FINAL TRANSCRIPT

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PRESENTATION

Operator

And ladies and gentlemen, thank you for standing by and welcome to the WellPoint Conference Call. (OPERATOR INSTRUCTIONS) As a reminder, this conference is being recorded. I'd now like to turn the conference over to the company's management. Please go ahead.

Michael Kleinman - *WellPoint, Inc. - Vice President of IR*

Good afternoon and welcome to WellPoint's Conference Call. I'm Michael Kleinman, Vice President of Investor Relations. With me this afternoon are Angela Braly, our President and Chief Executive Officer, and Wayne DeVeydt, Executive Vice President and Chief Financial Officer. On this call, Angela will discuss the press release we issued earlier today, and Wayne will then offer details of our revised guidance 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, our annual report on Form 10-K and other periodic filings we make with the SEC.

I will now turn the call over to Angela Braly.

Angela Braly - *WellPoint, Inc. - President and CEO*

Good afternoon and thank you, Michael. Before I begin, let me first state that we are disappointed with having to revise our 2008 outlook. The executive leadership team and I are fully committed to, and have already begun taking, the appropriate actions necessary to address the issues we're facing.

As many of you have seen in our press release we issued earlier today, we are now projecting GAAP net income of $5.76 to $6.01 per diluted share for 2008, assuming net realized investment gains of approximately $0.06 per share. This revised outlook represents growth of 4% to 8% over 2007. Our previous 2008 guidance was $6.41 per diluted share. For the first quarter of 2008, we are now expecting net income of $1.16 to $1.26 per share, assuming net realized investment gains of $0.06 per share, compared to our previous guidance of $1.44 per share.

These adjustments to earning guidance stem from three primary areas. A majority of the earnings reduction is due to higher than expected medical costs, including less favorable than expected prior year reserve development. Also contributing is lower than expected fully-insured enrollment and, to a lesser extent, the changing economic and regulatory environment in which we operate. I'm going to discuss each of these areas and the actions we are taking to address the issues.

Let's first start with our medical costs for 2008, which are running higher than expected. On our fourth quarter '07 earnings call, you -- we told you that we had carefully evaluated our year-end reserves and adjusted completion factors to reflect then-assumed claims trends. While we continue to have favorable reserve development for the first two months of 2008, it was still less than our targeted level. Accordingly, we've recorded additional reserves to re-establish our high single-digit margin for adverse development. Consequently, we now believe that our original trend assumptions for 2008 were understated. This higher trend impacts a number of business lines in 2008. Specifically, medical cost trends in our commercial business are running higher than we previously expected, and we now expect 2008 medical cost trends for our local group and individual fully-insured business to be in the range of 8%, plus or minus 50 basis points. With the benefit of hindsight, our 2007 trends are restating approximately 50 basis points higher than originally reported. In addition, trends in our Senior Medicare Advantage business are particularly high. It's fair to ask why this happened. As we discussed in January, we began to notice a slowdown in claims cycle time, which is the length of time between the date of service and the date of claim payment on a dollar-weighted basis. We dedicated resources to address this issue and improve the timeliness of effective claims processing. We also adjusted our completion factors to better take our business processes into consideration. While we did notice an impact on some aspects of claims payment as a result of these efforts, our claim cycle times continued to increase in 2008. In retrospect, we had not adequately adjusted completion factors at year-end. We are now seeing an increase in high-dollar claims, which require more intensive medical management. We've also seen an increase in physician trends that was higher than expected. In light of these developments, we revised our medical cost trend assumptions. As you would expect, our revised trend assumptions will be utilized as we price our business going forward. Approximately one-third of our fully-insured business renews in January, the majority of which is Large Group. The next largest renewal month is July, during which about 20% of our renewals occur. The remaining renewals are fairly evenly scheduled throughout the year. We will take pricing actions in certain markets where it's appropriate to do so. In other markets, we are priced appropriately. We continue to price our business to be profitable so that expected premium yield exceeds anticipated total cost trend, where total cost trend includes medical cost and selling, general and administrative expense.

We're also continuing to implement provider contracting and medical management activities to optimize the cost of health care and keep our premiums affordable.

Turning now to membership. While our total medical enrollment levels to date are close to our expectations, the growth has been weighted more towards self-funded customers than we had planned. We have 35.2 million members at February 29, 2008, with 18.2 million self-funded members and 17 million fully-insured members. As we discussed during our fourth quarter of '07 earnings conference call in January, national account membership has exceeded our expectations, and this is predominantly self-funded business. However, enrollment in fully-insured products was below expectations, primarily due to a shortfall in Medicare Advantage growth and declines in Small Group and Individual membership. As a result, we are lowering our full-year membership growth expectations to 500,000 new members, which reflects a reduction in guidance of approximately 300,000 membership. Approximately half of the reduction in membership guidance relates to the Connecticut Medicaid ASO contract. While we're hopeful that we could keep this contract under reasonable terms, our guidance assumes the possible exit from the Connecticut Medicaid business later this year.

While we are seeing good growth in our Medicare Advantage business, with membership up by 63,000 members from year-end, we are not doing as well as we had expected. We're undertaking programs to improve the effectiveness of our sales efforts and implementing retention strategies to improve our senior penetration.

Small Group business is experiencing weaker sales and higher lapses. We plan to introduce more affordable products with multiple price points to improve Small Group enrollment results.

Individual membership has declined from year-end and continues to run behind our plan. We are seeing sales growth where we have introduced new products, such as our Lumenos product in the central states and California, and the HealthSmart product in Virginia. In fact, Individual sales were approximately equal to the plan. However, lapses are significantly unfavorable to plan. We believe this is due, in part, to economic weakness and increased competition. To improve our Individual membership, we are expanding availability of products that have been successful in certain geographies to other areas, enhancing our broker support programs, increasing our marketing and sponsorship activities, and increasing outbound calling to improve individual retention.

We are continuing to see reductions in our non-Blue branded business. UniCare has lost more than 130,000 members so far this year, 35,000 more than we had expected. As we told you on our call in January, we are undertaking a number of strategic initiatives, such as the introduction of our Solara consumer-directed plan to enhance the competitiveness of our non-Blue commercial products, which are expected to improve results over time.

Turning to our expenses, we do have flexibility to reduce administrative spending in the event of changes in our business results. While we do have flexibility, we are managing this company for long-term success. We have a number of projects that will enhance our product portfolio, improve our marketing efforts and target attrition rates this year to achieve long-term benefits for our company.

I want to now turn to changing economic conditions. We believe that the nation's weakening economic environment is impacting membership, such as in our Small Group business, where we were seeing negative [in-group] change and higher-than-expected benefit buy-downs. We have adjusted our forecast to recognize this.

Due to budgetary shortfalls, the state of California has scheduled a Medi-Cal premium reduction of 10% to be effective July 1, 2008. While this reduction is supposed to be passed through to our providers, we may not be able to completely pass it through to our providers by July 1.

I'll now turn the call over to Wayne DeVeydt, who will discuss our 2008 guidance in more detail.

Wayne DeVeydt - *WellPoint, Inc. - EVP and CFO*

Thank you, Angela, and good afternoon.

As Angela noted, there have been some changes in our underlying business, and I, too, am disappointed that we've revised our guidance. We are now projecting GAAP net income of $5.76 to $6.01 per diluted share for 2008, an increase of 4% to 8% from 2007. This includes net realized investment gains of $0.06 per share.

Consistent with past practice, our earnings guidance does not include the projection of additional net realized investment gains or losses.

We now expect year-end medical membership to be approximately 35.3 million, an increase of 1.4% from year-end 2007, with the growth coming in our self-funded business. Self-funded membership is expected to grow to 18.6 million in 2008, while insured membership will be approximately 16.7 million members.

Operating revenue for 2008 is now expected to be approximately $62 billion, representing growth of 3% over 2007.

The benefit expense ratio for the year is now expected to be in the range of 82.8% to 83.1%. A primary driver of this increase is related to increased medical trend; a portion is due to the underwriting results in our Senior products; part is related to the California state-sponsored revenue reduction; while the remainder of the increase is related to business mix as Individual business becomes a small portion of our revenue base.

As Angela noted, we will remain disciplined in our pricing and continue to price our business to be profitable so that expected premium yield exceeds anticipated total cost trend, where total cost trend includes medical cost and selling, general and administrative expenses.

The SG&A expense ratio is now projected to be 14.3% in 2008, an improvement of approximately 20 basis points compared to 2007.

We have a number of initiatives that will enhance our product portfolio, improve our marketing efforts and target attrition rates that we will implement this year to achieve long-term benefits for our company.

Finally, our cash flow from operations is now expected to be approximately $3.7 billion in 2008 and reflects our lower projected net income and the reduction of fully-insured membership. Cash flow from operations will be approximately 1.2 times net income.

We will continue to utilize our strong cash flow to enhance products and services offered to our customers, including strategic merger and acquisition activities, and effectively managing our capital.

We now expect approximately 530 million weighted average shares outstanding for 2008.

I would now like to turn the conference call back over to Angela to lead a question-and-answer session.

Angela Braly - *WellPoint, Inc. - President and CEO*

Thank you, Wayne. Operator, please open the call up for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (OPERATOR INSTRUCTIONS) Our first question comes from the line of Justin Lake with UBS. Please go ahead.

Justin Lake - *UBS - Analyst*

Thanks. Good afternoon. First question I have is just on medical costs specifically. You mentioned a couple things there, but you also -- it also seems like you're seeing these higher costs in specific geographies potentially. Is there anything you could tell us on where it's coming geographically, and how much of this do you think is an issue with just how you priced the business for 2008, given your -- given how 2007 cost trends were obviously -- you didn't have full visibility on them versus an actual increase in cost trends in 2008?

Wayne DeVeydt - *WellPoint, Inc. - EVP and CFO*

Hi, Justin. This is Wayne. In terms of your question, where we're seeing the medical cost increases across a number of our segments -- in our Senior business, we are clearly seeing it in our Senior Med Advantage specifically. In addition, I would tell you that our Small Group trends are up as well as Individual. This is an example of where I would say it is generally in most markets where we missed the trend for 2008. We got more insight into the data after January and February, and having the benefit of hindsight, we know we missed it by 50 basis points in '07, and that essentially gets compounded in our pricing as we move forward.

Operator

Okay. And our next question will come from the line of Bill Georges with JP Morgan. Please go ahead.

Bill Georges - *JP Morgan - Analyst*

Hi. Just like to follow up a little more on Justin's questions -- if you could give us as much specificity as you have on the different moving parts of the four commonly-discussed components of trend -- where are you seeing pressure?

Angela Braly - *WellPoint, Inc. - President and CEO*

I'll begin to address that, Bill. We are seeing some high-dollar claims, especially in neonatal care and oncology, and we are seeing physician trend at -- increasing. So we are taking a number of actions around that -- around cost of care generally, around recontracting, working with vendors. We do have a medical management program specifically for neonatal care. We do have radiology management programs, which are now in the second phase. And we are addressing, we think, through recontracting with providers and others some of the physician trend that we are seeing.

Operator

Thank you. And we have a question from the line of Matthew Borsch with Goldman Sachs. Please go ahead.

Matthew Borsch - *Goldman Sachs - Analyst*

Yes, hi. I'm wondering if you could maybe address this from the standpoint of sort of the longer-term view here, from a couple of different angles. Number one, as you talk about revising upward your view of 2007 medical cost trend and, therefore, 2008, can we look at this from a long-term lens and say that medical cost trend, in hindsight, bottomed out in late 2006 or early 2007, and has increased, albeit at a relatively modest rate, since then? And I guess a question related to that is from the standpoint of the classic underwriting cycle in the industry. We did notice that the -- that your Blue brethren companies appear to have had the first negative quarter in underwriting earnings excluding investment gains since the late '90's. So how do we get comfortable about this being sort of a short-term thing versus maybe a longer-term storm?

Angela Braly - *WellPoint, Inc. - President and CEO*

Let me try to address the longer-term question, Matthew. I think it's important. We are recognizing that the trend was understated -- we had underestimated the trend. Whether that is necessarily a decelerating trend going to an accelerating trend isn't necessarily the case. We just know that we had it understated and that that was reflected in the pricing to date. We know now that we are assuming a higher trend, and we're going to stick with disciplined pricing in our products going forward. And, because we have the opportunity to price our products throughout the year, we're going to do that with discipline and with the higher claims projected than we had had in 2007.

Wayne DeVeydt - *WellPoint, Inc. - EVP and CFO*

And I think there's a couple things, though, that we do have to focus on that I think we would -- Angela and I would both agree that need to be fixed. I think it's fair to say that in our Senior business, though, the trend is much higher than we would have expected, and we need more cost-of-care initiatives associated with that particular book of business. I think, as Angela said, some of this is just us missing the prediction on trend for '08 in our pricing, but there is a fair amount of this that we can fix, including that piece. So I don't want this to be viewed as an industry-wide trend problem. I think there's some things that we need to do better.

Operator

Thank you. Our next question will come from Greg Nersessian with Credit Suisse. Please go ahead.

Greg Nersessian - *Credit Suisse - Analyst*

Hi, thanks. Good evening. If you could just elaborate a bit on the MA -- or I'm sorry -- the Senior business comments. Is it specifically in the PDP membership that you picked up this year? Is that where you're seeing higher trends, or is this in the traditional MA product? And then if you could talk us through a little bit of the seasonality -- the EPS ramp from the first quarter to the fourth quarter? Is that assuming that the share count reduction accelerates in the back half of the year, or is that PDP seasonality? If you could just give us a couple of comments around that as well.

Angela Braly - *WellPoint, Inc. - President and CEO*

I'll give you a few, Greg, and then I'll ask Wayne to follow up. In the Senior business, we are seeing the higher trends in the Medicare Advantage business. In the Medicare Advantage Individual business and in the private fee-for-service business. In terms of the quarter and throughout the year, the quarter that we provided guidance for does reflect significant prior period development, and so we are not assuming an equal quarter throughout the rest of the year. Wayne, do you want to speak more specifically to --

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Wayne DeVeydt - *WellPoint, Inc. - EVP and CFO*

Yes. Greg, if you look at the first quarter and if you were trying to build more of a run rate, the one thing I would tell you is that in the first two months of the year, we've recorded approximately $175 million of additional reserve strengthening as it related to 2007. Please recognize, though, that approximately $50 million of that number does not impact the P&L. That is our refunding business, i.e. FEP. So again, if you want to know the portion that affects P&L, you'd have to pull that component out. The second thing is it is not our Part D business that we are having our concerns with; it is the Med Advantage -- private fee-for-service, in particular. However, we are doing better than expected on Part D enrollment, and because of that and the way we do our accounting, you will get a heavier weighted loss in the first quarter and that will turn to a heavier weighted profit in the later quarters. So the reserve strengthening and the Part D both have an impact in the first quarter that improve throughout the year.

Operator

Thank you. And our next question will come from the line of Doug Simpson with Merrill Lynch. Please go ahead.

Doug Simpson - *Merrill Lynch - Analyst*

Hi. Just stepping back -- and this is just a little more color on what was already answered -- but basically, is this WellPoint sort of dropping the ball and mispricing relative to trend, or did trends in the entire industry change and you're just the first to see it? And I guess if you could wrap the answer to -- you guys have obviously changed over management pretty substantially, and just maybe tie in the potential dislocation from the different operating segments into the answer?

Angela Braly - *WellPoint, Inc. - President and CEO*

Let me respond to that, Doug, because clearly, we missed trend. We've identified it. We think it's an issue we can fix. We have a number of actions to fix it. And I think I have the right team to fix it and address these issues and execute going forward. We did -- when we looked at where the trend was in December, we did make adjustments in our completion factors, thinking that would be sufficient to address it. We have now seen January and February and realize our completion factors weren't adjusted enough. So we are dealing with it and we think we have the ability to continue to focus on how to execute on cost-of-care and have an impact and how to price appropriately. So, I think, as Wayne said earlier, it is not for us necessarily to indicate that this is a universal problem. We are seeing specific issues, some of which are high-dollar claims -- a lot of oncology. But the physician trends -- we are seeing accelerate.

Operator

Thank you. And we have a question from Scott Fidel with Deutsche Bank. Please go ahead.

Scott Fidel - *Deutsche Bank - Analyst*

Thanks. Can you give us your updated expectation for premium yields for 2008 and then benefit buy-down as a percentage of premium? And then also, just a second question just around investment income and, ex the realized gains, whether there was any change to your guidance around that due to the lower rate environment?

Angela Braly - *WellPoint, Inc. - President and CEO*

Wayne, you want to take that?

Wayne DeVeydt - *WellPoint, Inc. - EVP and CFO*

Scott, let me address the last question first and then I'll come back. No, we have not changed any of our original guidance as it related to below the line. Our investment income and the interest expense that we had assumed are still intact and doing consistent with what we would have expected in our original guidance. So we do not see any concerns from a portfolio perspective at this point. And again -- and we believe we are in a pretty good position relative to that. In terms of premium yields, we will -- we're trying to avoid, Scott, this being a quarterly earnings call. We'll provide more details on the quarter as it relates to '08. But again, we priced to cover total cost, which is both medical cost and SG&A. That being said, we'll provide even further details in the year. I think you had a third question, Scott.

Angela Braly - *WellPoint, Inc. - President and CEO*

You had a question about buy-downs in particular, and while we had estimated buy-downs in the plan for 2008, what we are seeing now is greater buy-downs than we expected. In the Small Group, buy-downs are about 1% higher than we expected. In Individual, about 2% higher than we expected. We're also seeing some in-group decline in Small Group, moreso than we had expected.

Operator

Thank you. And our next question will come from Tom Carroll with Stifel Nicolaus. Please go ahead.

Tom Carroll - *Stifel Nicolaus - Analyst*

Hi. Good evening. Question relates to the amount of discretionary spending that you guys have talked about in the past, and I think at Investor Day, you said it was -- or alluded to -- it was something like $200 million. To what extent have you delayed any spending that you were planning on doing in 2008, that is perhaps buffering the down revision some? Do you follow the question?

Angela Braly - *WellPoint, Inc. - President and CEO*

I think I did, Tom, and let me see if I'm accurately responding. In terms of overall spending and investment, we continue to expect to spend over $600 million -- close to $650 million -- on projects that we think are important for our business. They relate to getting the right products out, doing so consistently and simply, addressing cost-of-care needs. And so we need to continue to make those investments and we plan to. As you know -- and we've described before -- there is a discretionary spending, and part of that discretionary spending that we see in our G&A relates to performance-based compensation. Some of our G&A that you see in the guidance is because we don't have premium taxes at the same levels, so they're revenue-driven moreso than G&A.

Wayne DeVeydt - *WellPoint, Inc. - EVP and CFO*

And Tom, one other point I'd like to make is that our issue here is a trend issue, and I think if you look at where our investments were at, they were to give us better G&A leverage for the future and to drive membership growth for the future, and for that reason, Angela and the team and I have all discussed, and we agree, that this is not the place we want to be cutting. We need to fix our trend problem and price our product better.

Operator

Thank you. And we have a question from Peter Costa with FTN Midwest Securities. Please go ahead.

Peter Costa - *FTN Midwest Securities - Analyst*

Hi. It seems like the majority of the problem is tied to the Individual and Small Group product trend. In the past, you've talked about having 29% of your business repricing at a flexible time frame. How much of that 29% -- and I know that's all the Individual and Small Group -- how much of that have you recently repriced, like within the last quarter, and how much can you reprice over the next, say, six months?

Angela Braly - *WellPoint, Inc. - President and CEO*

Let me speak to -- because in that description, Peter, I think you would see also we are tying some of this trend to the Senior products as well. But in terms of the way that our book lays out, about a third of the book -- the fully-insured book -- renews in January. A majority of that January renewal is in the Large Group side. And we do have about 30 -- another 20% of our renewals occurring in July. The rest are fairly evenly spread throughout the other months. In California specifically, we have a sizeable block of Individual business that renews in March and a sizeable block of Small Group business that renews in May.

Operator

Thank you. And our next question will come from Carl McDonald with Oppenheimer. Please go ahead.

Carl McDonald - *Oppenheimer - Analyst*

Thanks. I was just hoping you could give us some insight into -- of the roughly 150-basis-point deterioration in the loss ratio, can you give a sense of how much of that was Medicare Advantage, how much of that was commercial Medicaid?

Wayne DeVeydt - *WellPoint, Inc. - EVP and CFO*

The commercial -- the Medicaid is not as big of an impact, Carl. The -- we're looking at about -- and I'm sorry, I want to get the right facts here when I'm looking at this period of time -- but the Medicaid, when I'm looking at more from an op gain-adjusted basis, the California implications is close to $40 million of our deterioration related to California. When you look at the commercial book versus the Medicare, the Medicare Advantage has deteriorated quite significantly, so it's probably closer to 20% of it. And then commercial trends is really the biggest part of the delta.

Operator

Thank you. And our next question will come from Normal Fidel with Alliance Bernstein. Please go ahead.

Norman Fidel - *Alliance Bernstein - Analyst*

Yes, thanks. Let's see. I think the thing that a lot of us were afraid us was the flu and I haven't heard any mention of that, and so could you sort of separate that out, especially in the MA cost trends? You talk about larger buy-downs and I see how that could lower premium revenue, but why should that really impact the medical benefit ratio, since it seems that that would be adjusted through other parts of the equation? And the new operating revenue forecast of $62 billion -- is all the difference just in premium revenue? Should we assume that the other two lines remain the same? Thanks.

Angela Braly - *WellPoint, Inc. - President and CEO*

Let me address the flu and then I'll ask Wayne to address the second part of your question, Norm. The flu season has been more severe than in the past couple of years, and we believe it did have an impact on our first quarter '08 results, and we do think it has impacted the Senior business more than our other lines of business, but we don't think it was, overall, a significant driver of these overall results. Wayne, do you want to speak to Norm's other questions?

Wayne DeVeydt - *WellPoint, Inc. - EVP and CFO*

Yes. Norm, in terms of the benefit buy-down, probably the biggest area that we're seeing this occur, though, is in our Small Group business, and I would agree that, in theory, the underlying benefit expense would theoretically move with it, but I think it's fair to say, as we discussed earlier in the call, we missed trend on that as well. So essentially, that is causing an impact. So in Small Group, we really have two dynamics occurring. One is we are seeing more fully-insured come off the books than we had expected, and two is, on the existing fully-insured, even with the benefit buy-down, it is not performing as favorably as we thought it would. Your last question related to is this impact mostly on the premium line, and the answer is this is mostly an adjustment as it relates to the membership piece on the premium line clearly, but trend is the biggest component of this adjustment that you're seeing come through the claims line.

Operator

Thank you. Our next question will be from Matt Perry with Wachovia Capital Markets. Please go ahead.

Matt Perry - *Wachovia Capital Markets - Analyst*

Hi. Good afternoon. One quick question on the Medicare Advantage. Is there a way to think about how much of this might be related to kind of benefit changes? Are some of your products richer this year than they were last year? And then can you go over again the additional contribution to reserves that you're making in the first quarter, and how much of that -- is that all related to '08 or part of it into '07? Can you just help me understand that again?

Wayne DeVeydt - *WellPoint, Inc. - EVP and CFO*

Yes. Let me start with your latter question, which is the reserves. The $175 million additional reserves that we posted in the first two months of 2008 relate to 2007, and $125 million of that would ultimately hit the P&L. The other $50 million relates to our refunding business, i.e. FEP business. So again, that is -- that additional strengthening is to further strengthen the '07's, based on the development that we've seen. Now again, we're taking that charge in the current period. The second thing that we've done, clearly, is, as Angela mentioned, also looked at some of the early trends we were seeing in the flu and strengthening for that as well. So again, I think in the first quarter, there are a number of reserve items that we've taken that should not impact the full year, but nonetheless, those are the two primary items.

Angela Braly - *WellPoint, Inc. - President and CEO*

Let me try to address your question about Medicare Advantage. We are reviewing our benefit plan designs. We don't know that that contributed significantly to selection or to the claims volume specifically. We are evaluating that further. We are making sure we have good cost-of-care geriatric management programs in the Medicare Advantage products so we can have an impact on cost and quality of health care for that line of business.

Operator

Okay. And our next question will come from Charles Boorady with Citi. Please go ahead.

Charles Boorady - *Citigroup - Analyst*

Thanks. Hi. Can you tell us what the Med loss ratios were in '07 and your '08 expectations for commercial Medicare and Medicaid?

Wayne DeVeydt - *WellPoint, Inc. - EVP and CFO*

I don't have the '07 in front of me. We -- one second, Charles. Yes, I apologize, Charles. I don't have that data in front of me, but could you repeat the second part of your question, though, in terms of our revised guidance that we provided? We are amending the guidance to a range now.

Angela Braly - *WellPoint, Inc. - President and CEO*

And our '08 guidance is a range of 82.8% to 83.1%, compared to 82.4% reported for 2007, and that's overall, Charles. We typically would not report benefit expense ratios by line of business for competitive reasons.

Operator

Thank you. One moment.

Angela Braly - *WellPoint, Inc. - President and CEO*

I think the operator has a question in queue so we'll give her a minute. Operator, do you have other questions in queue?

Operator

Yes, I do. One moment please.

Angela Braly - *WellPoint, Inc. - President and CEO*

Thank you.

Operator

Okay. Our next question will come from the line of John Rex. Please go ahead. Your line is open.

John Rex - *Bear, Stearns & Co. - Analyst*

Yes, I want to come back to the question of buy-downs. Have you looked at this -- because essentially miscalculating the impact of buy-downs and the potential for it to have utilization impact -- beneficial utilization impact -- can also be construed as a pricing error and can sometimes be a systematic pricing error, and as you've looked at how you approached the credit you were giving for buy-downs as you went into '08 -- as you're making pricing decisions for '08 -- have you been able to look back and essentially see that, in some cases, or systematically, actually, that there was too much credit given for the utilization impact that -- the beneficial utilization impact that might indeed have?

Wayne DeVeydt - *WellPoint, Inc. - EVP and CFO*

John, let me address it from two perspectives. One is we are, first, actually seeing just higher than expected buy-downs, so inherently, that will impact, obviously, as you know, the op margin, but at the same time, I do think it's fair to say that, in some of our markets, we missed the trend, and so it is having a -- more of a systemic problem on those markets where we did not predict the trend correctly.

Angela Braly - *WellPoint, Inc. - President and CEO*

Also, John, what we do is we re-evaluate the benefit relativities all the time and we're adjusting based on experience. And I don't know that our miss in trend -- to try to be direct -- is a reflection of higher than expected benefits as a result of more buy-downs or the design of the benefit product. As we see the trend come through, I'm not sure that these were claims or that the trends that we're seeing are necessarily ones that would have been most directed -- most directly impacted by the benefit design.

Operator

Okay. And our next -- our last question this afternoon comes from the line of Michael Baker. Please go ahead.

Michael Baker - *Raymond James & Associates - Analyst*

Thanks. I was wondering if you could comment on the UniCare business from the perspective of -- obviously you compete with some of your Blues counterparts. Are you finding any challenges as you look to rectify that business in light of that, also given the fact that you rely on those Blues counterparts for National Accounts business?

Angela Braly - *WellPoint, Inc. - President and CEO*

Let me direct that question to a couple of responses. One is, UniCare didn't meet our expectations in terms of membership, but we continue to invest in UniCare. We're rolling out our consumer-directed suite of products through UniCare, and we think that that could have an impact on UniCare's performance overall. We also have new leadership for UniCare. Dennis Casey, our of our experienced leaders within WellPoint, is now leading UniCare, and we are confident that he is going to have the ability to lead us forward for that line of business. In terms of our partnership with the Blues, obviously, our brand, we think, is the strongest in the industry in the world. We think we have positive relationships with our Blue brethren, and it is not unusual for us or others of our Blue plans to compete with each other on a non-Blue branded basis.

Operator

Okay. Thank you. I'd now like to turn the conference back to Angela Braly with the company's closing comments.

Angela Braly - *WellPoint, Inc. - President and CEO*

Thank you. And thank you all for your questions. I believe we continue to be a good company in a growing industry. We are taking actions and making investments in our business to further improve our performance during the balance of this year and beyond. We continue to provide excellent products and services to our customers. One of our guiding behaviors is integrity, and we act ethically, honestly and openly in our business dealings. Consequently, we scheduled this call to let you know what we know as we know it, and we will continue to communicate issues in a timely fashion, openly and directly.

I want to thank our more than 41,000 employees for their continued contributions to our success and our customers and shareholders who have put their trust in us. We remain committed to becoming the most valued company in our industry. Thank you for participating in our call this afternoon.

Operator

Thank you. Ladies and gentlemen, this conference will be available for replay after 8:00 p.m. today until March 24, 2008 at midnight. You may access the AT&T Executive Playback Service at any time by dialing 1-800-475-6701 and entering the access code 915062. International participants may dial 1-320-365-3844. Again, those numbers are 1-800-475-6701 and 1-320-365-3844, entering the access code 915062. That does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference Service. You may now disconnect.