business Excellence, or CBE, and we are seeing positive results. For example, we were recently selected by the Colorado Public Employees Retirement Association as the insurer of choice to provide coverage for active employees and third-party administration for pre-Medicare retirees and Medicare Supplement plans. With expected membership of 39,000 to be effective 1/1/2007, this is the largest account ever sold by our Colorado plan.

Moving to Individual and Small Group, we added 40,000 members over the last 12 months. We've talked a lot in the past about our individual CBE that is busy rolling out the Tonik to more WellPoint markets. Tonik has been very successful in reaching its target market and more than 75% of Tonik policies have been sold to those who were previously uninsured. Approximately 46 million Americans go without health insurance over the course of a year. Reducing the rate of uninsured and underserved is one of WellPoint's corporate objectives. So far this year, we have sold approximately 195,000 individual policies to those who have been previously uninsured and Tonik has been a very important part of this success.

We also have a small group CBE that has been very active and is impacting our success in the price-sensitive Small Group marketplace where approximately 40% of employers do not offer health insurance. There are some who believe that membership growth is a zero-sum game among our large national competitors. The Small Group market is one where our largest competitor is none of the above due to the high uninsured rate among small employers. We view this uninsured population as a market opportunity and here are just a couple of examples of how we are successfully penetrating this marketplace:

So, one, Blue Cross of California continues to offer the Benefits product suite, targeting uninsured small groups. Over 80% of benefits enrollees were previously uninsured. The suite includes five targeted plans for cost-conscious companies with lower employer contribution levels, and lower employee participation requirements. Benefits was recently launched in Colorado where agent response to this new product has been very enthusiastic. In fact, early sales activity is strong with Colorado Small Group sales in the second quarter up more than 300% year-over-year. We are currently working to expand this product to other markets.

Just another example, UniCare earlier this year introduced the Pathways suite of three lower priced plans. These plans, which are similar to our Blue branded Benefits plans, target previously uninsured groups that can not afford traditional coverage, as well as younger, healthier people who previously opted out of coverage. Employers can contribute as little as $30 toward an employee's coverage. The Pathways launch has been particularly successful in Texas and has benefited companies that otherwise could not afford traditional coverage for their employees. We designed the product with a particular price point in mind and now we have a product that is making a real difference with people who were previously uninsured.

In our State Sponsored business, we added to more than 100,000 members on a comparable basis over the last year and are expecting even more growth. We will begin enrolling members in Texas for September 1 effective dates and recently announced some areas of future growth as we have been awarded new contracts in Ohio and Nevada. In Ohio, we were selected to contract in the Central region. In the Central region, we expect to enroll approximately 75,000 Medicaid beneficiaries in the first full year. This is in addition to the three regions we were awarded last March. Total expected enrollment is 215,000 for all regions, including the QualChoice acquisition. Statewide implementation for our region is expected to be completed by December of this year.

Nevada issued an intent to reward, I might add for the third time, for us to provide health care coverage for Nevada's Medicaid and S-CHIP programs in counties containing Las Vegas and Reno. We expect enrollment beginning November 1 that will total 50,000 members in the first year of operation. We expect to hear about other state-sponsored opportunities in the near future.

I would also like to discuss another area of growth that crosses many of our product lines, consumer-directed health plans. Membership in our CDHP plans was 698,000 at the end of June, growing more than 300,000 members over the past year. We've launched an aggressive strategy to introduce full Lumenos CDHP capabilities across all regions and all product segments for the Company beginning 1/1/2007. Our Lumenos account-based plans uniquely create incentives for health improvement which can significantly reduce medical costs. These incentives reward behavior changes, including participation in programs for risk factor reduction and mastery of chronic care management. Early results from our Lumenos plans show promising medical cost savings.

To become the leader in affordable quality care is one of our differentiating strategies. As we do so, we must address the many drivers that have consequences for the overall cost of health care in the United States. These issues include medical technology and treatment advances, quality of care issues, including medical errors, to evidence-based medicine, unnecessary care and duplication of medical services. In the face of these issues, WellPoint believes that we must continue to be advocate for our customers' health-care needs, drive transformation through information; in other words, deploy tools and technologies that advance transparency, and further provider partnerships that enable an effective, efficient and hassle-free process. We will focus on reducing administrative inefficiencies and variations in care through evidence-based medicine incentives and collaboration.

We recently announced the launch of 360-Degree Health, the industry's first program to integrate all care management programs and tools into a centralized consumer-friendly resource that assists patients in navigating the health care system, using their health benefits and accessing the most comprehensive and appropriate care available. A key component of 360-Degree Health is the personal health record, or PHR, owned and managed by WellPoint members. Our New York plan was the first insurer to make PHRs available to its members. The PHRs are automatically populated by member-provided information and claims data received by WellPoint. They can be accessed from any computer with an Internet connection, empowering members to track and share their health histories with their doctors to ensure the highest quality of appropriate care. 360-Degree Health and its components, including PHRs, demonstrate how as the country's largest health benefits company, WellPoint is poised to transform the way health benefits are delivered and utilized by consumers. Pilot programs in New York have shown that customers achieved a 2-to-1 return on investment for all employees enrolled in the program.

In addition to the WellPoint 360-Degree Health program, we have collaborated with other Blues plans across the nation to unveil Blue Distinction, a nationwide program designed to create an unprecedented level of health care transparency. Blue Distinction has two primary goals -- to engage consumers to enable informed health-care decision making and collaborate with providers to improve quality outcomes and affordability. Blue Distinction is an umbrella program for multiple initiatives that foster health information transparencies. WellPoint health plans are actively engaged in many of these programs, including the Blue Distinction Centers for Bariatric Surgery, Cardiac Care and Transplantation. WellPoint Health plans and other Blue licensees have designated nearly 750 programs at facilities across the country as Blue Distinction centers based in part on their consistent demonstration of quality outcomes for these procedures.

WellPoint Health Plans have also joined with other Blue plans to support the Blue Distinction Hospital Measurement and Improvement Program which encourages a consistent approach to using data to improve hospital care. This national program complements the many efforts already underway within WellPoint to improve the quality of care delivered by network hospitals, including the award-winning Hospital Quality Program and Quality Insights hospital incentive programs.

In addition to expanding our successful health initiatives, we are also extending our specialty product offerings to provide access to more preventative care and improve the total health of consumers. Anthem Blue Cross and Blue Shield in Kentucky, Indiana and Ohio will begin offering an individual dental plan and individual term life insurance. While we have offered dental and life insurance to our group customers, the introduction of both options, called Anthem Individual Dental Blue and Blue Preferred Term Life represents the first time we have offered dental and life insurance options to individuals in these states. Individual consumers want dental and life insurance coverage and appreciate the convenience of one-stop shopping. Medical members who enroll in either or both plans will have the convenience of combining all of their premiums into one monthly payment.

In addition to new product initiatives, we are continuing to address selling, general and administrative expenses as a percentage of revenue. Hopefully, that was very clear in our second quarter release. Our SG&A ratio was 15.7% in the second quarter of '06, 90 basis points lower than in the second quarter of '05 on a comparable basis, despite covering 53 million in stock option expense in the second quarter of '06. In future years, we expect to continue to reduce our SG&A ratio through a number of initiatives, including implementation of our information technology strategy. Today, we have one general ledger system and have implemented enterprise-wide applications to access consistent information on a

timely basis. A goal of our IT strategy is to improve efficiency by reducing the number of different claims systems, primarily by utilizing a low-risk systems migration strategy. Through systems migration, we begin by writing new business on the preferred system. As business on the system to be replaced renews each month, it is added to the preferred system. So after 12 months, there is no business remaining on the old system and the old system is simply retired without a large scale conversion.

The reason this is low risk is that the preferred system to which the business is being migrated is a proven system currently handling millions of transactions. Over the last eight years, we have successfully migrated 24 systems, establishing a proven track record, and we expect to migrate five additional systems over the next 12 months.

Another way we reduced SG&A expense is by delivering on our integration synergy commitments. Our integrations are proceeding according to plan and we have achieved our second quarter synergy goals. We're on target to achieve at least 100 million in incremental synergies from our WellPoint-Anthem merger and 25 million from our WellChoice merger in 2006.

Before I turn the call over to Dave Colby, I want to note that as we reported on June 29, Keith Fowler, President and CEO of the Central Region, has announced that he will retire at the start of 2007. Since Keith joined the Company in 1970, he has played an important role as part of the leadership team that built WellPoint into the nation's leading health benefits Company. His deep understanding of our business, coupled with an extraordinary customer focus and his ability to develop people has made him an incredibly valuable member of our team. We have an outstanding and deep leadership team that will continue to benefit from Keith's expertise during the remainder of this year. Keith will remain in his current role as a member of the Company's executive leadership team and we will identify a replacement and ensure a smooth transition process.

Now let me turn the call over to Dave Colby, who will give you more granularity on our second quarter financial results. Dave?

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

Thank you, Larry, and good morning to everyone. We are certainly very pleased with our second quarter 2006 earnings per diluted share of $1.17, representing yet another quarter of record earnings. This included $0.01 per share net realized investment losses and the expected $0.05 per share in FAS 123 (R) stock option expense. Net income in the second quarter of 2005 was $0.90 per share, which included expenses of $0.10 per share related to the agreement that resolved two national multi-district lawsuits with physicians. After taking into account these items for both periods, our year-over-year earnings per share in the second quarter increased 23%.

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

Premium revenue was $12.9 billion in the second quarter of 2006, an increase of 1.2 billion, or 10.6% on a comparable basis over the second quarter of 2005, due to disciplined pricing, and the additions of the New York State drug contract and Medicare Part D plans. On a comparable basis, fully insured membership declined by 126,000 members over the past 12 months due primarily to the 149,000-member Georgia state employee HMO group that converted from fully insured to self-insured in mid-2005 and lapses at the beginning of 2006 of 136,000 members in 35 high-benefit expense ratio accounts that we were receiving above-average rate increases.

Administrative fees were 877 million for the second quarter of 2006, an increase of 69 million, or 8.6% on a comparable basis over the second quarter of 2005, due primarily to disciplined pricing and national account membership growth. On a comparable basis, self-funded membership increased by 742,000 members, or 4.6%.

Our benefit expense ratio in the second quarter of 2006 was 81.2%, 10 basis points lower than the second quarter of 2005 on a comparable basis. Second quarter 2005 was negatively impacted by the multidistrict litigation settlement, and excluding the impact of the multidistrict litigation settlement in the second quarter of 2005, our benefit expense ratio increased by 20 basis points, primarily due to the addition of the New York State prescription drug contract and our new Medicare Part D business, both of which experience higher benefit expense ratios. Sequentially, our benefit expense ratio improved by 10 basis points. The benefit expense ratio for Medicare Part D improved sequentially and is meeting our expectations.

We continue to expect our 2006 medical cost trend to be less than 8%. Premium yield exceeded total cost trend for the 12 months ended June 30, 2006 where total cost trend included medical costs and SG&A expense, confirming our disciplined pricing. We remain very disciplined in our

underwriting approach and will not sacrifice margin for market share. The marketplace remains competitive, but we see generally rational pricing which allows us to achieve strong sales -- we actually sold 778,000 lives in the second quarter -- and targeted margins.

Our gross margin, and that is premium minus benefit expense, increased on a per-member per-month comparable basis, both year-over-year and sequentially. Inpatient and outpatient services continue to drive our medical trend increase. Inpatient trend is in the mid- to upper-single digits and is unit-cost related as utilization is flat to slightly down. Trend in outpatient services is in the upper-single digits and is almost all unit-cost related as we have implemented successful programs like our radiology management program to impact outpatient trend and optimize these services. Physician cost trends are in the mid-single-digit range and is about 60% cost at 40% utilization related.

Our pharmacy trend, which is in the mid-single digits, is about one-third utilization and two-thirds unit-cost driven. We are a leader in encouraging the cost effective and safe use of medications with generic utilization in the mid-50% range. Generic use is increasing in the categories of cholesterol-lowering, depression, arthritis and hypertension drugs. Generic sampling kiosks are being used by almost 500 physicians and we have signed a contract with eProcrates to have all WellPoint formulaties available on personal digital assistance.

The SG&A ratio in the second quarter of 2006 was 15.7%, 90 basis points lower than the second quarter of '05 on a comparable basis. The second quarter of '05 was negatively impacted by the multidistrict litigation settlement and excluding the impact of the MDL settlement in the second quarter of 2005, our SG&A ratio decreased 40 basis points. We began expensing stock options in 2006 and this increased the SG&A ratio by 40 basis points in 2006. Excluding the FAS 123 (R), our SG&A ratio would have improved by 80 basis points due to productivity gains, spreading fixed costs over a larger membership base and merger integration synergies.

As Larry mentioned, our WellPoint-WellChoice integration is going well and according to plan. We expect to continue to see our SG&A ratio decline in future years as we control our spending, meet our integration synergy targets and continue to spread our administrative expenses over a larger membership base.

Net investment income was higher than we expected and resulted from higher interest rates and restructuring the WellChoice investment portfolio to improve yields. Higher interest rates may be bad news for other sectors of the economy, but they are good news for WellPoint.

Amortization and interest expense in the second quarter of 2006 were consistent with the first quarter of 2006 and higher than last year due to the WellChoice transaction. On a business segment basis, the Health Care segment, consists of our three health insurance geographic regions, plus National Accounts as well as the Senior and State Sponsored Program business. In the second quarter of 2006, our operating revenue in our Health Care segment was 13.4 billion, an increase of 1.3 billion, or 11% on a comparable basis to the second quarter of last year, led by disciplined pricing in the New York State prescription drug contract and, again, Medicare Part D.

Operating gain was 1.1 billion, an increase of 186 million, or 21.2% on a comparable basis over the second quarter of last year. This was due to enrollment growth, disciplined pricing across all of our businesses and a focus on expense management. The operating margin was 7.9%, a 60 basis point increase on a comparable basis. This is primarily due to 2005 second quarter being impacted by the agreement that resolved two multidistrict litigation suits, offset by a business mix shift, including the addition of lower-margin government businesses and stock option expense in accordance with FAS 123 (R).

The Specialty segment includes Pharmacy, Specialty Pharmacy, Dental, Vision, Life, Disability, Behavioral Health and our Non-risk Workers Compensation business. In the second quarter of 2006, operating revenue in our Specialty segment was 880 million, an increase of 120 million, or 15.8% on a comparable basis from the second quarter of 2005. The main drivers were an increase in our Specialty Drug business and higher script volume from the addition of Medicare Part D, which was partially offset by the sale of our Risk-based Workers Compensation business at the end of 2005. Operating gain was 138 million, an increase of 39 million, or 39.6% on a comparable basis over the second quarter of 2005, primarily due to favorable life and disability experience, which was again, partly offset by the sale of our Risk-based Workers Compensation business. In addition, we continue to see positive growth in our ongoing Specialty operations.

Now moving to the balance sheet, current assets were 10.6 billion at June 30, 2006, a decrease of 1 billion from year end 2005 as we accelerated our share repurchases. Total assets were 50.1 billion at June 30, 2006, a decrease of 1.2 billion from year end.

Medical claims payable were 5.2 billion at the end of the second quarter, an increase of over 300 million from the year end 2005. Our days claims payable reported at June 30, 2006 were 44.8 days, a decline of 0.6 days in the quarter. The decrease was primarily attributable to our reduced claims cycle times as we are paying claims faster, the difference between the service date and the pay date reduced by 0.4 days. The timing of our PBM claim payments, which are generally on a biweekly basis, caused a decline of 0.3 days. Settlement of 2005 physician risk pool payments, which occur usually in the second quarter, reduced days claims payable by 0.2 days, and other miscellaneous factors increased days claims

payable by 0.3 days. We have included in our press release a reconciliation and roll-forward of our medical claims payable reserves. This disclosure is comparable to the reconciliation provided in our fourth quarter 2005 press release. 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 our prior-year reserves.

Including the operations of WellChoice and WellPoint Health Networks for the six months ended June 30, 2006 and 2005, this metric was 1.5% and 1.9%, respectively, and in line with our historical pattern. The strong positive development again in 2006 shows that we're conservatively and consistently establishing our reserves. The redundancy is slightly lower in 2006 than it was in 2005 due to medical cost trend decelerating in 2005 at a faster rate than 2006. Relative to historical patterns, the favorable development in 2005 was high. This was due in part to conservatism in 2004 as medical cost trends began to decelerate, we were conservative and were slow to fully recognize this impact. This resulted in somewhat higher development in 2005 than would normally be expected. However, this impact is fully reflected in our earnings per share growth of 23% year-over-year.

The schedule also demonstrates that we are continuing to pay claims at a faster rate. The amount of claims paid in the current year resulting from claims incurred in the current year has increased from 77.6% at June 30, 2005 to 78.2% at June 30 of this year. The increase is primarily attributable to our systems auto-adjudication capabilities and improved electronic connectivity with our provider networks. I believe this schedule demonstrates that we continue to establish reserves for medical costs in a consistent, conservative manner.

Our long-term debt was 7.4 billion at June 30, 2006, a 1.1 billion increase from year end as we executed on our share repurchase program. On June 15, we repaid from cash on hand $450 million in scheduled debt that matured. Even with 3.6 billion of share repurchases during the first half of 2006, our debt to capital ratio was 24.3% at June 30, 2006, compared to 21.4 at the end of 2005. Operating cash flow was 200 million in the second quarter of 2006, and as expected, totaled about $2 billion in the first half of 2006. The second quarter is historically the lowest operating cash flow quarter of the year, primarily due to making two federal income tax payments totaling 756 million in the quarter, plus other unusual second quarter payments, such as premium taxes and physician risk pools and settlements.

At June 30, 2006, WellPoint had 884 million of free cash at the parent company. During the second quarter, we used 1.7 billion of cash to repurchase 23.3 million shares of WellPoint common stock. On May 16, 2006, our Board of Directors approved an additional 1 billion of share repurchases, raising our 2006 authorization to a total of $4 billion. During the first six months of 2006, we have used 3.6 billion in cash to repurchase 48 million shares at an average price of $74.98. As of June 30, 2006 we have remaining share buyback authorization of approximately 400 million that we expect to complete this quarter, subject to market conditions.

Turning to guidance for the remainder of 2006, we now expect year-end membership to be around 34.5 million members with 16.8 million self-insured members and 17.7 million fully insured members. Our self-funded membership is lower than we previously expected due to several factors, including our previously discussed exit of some network rental business and the expected third quarter loss of a 92,000 member very low margin ASO account in California. While this account will visually impact membership, it will have negligible bottom-line impact. The good news is that, due to some of our recently announced initiatives, we now expect more fully insured business by year end than we did previously and fully insured business generates higher revenue per member. 2006 operating revenue is now expected to be 56.4 billion. Our 2006 benefit expense ratio is expected to be 80.9% and our SG&A expense ratio is expected to be 16.0% and will increase in the second half of 2006 as we spend more on developing and marketing the Lumenos CDHP plan nationally and our Medicare Part D products that will benefit future periods.

We now expect full-year 2006 GAAP earnings per share to be [$4.74] (corrected from $7.74), which includes $0.02 per share in net realized investment losses, which means that we are increasing our 2006 annual guidance by $0.11 per share. Our prior guidance of $4.63 include $0.01 per share in net realized investment losses.

The quarterly earnings per share breakdown is $1.22 in the third quarter, rising to $1.26 in the fourth quarter. The increase in guidance results from lower weighted average shares outstanding as we now expect 644.4 million for the full year 2006, favorable performance in our second quarter and we're assuming the current interest rate environment. We continue to expect cash flow from operations to exceed $4 billion in 2006.

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

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

Dave, thanks. Again, I just wanted to clarify one number so that before we turn to Q&A, everybody understands that our full year 2006 GAAP earnings per share - we have increased to $4.74. And that includes the $0.02 per share in net realized investment losses. And as Dave said then, that means we're increasing our '06 annual guidance by $0.11 per share.

So with that clarification, let me open the call up for questions and I will turn it to the operator.

QUESTION AND ANSWER

Operator

Josh Raskin, Lehman Brothers.

Josh Raskin - ***Lehman Brothers - Analyst***

Thanks, good morning. My question is just around the RFP activity, especially in the Large Group. I think Larry, you had mentioned that it was down a little bit versus the prior year. Is that number of accounts or size of accounts? And if you could just give us a little bit more color on the demands around consumerism. And then I think you had mentioned disease management/wellness initiatives as well. Any sort of thoughts on maybe percentage of accounts that are looking for that type of service next year?

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

Sure, Josh. First, in terms of RFP activity, it's down slightly, I think on the order of four or five RFPs, so it's really not significant. The market continues to be competitive as I said earlier in my remarks, very similar to what we experienced last year. The actual size of the RFPs, in terms of the member size, is slightly lower as well. So factoring all of that in, we continue to expect as I said earlier some pretty robust growth for 1/1/07.

In terms of CDHP, as witnessed by the growth that we're having, there's still tremendous interest on the part of employers in CDHP and virtually every quote involves a pretty detailed review of what our capabilities are. And so they're a very important part of the discussion.

On the whole area of disease and care management, again, very, very high interest there. And you may have seen yesterday a piece on CNBC where our 360-Degree Health product set was spiked out a little bit. And again, in meeting with those folks this morning earlier, these RFPs want to know at a very, very granular level what your capabilities are there. So being fully integrated as we are, I think, is playing very well in the RFP activity that we are responding to.

Operator

Charles Boorady, Citigroup.

Charles Boorady - ***Citigroup - Analyst***

Thanks, good morning. Can you tell us the Medicare Advantage enrollment and any outlook for the remainder of this year? And next is, as you look at the momentum in that business and specifically you talked previously about the opportunity for retirees and getting some employers to help move their retirees towards more of a managed Medicare Advantage product, and any successes you're having in that RFP activity.

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

Sure, thank you, Charles. First of all, in terms of our membership in Med Advantage, at the end of the quarter, we were at about 283,000 members; that's very close. That's an increase of about 50 to 55,000 members since the end of '05, actually the precise number is 54,000 members. We are now as you know operating -- you may not know at this level of detail -- but we're operating HMOs in about 86 counties in five states. We are seeing tremendous interest. We're also seeing tremendous interest in private fee for service and we are now in approaching 700 counties, I think it's about 650 counties in 15 states. In terms of growth, we're continuing to see a lot of interest in this.

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

I think in the retiree market, Charles, we have a lot of interest. Most of it will come I think in 2007 because we have filed for 2007 to have private fee for service plans in all 50 states which generally is a requirement that will help us in terms of the competitiveness of that product.

Charles Boorady - ***Citigroup - Analyst***

So as you look at '07 versus the kind of growth you saw in '06, would you expect to see sort of similar percent growth or acceleration because of your entry into new markets?

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

We are going to enter into some new markets, but Charles, we prefer to as you know to give you more guidance when we give you full year '07 guidance, which will be in December.

Charles Boorady - ***Citigroup - Analyst***

Great, thank you.

Operator

Carl McDonald, CIBC.

Carl McDonald - ***CIBC - Analyst***

Thank you. I just wanted to go over the drug strategy with drugs that are losing patent protection. What we saw with Zocor -- is that something you think we're going to see more of in the future, or was that a onetime events?

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

Well, I cannot predict what the drug companies will do, but I think it's likely that we could see a similar strategy by others, but we'll have to wait and see.

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

I think the bottom line is, certainly the affordability of that class of drug comes down dramatically. And the first example I remember seeing was when Prozac went through that, it moved fast, and we're seeing the same type of price movement now in cholesterol and statin class. So I think that's certainly good for all consumers.

Carl McDonald - ***CIBC - Analyst***

You mentioned imaging and radiology. Could you give us a sense for what your trend in that particular component is rising this year, and any changes you see in that cost containment strategy over the next 12 months?

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

Well, reducing our radiology and imaging trend has been one of the major reasons that outpatient trend, which we do disclose, has come down from the high-to-mid teens into single digits. What we have shown is in markets like Colorado where it has been established, we've reduced the trend from 20% down to around 2% on an ongoing basis.

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

So, again, that imaging work we have done has been very key, but what I'd also add, and we've talked about this in the past on these calls, and that is the movement we have made towards fixed rate recontracting for outpatient services. And we've built in again as we have discussed, plan redesigns to make sure that we get consumers to really appropriately utilize these outpatient services. So I'm pleased with the great progress we have made in this whole area of outpatient.

Operator

Matthew Borsch, Goldman Sachs.

Matthew Borsch - ***Goldman Sachs - Analyst***

Thanks. First just a quick technical question. Your year-end 17.7 on fully insured enrollment -- does that include the QualChoice 68,000 lives?

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

Yes.

Matthew Borsch - ***Goldman Sachs - Analyst***

Okay. And do you have an updated view on the depreciation, amortization investment income and interest expense, as you had given to us last quarter?

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

I think you will see very consistent, what you saw in the first and second quarter, continuing on.

Matthew Borsch - ***Goldman Sachs - Analyst***

So the full year targets, which were 850 for investment income, interest expense I think was 376, amortization was 295. Is that pretty much still the same?

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

Well, the amortization and depreciation I think is pretty much the same. The investment income is up slightly because of the higher rate and higher run rate that we're currently running.

Matthew Borsch - ***Goldman Sachs - Analyst***

Alright, thank you.

Operator

Justin Lake, UBS Securities.

Justin Lake - ***UBS Securities - Analyst***

Thanks a lot. Just a couple of questions on membership. In regards to individual membership growth, clearly that seems to be a focus for the Company. Can you talk a little bit about how many lives you have added in the last 12 months there, and what your total individual risk business looks like?

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

Well, in terms of, we often look at because we manage it this way, Individual and Small Group, as you know we report together, and we are beginning to see an acceleration in growth in individual, in part because of the attention we have put on these products around Tonik and some others. So we're very optimistic around the individual business. You know, we have more individual members than any other company in our industry. So ISG is a very important part of our future, Justin.

Justin Lake - ***UBS Securities - Analyst***

Is there any way maybe you can just give us some color on it, maybe as a percentage of your ISG membership, how it has changed over the last year? I'm just curious as to what -- (MULTIPLE SPEAKERS)

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

It has historically been just a little bit less than half, and it might be growing on a slightly faster basis. But I don't want you to just focus like we're attacking the uninsured by just purely things like Tonik. We do highlight it, I think it's a very innovative plan and certainly it has had success in the marketplace. But as Larry pointed out in his opening remarks, things that we're doing in Small Groups to try to get to 40% of small employers that don't offer health insurance to offer a plan like Benefits has also seen good growth too and it has also been something that has helped us tackle the uninsured problem.

Operator

Tom Carroll, Stifel Nicolaus.

Tom Carroll - ***Stifel Nicolaus - Analyst***

Good morning. You have been active recently in growing your Medicaid business. Has there been a positive change in how you view this business, and perhaps maybe what markets do you see as expanding into a broader managed care delivery model over the next few years?

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

I think, Tom, we have always viewed it as an opportunity. We spend a lot of time as you well imagine going through state by state to make sure we understand who's really at least in our view committed to sort of a long-term arrangement to make managed Medicaid work. So in those kinds of situations, we think it's very much a win-win-win. It's a win for the state, it's a win for the Medicaid member and it's a win for us because we can get an appropriate margin. So what we have done is we have put more and more of our companies together through these mergers. We are identifying some additional Medicaid opportunities, as we pointed out. So we have bid for example on the Indiana Medicaid opportunity, and we are expecting to hear the results of that process fairly soon. We have also bid on Kansas. Those results I don't think will be announced probably until early fall, I think probably September. We did not bid in Tennessee. So again, we think we have some opportunities. I mentioned earlier the relationship that we're about to begin in Nevada, and this is going to be something that we look at, continue to look at opportunistically in the future because we think there's some real opportunities here.

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

And while we stay focused, we do think it is good business. We do have to keep our eyes out that there is adequate funding of the Medicaid program. And you have to be willing to at times exit a market or a county if that reimbursement rate does not cover your costs. And we, by being a much more diversified company, have been able to do that without much trauma in the financial markets. But that is something that you need to be disciplined on too.

Tom Carroll - ***Stifel Nicolaus - Analyst***

Very good. Thank you.

Operator

Christine Arnold, Morgan Stanley.

Christine Arnold - ***Morgan Stanley - Analyst***

You upped your at-risk guidance from 17.6 million to 17.7. How much of that is Medicaid versus commercial. And can you comment on your pricing strategy? David in our conference, you had said that you were pricing for a 50 basis point deceleration in trend second half versus first half, yet our survey results suggest that the pricing environment is stabilizing. Has that strategy changed?

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

The pricing strategy has not changed. We obviously price to try to achieve certain target levels based on what we think are going to be our administrative costs to support a product and what medical costs are. And we do believe and continue to believe that 2006 trend will be slightly less than 2005, and that is the way we price a product.

Christine Arnold - ***Morgan Stanley - Analyst***

Is it accurate to say that your yield came up second quarter relative to first, because on a calculated basis, it looked like it did.

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

I think it more has to do with the mix of services, because we have been pretty consistent this year in terms of our pricing numbers. And I think that in terms of the increase in our fully insured, probably a little bit more than half of that increased guidance is due to Medicaid.

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

As I was giving my comments earlier, I gave you some granularity on the membership gains in each of the states of Texas, Ohio and Nevada. So you can work from there.

Christine Arnold - ***Morgan Stanley - Analyst***

Great, thank you.

Operator

Scott Fidel, Deutsche Bank.

Scott Fidel - ***Deutsche Bank - Analyst***

Thanks. I was interested if you could talk a little bit about the M&A opportunities you see entering '07. Obviously not much opportunity on the non-profit Blue side, but maybe some of the other customer markets and segments where you see opportunities.

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

Well, Scott, as you can appreciate, we're focused right now on integrating the WellChoice acquisition consistent with our plans. We are always looking at opportunities. Our whole strategy is to make sure that we stay focused on certainly maximizing, first, the value of the business that we already have. But as always, and we've discussed this in the past, we continue to make sure that we're aware of opportunities that exist, not only in the Blue space, but non-Blue space, our specialty businesses and we have done some fill-in things like QualChoice. So we're going to continue to be open and we have a plan. But obviously, we don't talk about that in depth beyond our philosophies.

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

And we have to be opportunistic, and the way I look at it, through the first half of the year, we bought $3.6 billion worth of WellPoint at 9% cash on cash yield. And I think that will turn out to be a pretty good acquisition for us.

Scott Fidel - ***Deutsche Bank - Analyst***

Do you have an update, just given the outlook for the fill-in acquisitions, just sort of how many sort of smaller local and regional plans you see out in your competing markets right now?

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

There are lots of those. I think the big issue is how many make sense to acquire and integrate, versus just pick up the membership over time without spending anything. That is always the issue we have to deal with. But there are still lots. We still compete against hundreds of health plans in each one of our markets.

Operator

Bill Georges, JP Morgan.

Bill Georges - ***JP Morgan - Analyst***

Thanks, good morning. I'm wondering if you can comment in Medicaid whether or not you have seen any aberrations in cost trends, following on the heels of what some of the pure plays have seen. And then also, I'm curious if you could give some color maybe you did not bid on the Tennessee RFP.

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

I can't give you any color on the Tennessee bid. Dave, do you have anything you could add?

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

No, I think when our people looked at it, we just felt that market, probably also with the Blue Plan there being quite strong, was not going to be an attractive market. We have not seen significant cost problems in our State Sponsored program business. As a matter of fact, I think we've done an exceptional job of maintaining a relatively low trend in Medicaid, which is what we needed to do since many states are not flush with cash in terms of rate increases. And I think we have done a good job with some of our programs around asthma and prenatal care - I wish all of our business could run the trend that state-sponsored programs was running.

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

Again, it continues, Bill, to a point to the value of the diversity of our business. Our Medicaid business is performing fine, but it represents about 6% of our total membership. As you know, we don't report financial results by type of business, but our PMPM gross margin in our State Sponsored operation improved year-over-year on a comparable basis. So again, we are focused on making sure that we are very disciplined in our pricing, that we have very good medical management. And as Dave said, many of these programs that he's cited are award-winning. So we're not facing some of the other issues you describe.

Bill Georges - ***JP Morgan - Analyst***

And just a quick follow on Medicare Part D, can you break out the MAPD membership for the quarter?

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

Med Advantage Part D membership?

Bill Georges - ***JP Morgan - Analyst***

Yes.

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

Yes, it's about 211,000, as of the end of the quarter.

Bill Georges - ***JP Morgan - Analyst***

Great, thank you.

Operator

Joe France, Banc of America Securities.

Joe France - ***Banc of America Securities - Analyst***

Thank you. David, the enrollment in eastern region seems to have been very weak for the last couple of quarters; at least, it hasn't changed all that much. Is there something in particular going on?

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

I don't think there's anything in particular going on there. It is a very competitive market as I'm sure other companies have mentioned. And we do have our highest market share in that region, in many cases, over 40% up to 50% share. So percentage wise, even good growth is going to seem low, given that kind of presence that we have.

Joe France - ***Banc of America Securities - Analyst***

Is there any significant difference in the pricing in that region as opposed to the others?

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

I couldnâ€™t say there's a significant difference. We're still selling products there, we're still growing, albeit again at a slower rate than health where we have lower market presence. But certainly, the profitability of the Northeast and particularly now with the WellChoice merger and the synergies that we're able to achieve, I think the East region will be a very strong region for us.

Joe France - ***Banc of America Securities - Analyst***

Thank you, David.

Operator

Doug Simpson, Merrill Lynch.

Doug Simpson - ***Merrill Lynch - Analyst***

Thanks. A lot of my questions have been answered, but I just wondering. Dave, could you maybe just look out over the next year for us. And is there anything you are thinking about today or that you see on the horizon that could meaningfully impact trend one way or the other? And just are you seeing anything and how are you guys positioning to deal with any of that?

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

I don't think there's anything out there that will dramatically or meaningfully impact trend. Trend is never constant, it never stays exactly the same, it's always moving. But it never tends to move in dramatic fashions. Trend is not something that goes up 12% on year, 4% then next and 8% the next. And, therefore, as long as you stay focused on it and stay a little anal about it, and monitor it constantly, it's very hard to get surprised by trend. And that is what we do. We watch it constantly. Again, we have the advantage of pricing in our markets where we don't set the vast majority of our rates in any one quarter. They're spread out, so it allows us to adjust rates throughout the year as we see trend develop either better than we thought or worse than we thought. But again, I think a lot of people don't realize that one of the biggest advantages of our strong local presence, besides just our ability to contract effectively with providers, is the depth of data that we have and the actuarial precision when you have that many lives in a concentrated area. The likelihood of the variation is just much smaller for us than for other companies that have much lower share.

Doug Simpson - ***Merrill Lynch - Analyst***

Okay, thank you.

Operator

Ed Kroll, Cowen & Co.

Ed Kroll - ***Cowen & Co. - Analyst***

Thanks, good morning. On the MLR in the second half, would you expect to have sequential improvement in Q3 and then Q4?

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

I think you will see some because our guidance for the year is 80.9%. And again, if you go back historically and look at WellPoint, generally our medical care ratio picked up slightly throughout the year as people hit deductibles. But what we're really seeing is a slightly flatter or slightly lower medical care ratio as you go through the year because of the new Part D business. So I don't think it's a dramatic change and it will be a slight decline.

Ed Kroll - ***Cowen & Co. - Analyst***

Okay. And then on the Part D, just to clarify from a previous question, the PDP-only members -- is that about 1.3 million?

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

Let me give you the breakdown of our Part D membership. The auto-assigned and stand-alone members are 1,082,000. As Larry said, our Medicare Advantage ones are 211,000. Our Group Waiver, which are companies, is 65,000, and then we have 169,000 where we service them as part of our PBM members, but they are actually in another health plan.

Ed Kroll - ***Cowen & Co. - Analyst***

Got it, thanks Dave.

Operator

Matt Perry, Wachovia Securities.

Matt Perry - ***Wachovia Securities - Analyst***

I was just wondering if you could give a little more color on PDP and maybe how utilization and generic dispensing might be tracking relative to your initial expectations? And then, whether in your '07 plans, you have made any changes in strategy?

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

I don't think we have -- everything is tracking pretty much according to plan. I'm always somewhat cautious and worry whenever you're rolling out an over $1 billion new program. And I think the fact that the government provided risk corridors made it something that was acceptable for us to take going into 2006. But I am very pleased that things are tracking very close to what our expectations are.

I don't think there was any fundamental change to our bidding strategy for 2007. Certainly we did take a look at our products and what was available in the marketplace and what our members liked, what they didn't like, what they liked about competitors' plans, what they didn't like. And you will see it reflected later on in our 2007 bids that we think we will have a very competitive suite of products available. And they're still priced for what we think is a reasonable level of profitability for a government business.

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

Matt, our generic utilization rate is running as we expected, sort of in the mid-50% range, just to add that.

Matt Perry - ***Wachovia Securities - Analyst***

And just a quick follow-up. I think your prior guidance had been for 1.5 to 2 million members. Is it fair to say, maybe it will be closer to that lower end for the full year?

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

Yes, I think we're looking at about 1.6 million.

Matt Perry - ***Wachovia Securities - Analyst***

Okay, thank you.

Operator

John Rex, Bear Stearns.

John Rex - ***Bear Stearns - Analyst***

Yes, acknowledging it's a little early thinking about enrollment in '07, but I just wanted to think longer-term here. Historically, you've kind of wanted to guide to 3 to 4% of organic enrollment. There were factors this year that you will fall below that with some of the losses incurred. Is there any reason right now as you're kind of stacking up what you're seeing, at least early on in national accounts and such, RFP activity, losses you might be thinking of that you shouldn't be hitting that 3 to 4% range again?

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

Well, our guidance is always 3 to 5%, and we would like to be a more toward that. And again, if you look at the sales numbers that we have of 778,000 new sales even in the second quarter, I think we can do it as long as we stop some of the lapses. The lapses that we have had actually have been good for us. While we certainly don't like losing the state of Georgia or a state of Kentucky account, we would have liked to have [seen] they were not the highest margin accounts. And certainly, the membership that we lost in the rental network business in primarily Texas is not one that was highly profitable. So it's actually good trade between the sales that we have gotten and the lapses that we've had, and obviously it reflects well in our financial statements.

John Rex - ***Bear Stearns - Analyst***

But your early expectation at this point would be, we could still think of that in 3% to 5% and that's what we'd actually see?

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

Yes. I will make an ad for our investor day in December, and that's when we'll give you our guidance. But, again, our target is 3 to 5%, and we're developing plans to try to hit that number.

John Rex - ***Bear Stearns - Analyst***

Okay. And with that actually did you -- because of the rate increase in California, was that actually down in the Small Group business in the quarter? Was that a drag?

John Rex - ***Bear Stearns - Analyst***

I think it was a slight drag, but it actually did better than what we had thought, given those rate increases.

John Rex - ***Bear Stearns - Analyst***

Okay, thanks.

Operator

Greg Nersessian, Credit Suisse.

Greg Nersessian - ***Credit Suisse - Analyst***

Two things. Larry, first on the systems migration that you referenced, could you just run through those details again in terms of the number of claims systems that need to be moved over, the timing and what states those are in? And then the second thing was, you referenced the organization's increased efforts around provider transparency and your new narrow network products. I was just wondering how those are going to be received in the provider community, and how you can manage your provider relationships around those efforts?

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

Sure. On the IT strategy, I'm going to talk a little bit about the next 12 months because we have plans that are longer-term, but we'll disclose more about those as we move along here. But in terms of next year, we have, I think I said in my comments, five systems that we're going to be retiring. Two of those are actually claims systems in the West -- AMISYS in Colorado and WGS 1.3. And that is really going extremely well because again, this low-risk approach we take. We have one claims system that supports some state business in the East, and that will be retired in '07. We also have a Medicaid system in Connecticut, and then we also have a mail-order pharmacy system. So a very important part of our strategy. We will continue to do this over the next few years. Again, you heard me say early, we've migrated off a number of systems, and because of the way we have done it, it has gone extremely smoothly. And the whole strategy here is to obviously optimize our IT spend. So over the next few years, what we're doing is basically reducing our lights-on cost, you know, the day-to-day sort of operating cost of these systems. We'll be able to do that by almost 25%. And what that's going to allow us to do is virtually double some of our developmental spending. So this is a very focused part of our strategy and we have an excellent leadership team there as well.

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

And I should point out that this is not a change in our strategy and I don't want anybody to see it like this, I just wanted to give some clarity (MULTIPLE SPEAKERS).

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

A little bit more detail, because as I said earlier, over the last number of years, we have migrated off 24 systems. So this is something that we know how to do and we do it as I said very low-risk.

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

And our first priority when we do an acquisition is to make sure we're in control and have the proper information available. So we do a lot to populate single databases, single general ledger and stuff. And then over time, we do get rid of claims engines.

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

Let me turn, Greg, to the second point, and that is this whole notion of value networks. And I told you earlier that we're going to have a pretty robust network up 1/1/07, and these are being developed in a number of geographies, and I will give you a sense of them -- Denver, Atlanta, here in Indiana, also in Kentucky, up in the Northeast in Maine and New Hampshire and in New York, both in the city and in Albany, and then also in Ohio. One other important aspect of this is that 12 other Blue Cross and Blue Shield plans are developing similar capabilities. So this will all be married together. And what we are really focusing on are 12 specialties, and we think we have targeted those that obviously are most frequently used and can really have a difference in overall health care cost. We have worked extensively obviously with our provider people, with our state presidents. We think we have developed these in the right way and we expect them to, as I said, be ready to go 1/1/07.

Operator

Thank you. I would now like to turn the conference back to Larry Glasscock with the Company's closing comments.

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

Thank you very much and thank you for your questions. Before I close, I would like to ask you to save the date of December 12 of this year for our WellPoint investor day. And this year, we're going to hold it at our California Wellbeing Institute, that is in Westlake Village, California. For those of you that would be traveling, which would be many of you, your trip to California will be even more worthwhile because our current understanding is that HealthNet is currently planning to hold their investor day on December 13 at the same venue. So we will get the details, at least for our investor day, out to you pretty shortly so that you can do your planning.

In summary, I would say we had an outstanding first half of 2006. We've had double-digit operating revenue growth, we've had lower benefit and SG&A expense ratios, and we continue to expect the full year of 2006 to be another excellent year.

So thank you for dialing in this morning and obviously for your level of interest. And as always, my colleagues and I hope you have a great day.

Operator

Ladies and gentlemen, this conference will be available for replay after 1:45 PM Eastern time today through Wednesday, August 9, 2006 at midnight. You may access the AT&T teleconference replay system at any time by dialing 1-800-475-6701, and entering the access code 831808. International participants please dial 320-365-3844. (OPERATOR INSTRUCTIONS).

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

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