



Health Net[®]

**UBS Global Healthcare
Services Conference**

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Cautionary Statement

Certain matters discussed in this presentation contain 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 risks and uncertainties. All statements other than statements of historical information provided in this presentation may be deemed to be forward-looking statements. Without limiting the foregoing, the words “believes,” “anticipates,” “plans,” “expects” and similar expressions are intended to identify forward-looking statements. 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 “Cautionary Statements” section included within the company's most recent Annual Report on Form 10-K filed with the SEC and the risks discussed in the company's other periodic filings with the SEC. Members of the audience are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. 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.

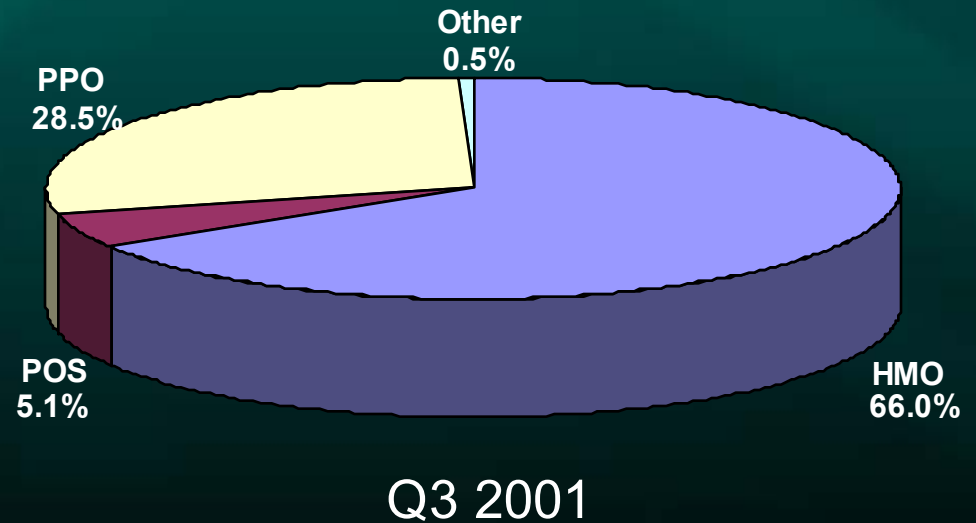
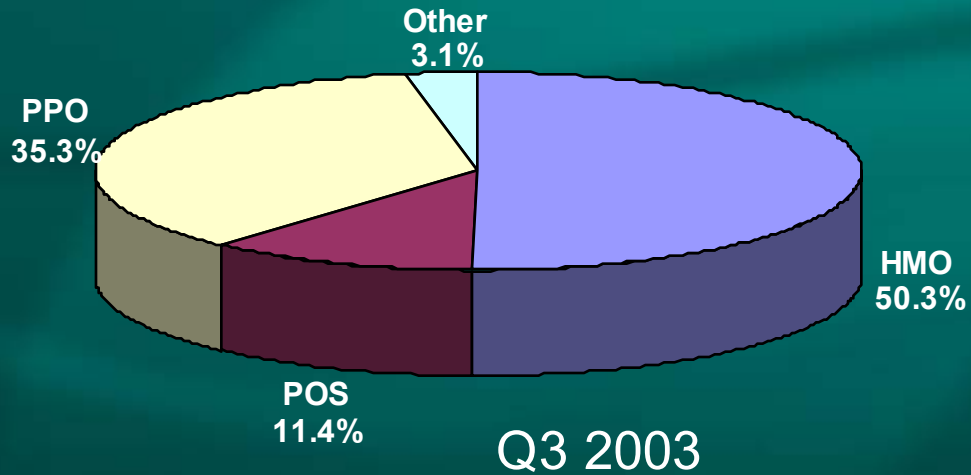
The Health Net Story

- Well positioned in large, diverse markets
- Growing in our smaller plans
- Growing in targeted segments
- New products
 - Consumer directed, Salud Con Health Net, narrow networks
- Systems conversion on schedule
- New TRICARE contract
- Solid financial performance

Small Group Growing

- Small group and individual now 34 percent of commercial book
 - Small group is where job growth is
 - Driving health plan MCR lower
 - More diversified product mix
- Dedicated commitment to distribution
- Selective geographies
- Price to market and to trend

Change in Commercial Composition



Medicare

- Health Net: 170,000 members, \$1.4 billion in revenue
- Health Net established a Medicare division with new leadership in 2003
- New reform bill increases potential
- Use '04 funding to invest in growth opportunities
 - Broaden product portfolio
 - Expand geographies
- Potential linkage to TRICARE

Medicaid

- Health Net: 855,000+ members, \$1.2 billion in revenue
- California Medi-Cal: it works
 - HN will deliver coverage in two new counties in '04
 - Low expenditures for State
 - Provider network is committed to the program
- Medicaid requires selective approach

Health Care Trends

- Signs commercial trends beginning to moderate
- Hospital cost growth -- inpatient and outpatient -- slowing from mid-teen pace
- Physician cost growth in high single digits -- stable
- Pharmacy cost growth in mid single digits
 - Strong formulary management
 - Generic and OTC shift

New TRICARE Contract

- Selected for new North region
 - Protests failed
- Important region
 - Includes D.C.
- Expect consistent profitability
- Acknowledged program expertise
- Exploring other government contract growth opportunities

Systems Conversion Update

- Project more than 60 percent complete
- Achieving improved service metrics in advance of conversion
- Moving all commercial to one claims system
 - Substantial backlog reduction
- Substantial reduction in surround and other systems
- Improved product flexibility and responsiveness

Service Metric Improvement

		<u>Q3 '02</u>	<u>Q3 '03</u>	<u>2003</u>
Calls: Answer rate	↑	93.0%	98.0%	98.0%
Calls: Abandonment rate	↓	7.0%	2.0%	2.0%

Backlog Reduction

		<u>Q3 '02</u>	<u>Q3 '03</u>
Claims over 30 days old	↓	9.9%	1.8%
Claims electronically processed (auto-adjudication)	↑	51.0%	53.0%
Claims electronically received	↑	51.0%	57.0%
Days Claims Payable	↓	52.8	50.9

Outstanding Financial Performance

- Met or exceeded EPS targets 19 straight quarters
- Margins expanding
- Consistently strong cash flow
- Balance sheet sound
 - Debt to total capital under 30 percent
- Repurchased more than 15 million shares

The Health Net Story

- Excellent market opportunities can fuel profitable 3 to 5 percent commercial unit growth
- Government growth opportunities
- Systems conversion for reduced costs and operational flexibility
- Continued margin expansion
- Financials strong -- targeting 15 percent EPS growth
- Poised to meet cyclical challenges



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