

# Humana's Strategy

Humana Investor Day  
2008



**Mike McCallister**  
**President & Chief Executive Officer**

**HUMANA**  
*Guidance when you need it most*

# Overview

- The big picture
- Medicare funding dilemma
- Medicare Advantage holds the answer
- This morning



# The Big Picture

# We're Well Prepared to Succeed in the New Landscape

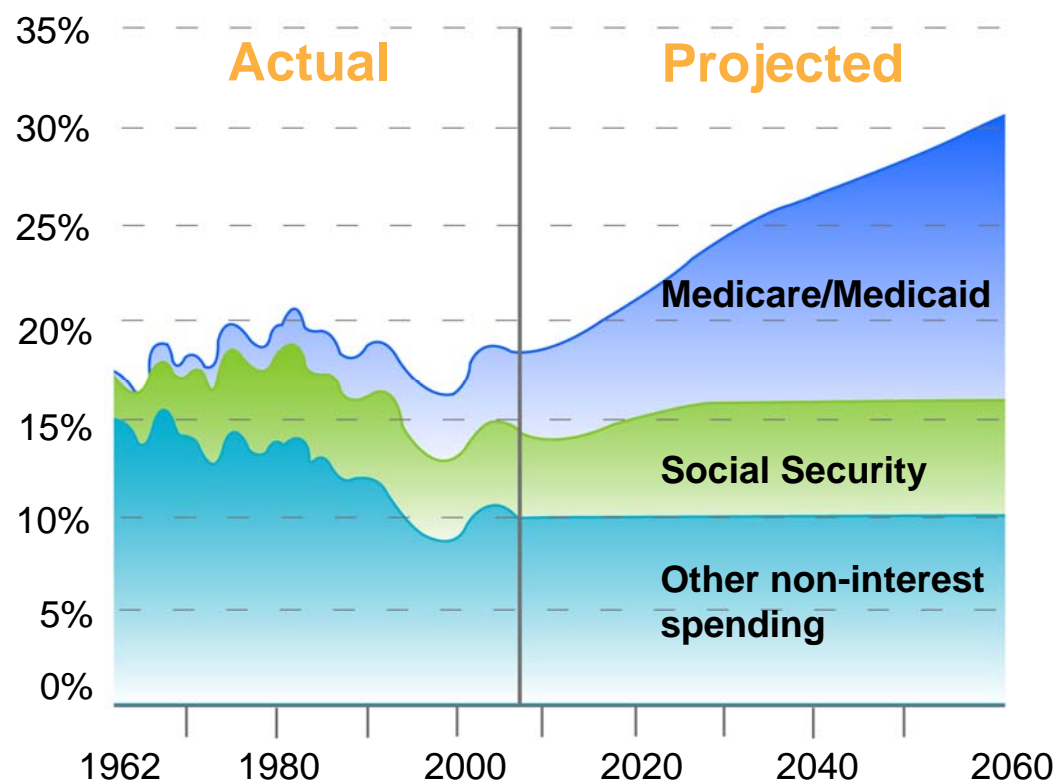
- We have proven expertise in managing health
  - Lowering costs
  - Improving outcomes
  - Motivating consumers
- A legacy of success in working with governments and businesses to understand both policy and individual needs
- Our expertise will become increasingly vital as the financial crisis limits governments' and businesses' ability to “make it on their own”

# Medicare Funding Dilemma

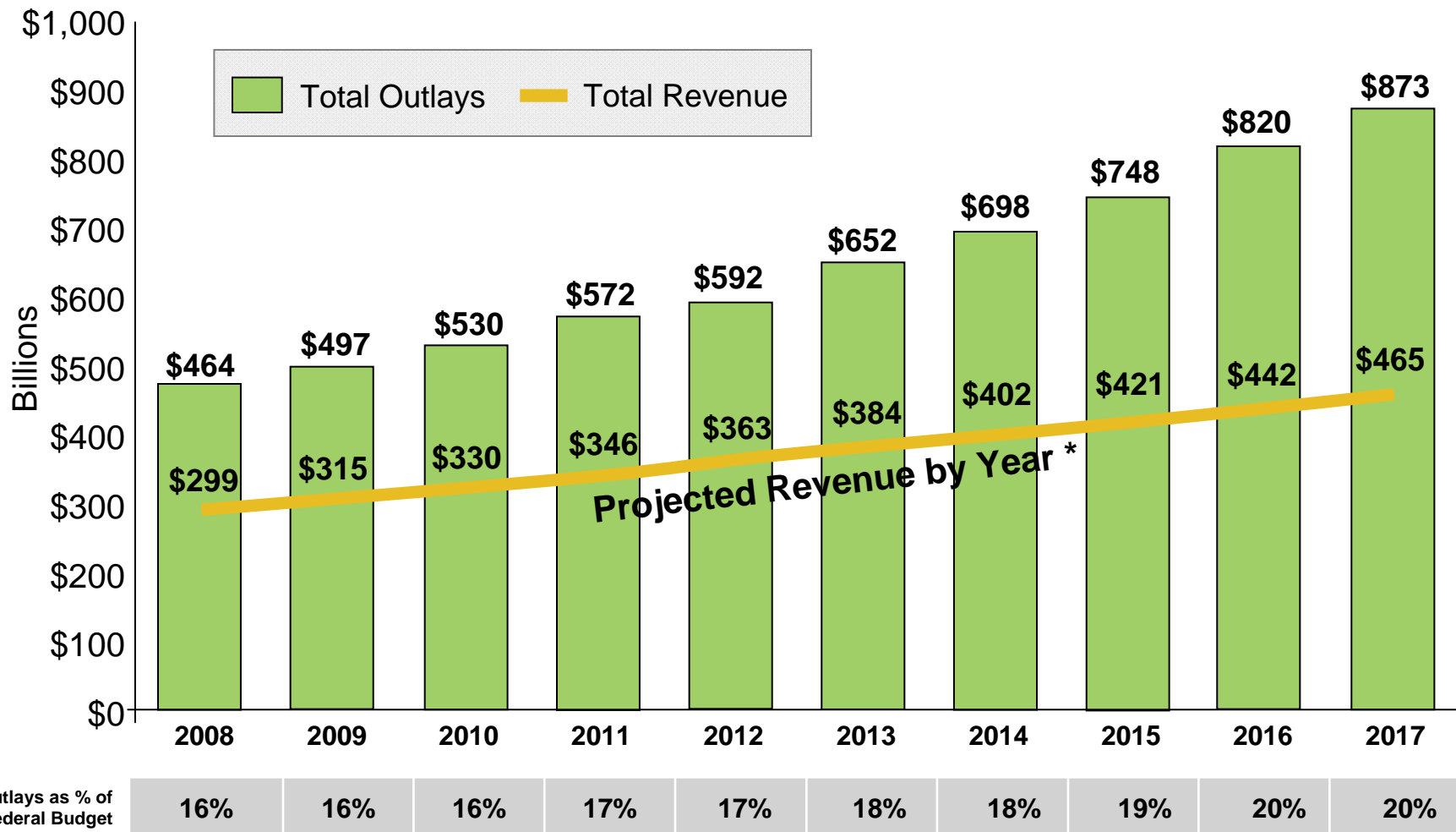
# Medicare Financial Train Wreck Is Getting Worse

## The Problem

Federal spending, as a percentage of gross domestic product



# The Program's Revenues Are Unable to Keep Pace With Expenses

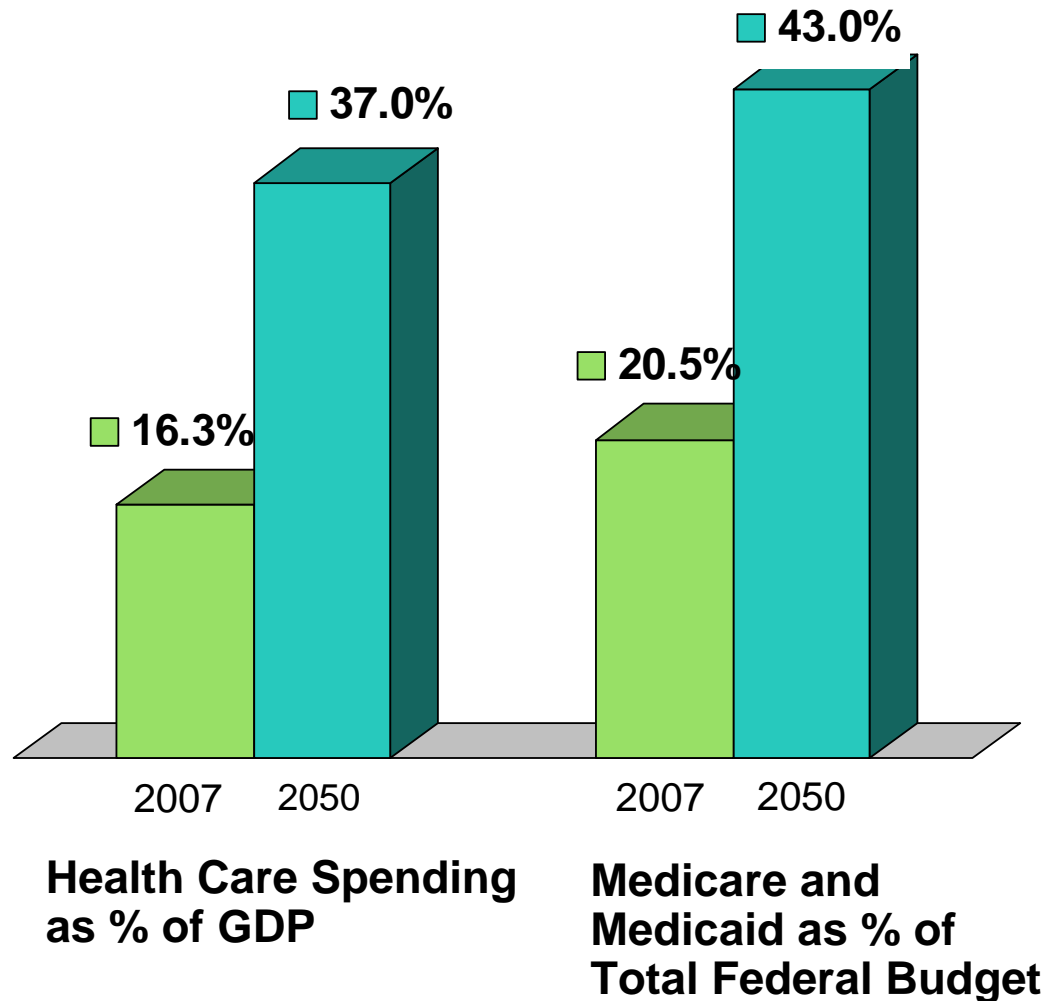


\* Revenue defined as the sum of interest income, payroll tax (HI), premiums (primarily SMI), and state payments (SMI) on a cash basis.

Source: 2008 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplemental Medical Insurance Trust Funds



# And Medicare and Medicaid Are Projected To Consume Nearly Half The Federal Budget



**Source:** Keehan, "Health Spending Projections Through 2017"; CBO, The Long Term Budget Outlook (Dec. 2007)



# Medicare Advantage Holds The Answer

# Medicare Advantage: Cost Controls and Health Enhancements

## Humana MAPD

- Medical trends identification and analysis
- Health risk assessment and screening
- Enhanced preventive coverage
- Guided physical, behavioral and mental wellness programs
- Proactive, efficient healthcare management

## Original Medicare

- Enhanced preventive coverage

# Medicare Advantage: A Superior Value Proposition

## Humana MAPD

- Humana Senior Fitness Program (including SilverSneakers™)
- Meals on Wheels
- Discounts for
  - Hospital
  - Physician
  - Prescription and OTC drugs
  - Vision and hearing
  - Complementary and Alternative Medicine
  - Weight management

## Original Medicare

- None

# Medicare Advantage: Innovative Consumer Engagement Tools

## Humana MAPD

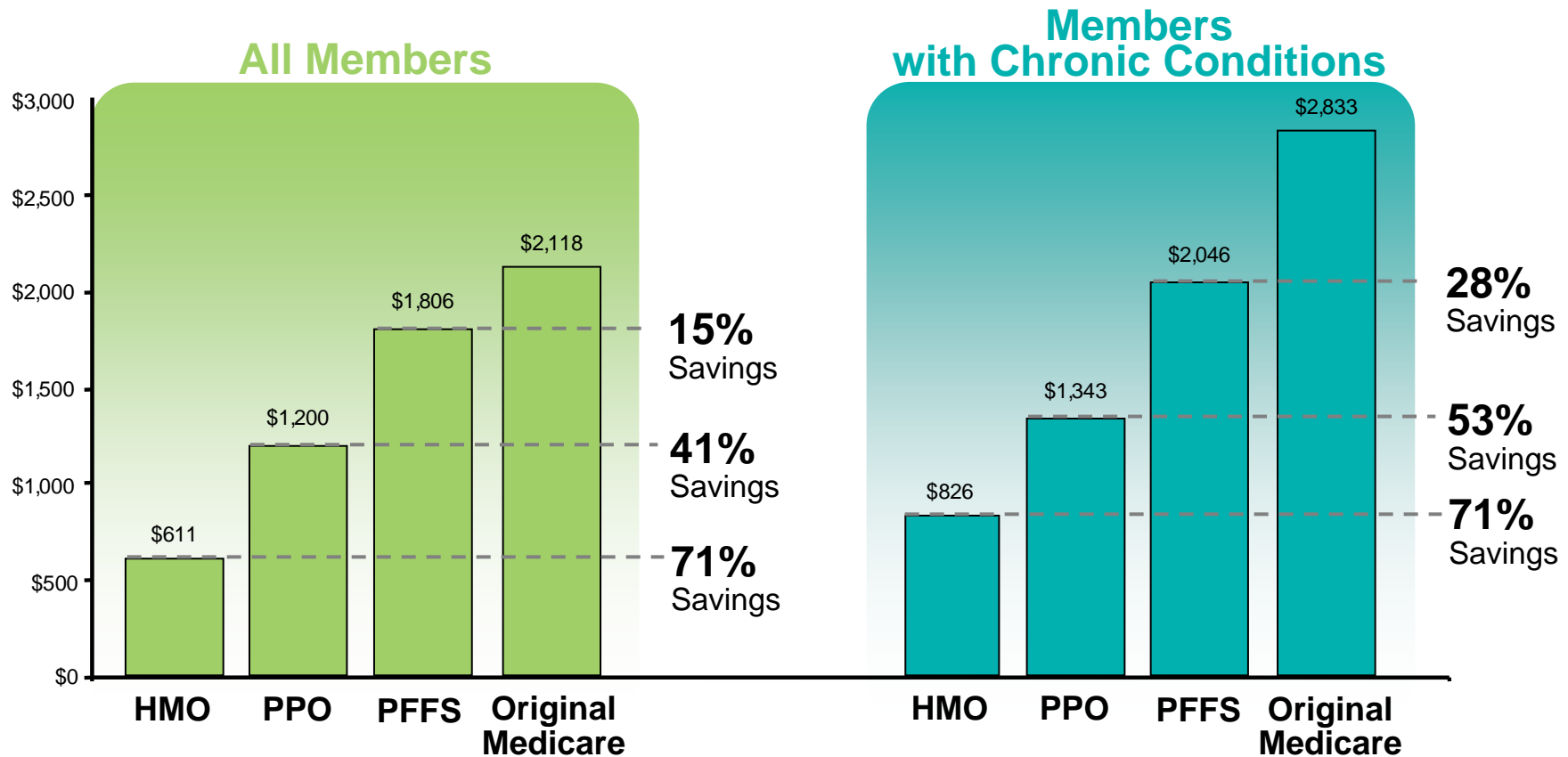
- Health and wellness education program (Humana Active Outlook)
- Seminars on common health concerns
- Care-reminder calls and alerts
- Personalized statement of expenses, and savings opportunities (*SmartSummary*)
- *MyHumana* personalized web tools
- 24-Hour nurse line

## Original Medicare

- None

# Medicare Advantage Costs Seniors Less ...

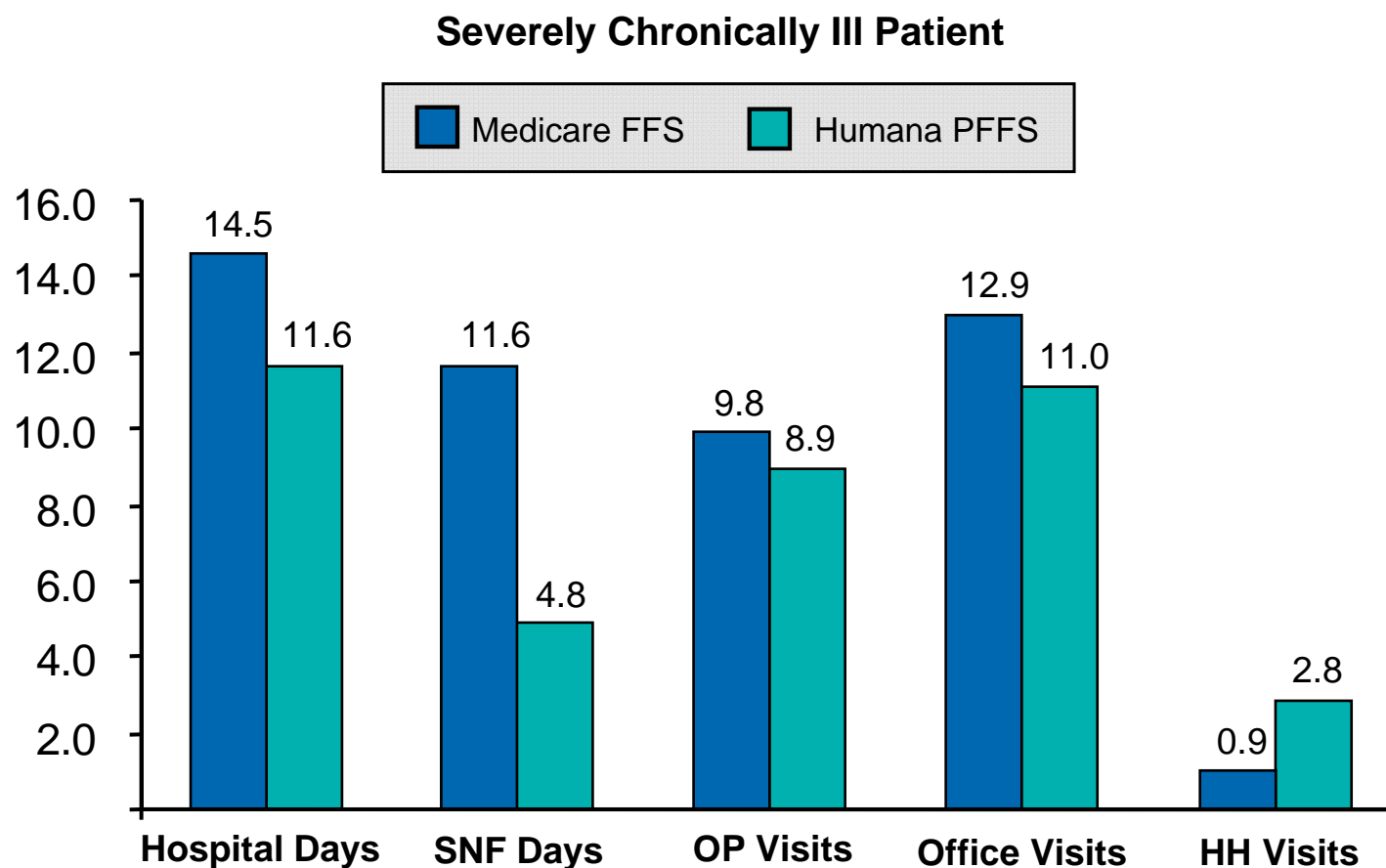
## Average Annual Out-of-Pocket Cost per Member



Across representative populations, Medicare Advantage products offer lower costs to Medicare beneficiaries. Individual savings opportunities can be significantly higher depending on medical events.

Source: Reden and Anders; 2005/2006 trended to 2009

# ... And Helps Them Be Healthier



**Source:** 2006 Medicare 55 sample provided by Reden & Anders, trended to 2007 and geographically adjusted to Humana's membership mix

Humana's 2007 claims, adjusted to FFS risk mix



# Plus, Seniors Love Private Medicare Plans



- AHIP's, *The National Survey of Seniors Regarding Medicare Advantage*, June 2008

THE WALL STREET JOURNAL.

- JD Power & Associates' *2006 Medicare Part D Beneficiary Satisfaction Study*, Sept. 2006



- *WSJ Online/Harris Interactive Health-Care Poll*, conducted for the WSJ Online's Health Industry Edition

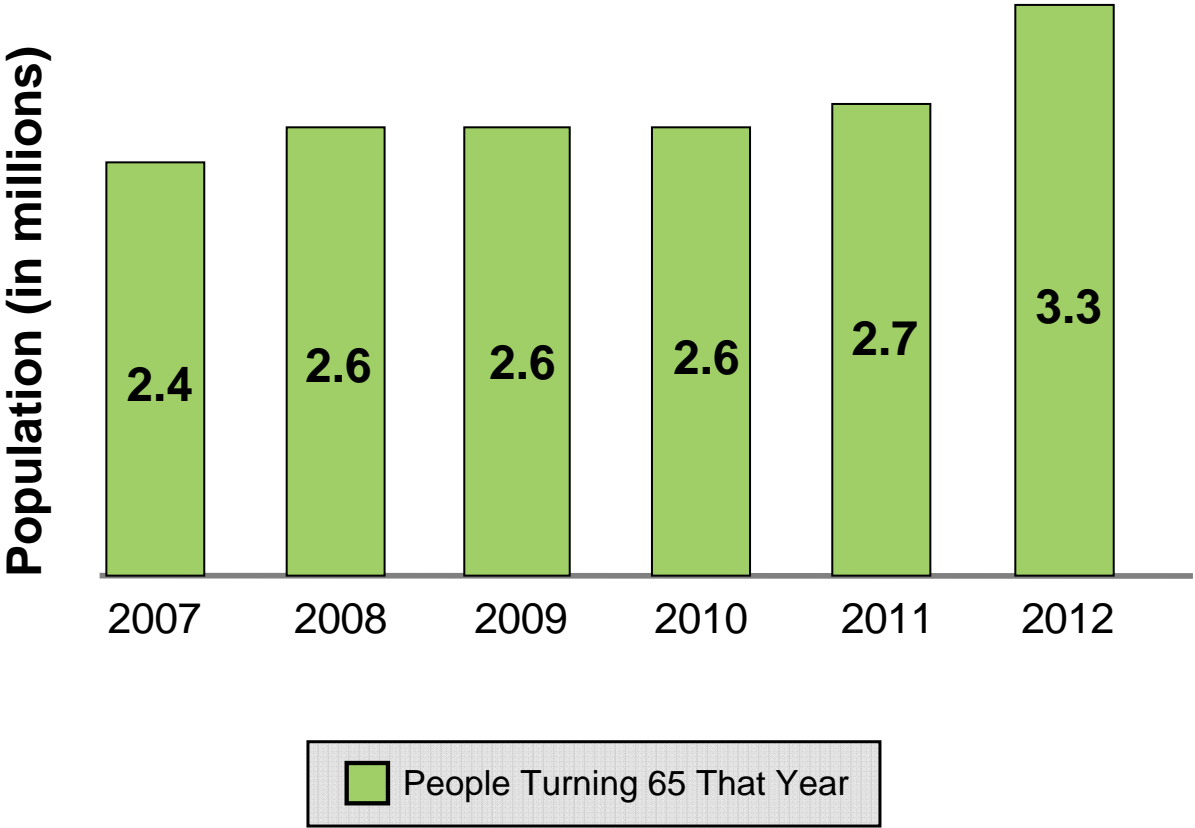


- Kaiser Family Foundation, *Seniors' Early Experiences with their Medicare Drug Plans*, June 2006

**Fewer than 2% of Humana MAPD enrollees return to Original Medicare**

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# Medicare Advantage: Humana's Opportunity



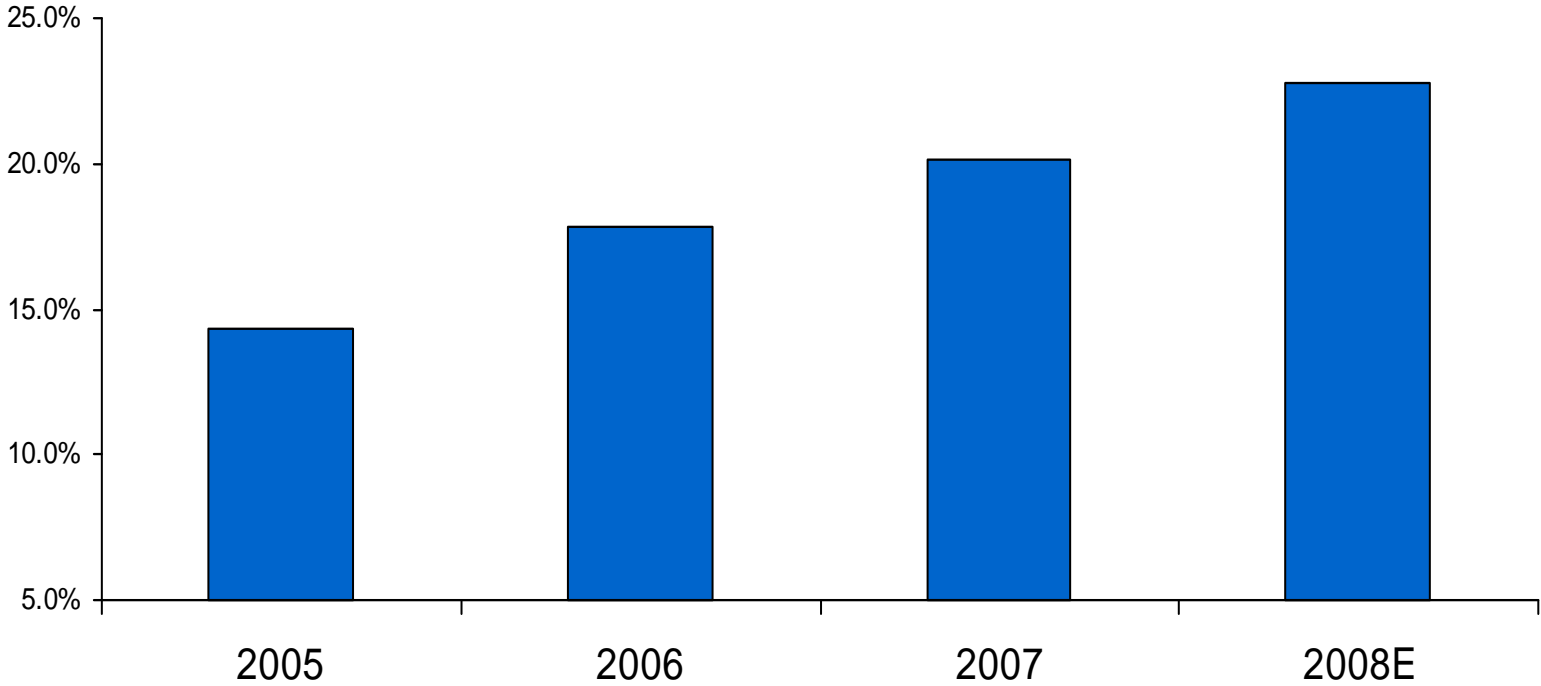
Source: Congressional Budget Office, Centers for Medicare & Medicaid Services





# Medicare Advantage Continues to Grow

## Medicare Advantage as Percent of Medicare Beneficiaries



# Summary: Medicare Advantage Is Here To Stay

- 10 Million MA members
- Many more on the way
- They're happy
- They never leave
- They save money
- Government has no chance to do this
- No other way

# This Morning

- **Heidi Margulis** – Public-Private Sector Partnerships
- **Tom Liston** – Medicare Operations
- **Jim Murray** – Commercial Operations
- **Bruce Perkins** – Health Care Delivery Systems  
& Clinical Processes
- **Jim Bloem** – Financials

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