



Health Net®

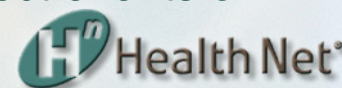
***Bear Stearns 9th Annual
London Healthcare Conference***

**Jay Gellert
President & Chief Executive Officer
Health Net, Inc.**

February 27, 2007

Cautionary Statement

This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, that involve a number of risks and uncertainties. All statements, other than statements of historical information, may be deemed to be forward-looking statements. These statements are based on management's analysis, judgment, belief and expectation only as of the date of this presentation, and are subject to uncertainty and changes in circumstances. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "may," "should," "could," "estimate," "intend" and other similar expressions are intended to identify forward-looking statements. Actual results could differ materially due to, among other things, rising health care costs, negative prior period claims reserve developments, trends in medical care ratios, issues relating to provider contracts, litigation costs, operational issues, health care reform and general business conditions. Additional factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, the risks discussed in the "Risk Factors" section included within the company's most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q filed with the SEC. Members of the audience are cautioned not to place undue reliance on these forward-looking statements. The company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this presentation.



Non-GAAP Measures

- This presentation may include quarterly income statement measurements that are not in accordance with Generally Accepted Accounting Principles. Consequently, this presentation may refer to reconciliations from GAAP financial statements to non-GAAP financial statements available in the Company's fourth quarter 2006 earnings press release.
- Management's explanation for using a non-GAAP income statement is to provide the audience with management's view of operating results for those periods by:
 - showing prior period reserve developments in the incurrence period;
 - removing expenses related to asset impairments, restructuring charges, and gains or losses on sales of businesses or assets; and
 - adjusting general and administrative expenses for material non-recurring expenses.
- Management believes that days claims payable (excluding capitation, provider settlements and Medicare Part D), a non-GAAP financial measure, provides useful information to investors because, in excluding those health care costs for which no or minimal reserves are maintained, it is a more accurate reflection of days claims payable calculated from claims-based reserves than is days claims payable, which does not exclude such costs. This non-GAAP financial information should be considered in addition to, not as a substitute for, financial information prepared in accordance with GAAP.
- Management feels that these adjustments result in a normalized view of each period's operating results and provide the audience the basis to better understand that period's results.

Investment Thesis

- Solid performance
- Share repurchase program
- Aligned with environment
- Diverse growth
- Continued margin expansion opportunities

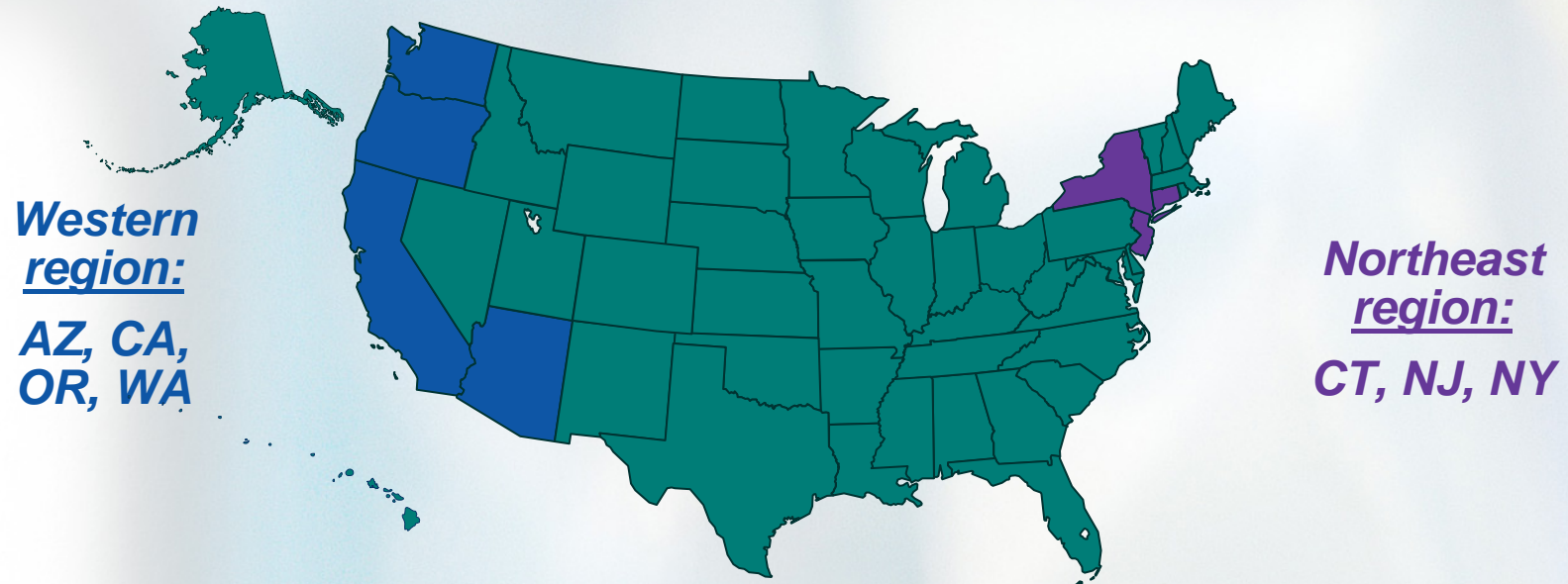
Agenda

Company profile

Our growth opportunities

Financial outlook

Company Profile



- National health benefits company serving commercial and government (Medicare, Medicaid and TRICARE) customers
- Provide health care benefits to more than 6.6 million individuals in 27 states
- Offer mental health and pharmacy benefit management services to approximately 7.3 million individuals
- 2006 revenues of \$12.9 billion and net income of \$329.3 million
- Year-over-year net income and EPS growth

Broad Product Portfolio

Simple benefits and predictable costs

- HMO
- Point-of-Service
- Elect Open Access (HMO)
- Medicare Risk products

Lower priced options

- Consumer Driven Health Plans (HRA, HSA)
- Silver Network, Outlook Product Suite (HMO)
- Salud & Cross-Border Products
- Healthy Families & State Health Programs

Control and flexibility

- Consumer Driven Health Plans (HRA, HSA)
- PPO
- ASO (self-insured)
- Medicare Private Fee-for-Service

Diverse Medical Membership Base

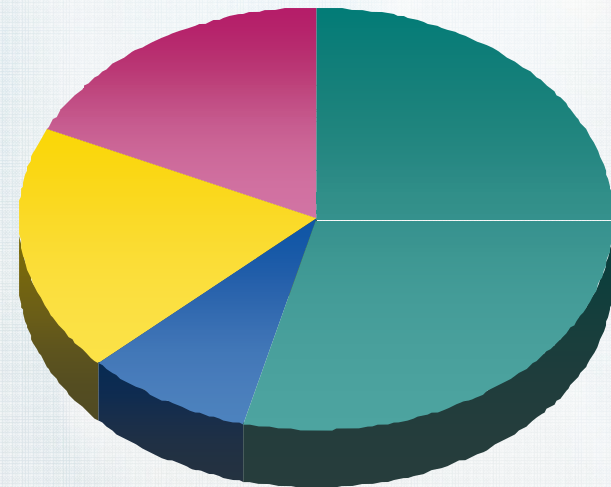
Membership by Segment

(As of 12/31/06; in thousands)

Commercial	2,360
Medicare Risk	199
Medicaid	840
Medicare PDP	300
TRICARE	<u>2,930</u>
Total	6,629

FY2006 Premium Revenue Contribution

Total Dollars



Commercial	54%
TRICARE	19%
Medicare	18%
Medicaid	9%

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Share Repurchase Update

As of December 31, 2006

- Resumed repurchases November 9
 - Board increased authority to \$450 million
 - Approximately \$200 million in remaining authority
- Repurchased approximately 5.5 million shares
- Average price ~\$45.74
- Total expenditure ~\$250 million



Health Net

News Release

**HEALTH NET BUYS 2.7 MILLION SHARES
IN ACCELERATED SHARE REPURCHASE**

Health Net, Inc.
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Woodland Hills, CA 91367
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www.healthnet.com



Health Net

News Release

HEALTH NET PROVIDES UPDATE ON SHARE REPURCHASE PROGRAM
Repurchased 2.8 million shares as of December 12, 2006
at a price of \$3.65 Per Diluted Share

Contact: David Olson
818.676.6978
david.w.olson@healthnet.com

2007 Earnings Guidance

Year-end Membership	<ul style="list-style-type: none"> Commercial up 1-2% Medicaid flat Medicare Advantage +10% PDP +15-20%
Consolidated Revenues	\$14 - \$15 billion
Commercial Yields	~ 8.0%
Commercial Health Care Cost Trends	30 - 50 bps < yield
Admin Ratio	~ 11.0%
Tax Rate	38.5%
Shares Outstanding	114 million
EPS	\$3.65

Well-Positioned for 2007 and Beyond

Positioned for Growth

- Stable networks
- Solid commercial franchises with expanding margins
- Growing and diversified government business
- Excellent near- and long-term earnings prospects

Positioned to Respond to Environmental Changes

- Medicare
- TRICARE
- Medicaid and the uninsured
- Low-cost products
- Market niches

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Key Growth Strategies: Gross Margin

- All business units on solid footing
- Repositioning commercial book to more profitable regional segments
- Medicare opportunities
- Medicaid growth
- Strong Federal Services position
- Strong pharmaceutical and medical cost management

Health Net of the Northeast: Membership Growth vs. Gross Margin Growth Rates



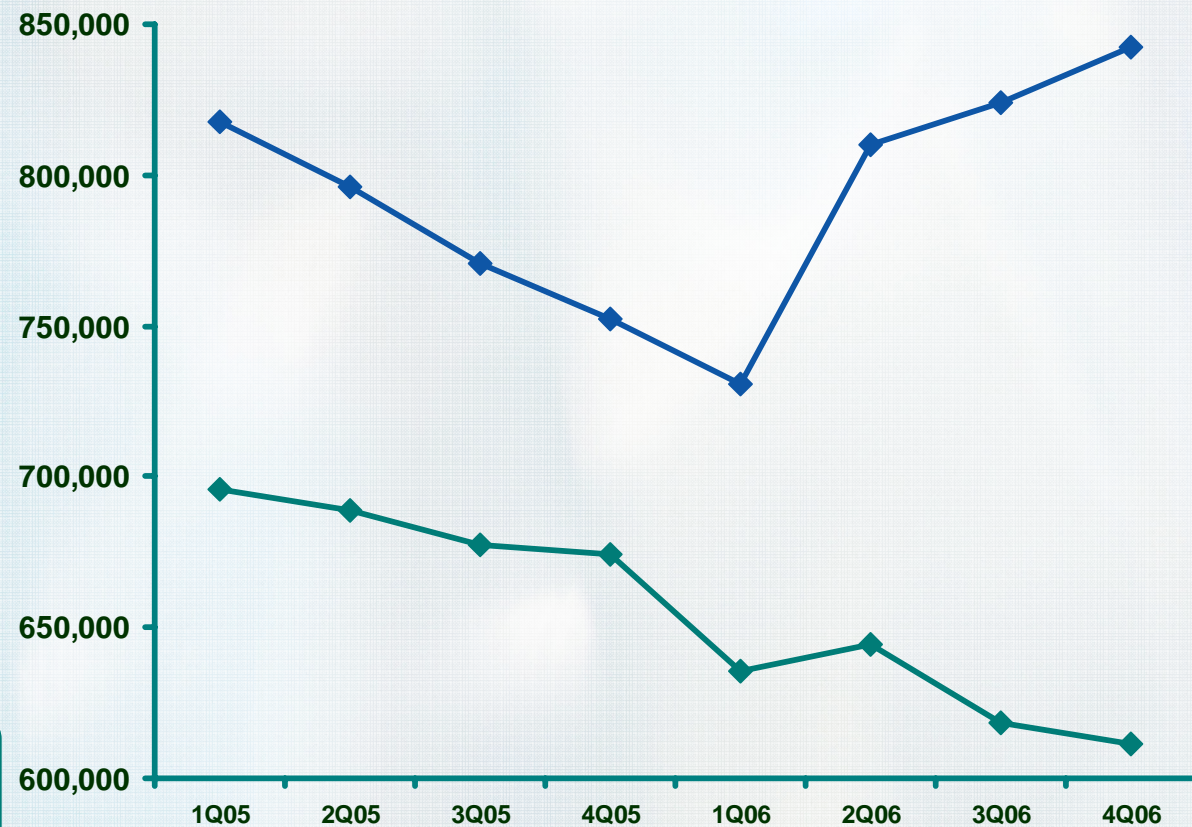
Health Net of California: Targeted Segment Growth

HNCA Commercial Membership: Large Group vs. Mid, Small and IFP Segments

HNCA Commercial Membership (As of 12/31/06)

Large	611,385
Mid-Market	423,605
Small and IFP	418,477
Medicare Supplement	35,159
Commercial	1,488,626

◆ Mid, Small & IFP Segments
◆ Large Group Segment

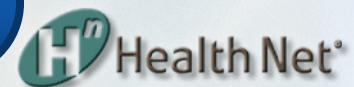


Health Net of California: Commercial Growth Opportunities

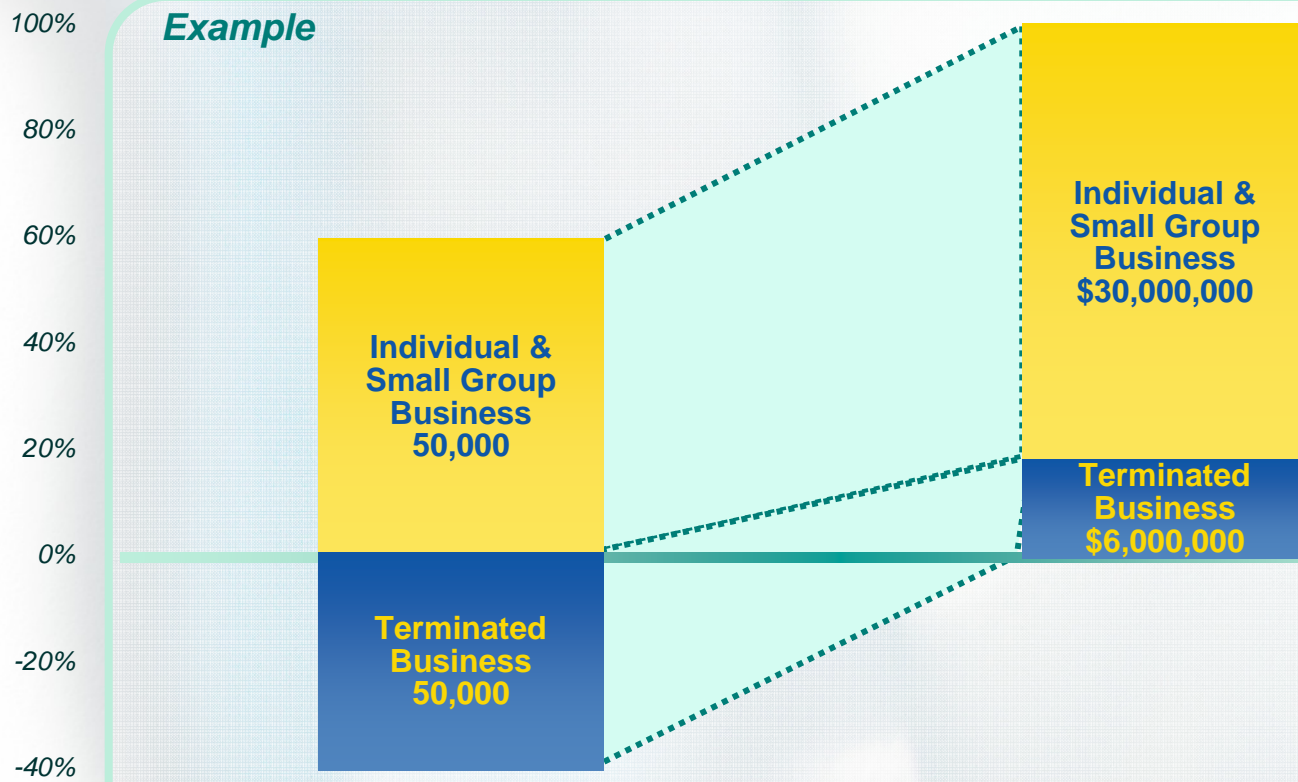
- Targeted growth in small group and mid-market segments
 - Refresh product portfolio based on broker advisory group feedback
 - “Simple as 10-20-30-40”
 - Continue to diversify product portfolio
 - Leverage all distribution channels (agents, brokers, direct-to-consumer)
- Latino Community
 - Mexi-Plan and Salud: customized, low cost, cross-border health plans for individuals/families and small businesses
 - Store fronts in East Los Angeles and Modesto provide innovative, local and personalized services
 - Focused marketing campaigns and community outreach and education



**Grow high value segments and de-emphasize
low value segments and accounts**

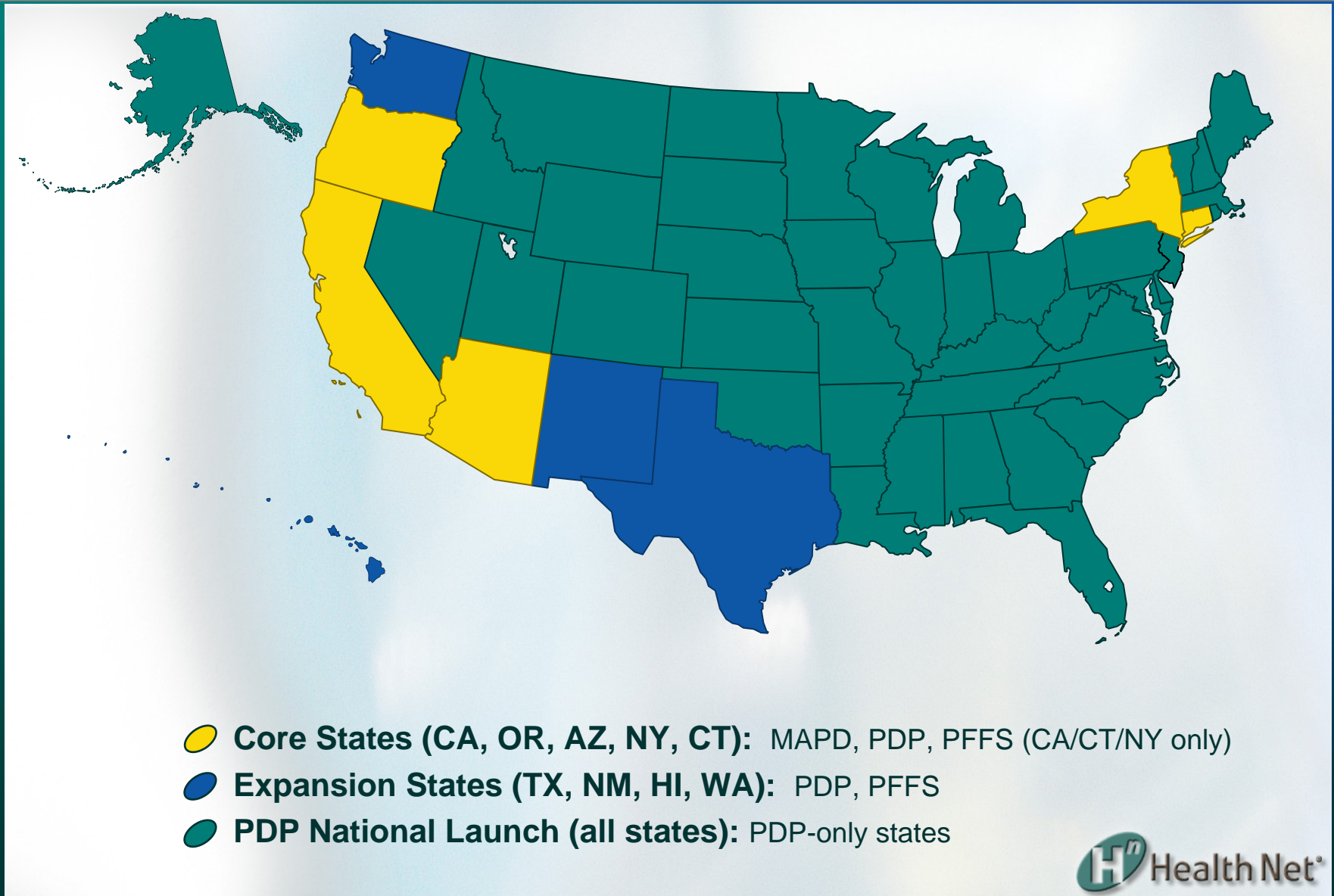


Health Net of California: Commercial Gain/Loss Valuation



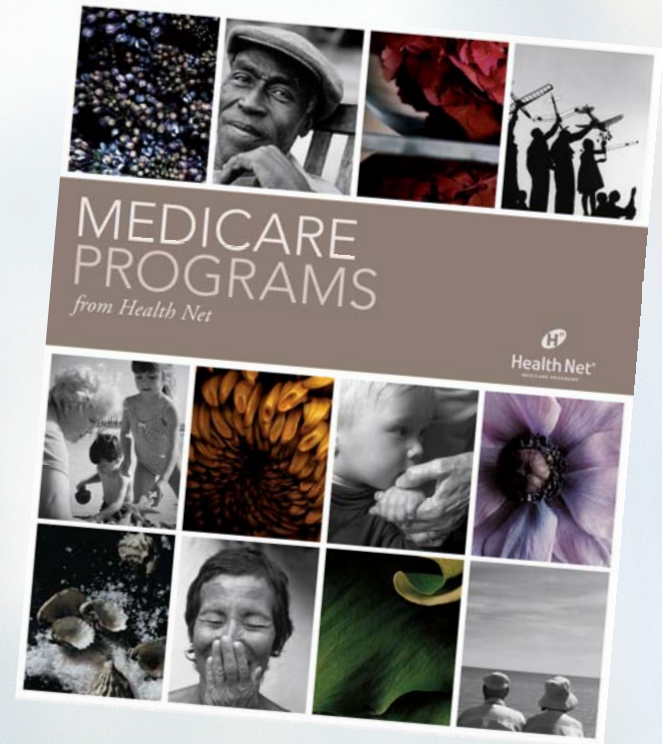
New sales in targeted segments increase gross margin and termination of high cost business also improves gross margin

Medicare Market Expansion Strategy



2007 Part D Bidding Summary

- Maximized bids, coming closest to benchmark in most states
- Expanded to 50 states
 - Qualified for new dual-eligible auto-assignment in 49 states
 - Protected existing auto-assignment membership in existing 10 states (6 regions)
- Increased number of plan choices from two in 2006 to three in 2007
 - **Orange 1:** 2-tier product with \$265 deductible (designed for LIS population)
 - **Orange 2:** 3-tier plan with \$0 deductible (standard design)
 - **Orange 3:** \$0 deductible with generic coverage in the gap



Medicaid

As of December 31, 2006

- More than \$1 billion in annual revenue
- 840,000 members
- Northeast:
 - Stable markets with growth opportunities
 - Connecticut: 84,000 members statewide; entering SCHIP program in 1Q07
 - New Jersey: 46,000 members in 13 counties; opportunity to expand into more counties in 2007
- California:
 - 710,000 members
 - Medicaid in 10 counties
 - Healthy Families in 47 counties
 - State may expand Medicaid program to six more counties
 - Well-positioned for uninsured opportunity (approximately 5 million uninsured in California)



Health Net Federal Services

As of December 31, 2006

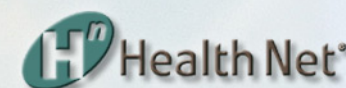


TRICARE North

- **TRICARE (Department of Defense)**
 - North contract
 - 1.8 million at-risk-eligible beneficiaries
 - 500,000 active duty
 - 600,000 Medicare-eligible beneficiaries
- **U.S. Department of Veterans Affairs (VA)**
 - Claims repricing
 - Manage 14 community-based outpatient clinics providing primary care services to 30,000 veterans
 - National DRG Audit and Recovery Services



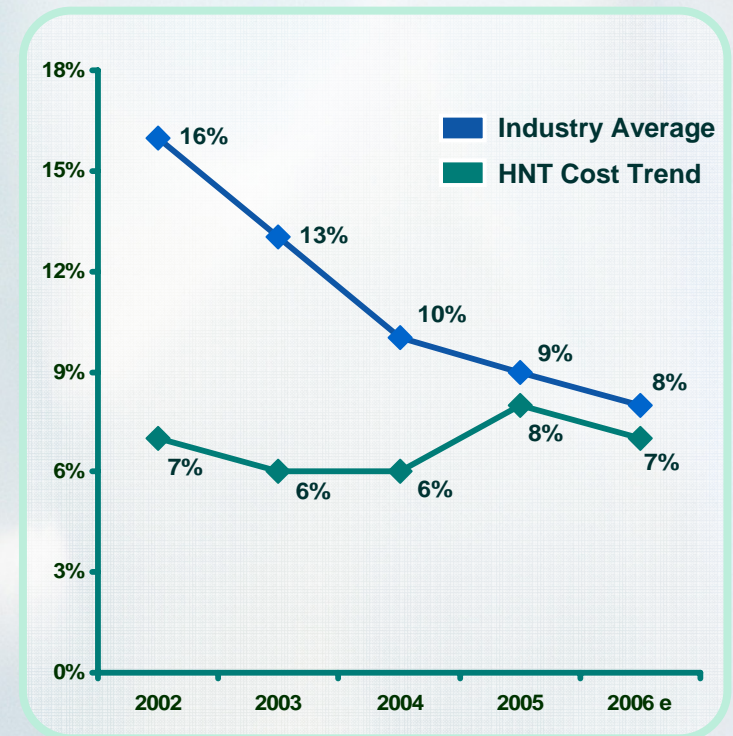
Proud to Serve America's Veterans



Health Net Pharmaceutical Services

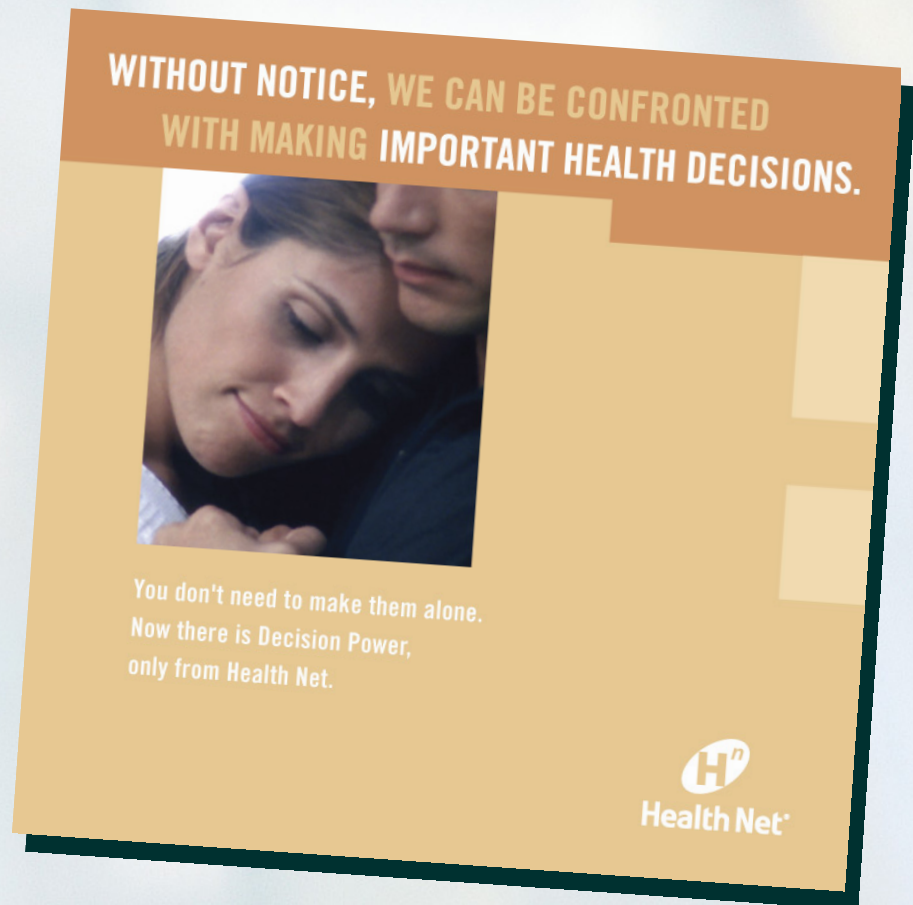
Rx Cost Trends:

- Single-digit range and well below the PBM industry average range over the last five years
- Levers utilized include:
 - Benefit designs with aligned incentives
 - Aggressive strategic formulary design
 - Prior authorization (generics and formulary compliance)
 - Promotion and incentive programs (members, providers, employers)
 - Network ownership
- Focus on a “lowest net cost,” including leveraging generic releases



Key Medical Management Initiatives

- Northeast hospital utilization
- Decision Power
- Strong Medicaid performance



G&A and Investment Opportunities

- G&A leverage
 - Lower headcount growth
 - More moderate Medicare expenditures
 - Overall tighter focus on variable costs
- Lower interest expense due to debt refinancing
- Better investment portfolio performance

Investment Thesis

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