

Wall Street's Perspective on the Future of Health Insurance

CFA Society of San Antonio

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PLEASE SEE ANALYST(S) CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 49.

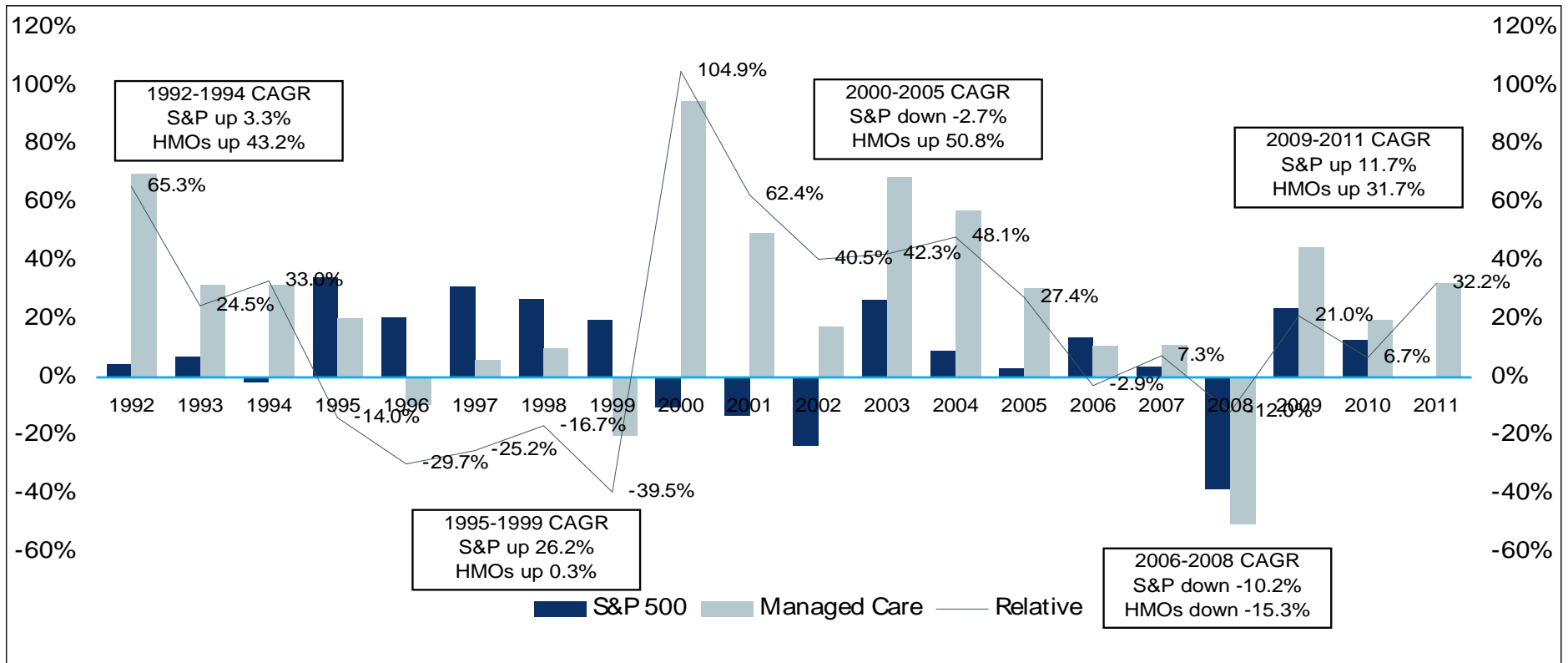
Presentation Agenda

- A View of Historical Sector Returns
- 2012 Outlook
- An Update on Health Reform
- Did That Last Section Matter?
- Sector Valuations
- 2011 Managed Care Performance
- Q&A

A View of Historical Sector Returns

Recent Stock Price Performance History

Historically, there have been four distinct periods over the past two decades or so, and the industry now appears to be entering a new phase.



Source: Reuters, FactSet and Barclays Capital

2012 Industry Outlook: Inertia vs. Gravity Compete in Front of Health Insurance Big Bang

Health Reform

“Wall Street people learn nothing and forget everything.”

- Benjamin Graham

Industry Thesis: Positives

On the positive side for the industry, we note:

Positives

- 1) Although much has been made of the recent MLR minimums and their potential impact on commercial margins, we believe that the impact in 2011 was actually much more manageable than expected, and believe that the impact will continue to ebb in 2012 and beyond.
- 2) We believe that investment yields have reached a trough (or are quickly approaching one), which could allow for improvement in investment income.
- 3) We believe that our 2012 commercial margin projections, which will represent a significant decline from 2011 levels, are conservative and we further believe that there is actually a higher likelihood of margin expansion than contraction in the next year.
- 4) As noted above, we have modeled in a conservative set of assumptions for 2012 that is leading to a projected increase in MLRs for the group.
- 5) While we understand the potential pressures for the longer-term future of the Medicare Advantage segment, we believe the growth prospects remain quite strong, even in the short term.
- 6) Through two areas of consolidation, corporate and carrier, we expect the aggregation of market share among the largest plans to accelerate over the next 12 to 18 months and even more dramatically after 2014.
- 7) Capital deployment should continue to be accretive to company earnings in 2012.

Weak Investment Income should continue in 2012, though on lower earnings

Net Investment Income as a Percent of Pretax Income

	2005	2006	2007	2008	2009	2010	2011	2012E
Investment Income	\$3,932,030	\$4,690,960	\$5,202,346	\$4,316,333	\$3,996,848	\$4,108,419	\$4,008,091	\$3,812,828
Interest Expense	(\$857,049)	(\$1,306,239)	(\$1,515,575)	(\$1,759,120)	(\$1,701,477)	(\$1,424,599)	(\$1,493,237)	(\$1,585,303)
Net Investment Income	\$3,074,981	\$3,384,721	\$3,686,771	\$2,557,213	\$2,295,371	\$2,683,820	\$2,514,854	\$2,227,525
YOY Growth		10.1%	8.9%	(30.6)%	(10.2)%	16.9%	(6.3)%	(11.4)%
Pre Tax Earnings	\$14,569,610	\$18,405,382	\$20,940,805	\$16,894,018	\$16,701,334	\$19,741,477	\$21,468,352	\$20,599,941
YOY Growth		26.3%	13.8%	(19.3)%	(1.1)%	18.2%	8.7%	(4.0)%
NII as % of Pre Tax	21.1%	18.4%	17.6%	15.1%	13.7%	13.6%	11.7%	10.8%

In 2005, Net Investment Income made up 21% of total pretax earnings

In 2012, we expect Net Investment Income to contribute roughly 90bps less to total pretax earnings

- We note that some companies are impacted by this trend more than others

NII as % of Pre Tax	2005	2006	2007	2008	2009	2010	'10 vs '09	2011	'11 vs '10	2012E	'12 vs '11
Centene	7.4%	10.0%	12.6%	7.0%	(0.5)%	0.3%	71 bp	(8.6)%	(886) bp	(2.1)%	651 bp
Humana	19.9%	27.2%	20.1%	23.2%	11.9%	12.8%	93 bp	11.5%	(133) bp	13.8%	231 bp
Coventry	0.9%	6.2%	7.1%	3.5%	0.5%	(0.3)%	(79) bp	(1.4)%	(115) bp	(0.3)%	118 bp
Cigna	82.1%	60.5%	57.8%	74.0%	52.4%	54.8%	243 bp	50.9%	(390) bp	51.7%	77 bp
Molina	19.7%	25.6%	27.2%	11.9%	(11.0)%	(10.3)%	66 bp	(8.3)%	199 bp	(7.9)%	44 bp
Aetna	47.1%	41.3%	34.8%	23.9%	42.4%	33.8%	(859) bp	22.4%	(1132) bp	22.7%	25 bp
UnitedHealth	5.3%	5.9%	8.0%	2.3%	0.7%	1.7%	103 bp	1.9%	14 bp	0.8%	(102) bp
WellCare	4.5%	17.3%	16.9%	22.9%	4.8%	(13.5)%	(1830) bp	0.5%	1401 bp	(1.3)%	(188) bp
WellPoint	10.2%	9.6%	10.5%	8.6%	8.0%	9.1%	114 bp	7.2%	(194) bp	3.8%	(334) bp
Health Net	6.1%	10.2%	13.2%	19.5%	16.6%	8.4%	(826) bp	9.4%	100 bp	5.7%	(366) bp
AMERIGROUP	20.4%	33.5%	32.7%	25.0%	6.4%	1.6%	(480) bp	(1.2)%	(272) bp	(9.2)%	(803) bp
Total	21.1%	18.4%	17.6%	15.1%	13.7%	13.6%	(15) bp	11.7%	(188) bp	10.8%	(90) bp

Source: Company Reports, Barclays Research

Commercial Margin Assumptions Conservative

Our 2012 commercial margin projections contemplate a 105 bps overall decline, which may be too conservative

Overall EBIT Margins, 2000 – 2013E

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012E	2013E
Aetna	4.07%	2.29%	(0.8)%	3.15%	7.63%	8.87%	9.80%	10.38%	10.71%	9.70%	6.10%	7.73%	9.80%	8.30%	8.01%
AMERIGROUP	2.01%	6.76%	7.07%	6.94%	7.14%	7.78%	3.75%	4.10%	5.04%	5.69%	4.20%	7.81%	5.23%	3.86%	3.68%
Centene	(2.5)%	3.72%	6.77%	7.75%	6.72%	7.04%	6.22%	3.63%	3.14%	4.58%	3.77%	3.94%	3.82%	3.36%	3.33%
Cigna	9.08%	8.44%	8.04%	5.97%	6.85%	12.30%	9.31%	10.92%	9.74%	6.49%	8.69%	9.48%	10.23%	7.67%	7.74%
Coventry	3.35%	3.59%	4.22%	6.62%	8.92%	10.11%	12.99%	12.10%	10.75%	6.14%	4.31%	8.96%	6.50%	5.77%	5.74%
Health Net	3.93%	3.88%	3.72%	4.53%	4.96%	3.71%	4.22%	4.94%	4.95%	2.37%	2.71%	3.43%	4.06%	4.07%	4.02%
Humana	2.12%	1.35%	2.04%	2.77%	3.09%	3.30%	3.88%	3.72%	5.10%	4.10%	5.52%	5.48%	6.36%	5.29%	5.26%
Molina	8.92%	7.36%	9.97%	8.79%	8.54%	7.45%	2.77%	3.53%	3.94%	3.62%	1.52%	2.57%	2.84%	2.55%	2.67%
UnitedHealth	4.82%	5.68%	6.68%	8.74%	9.52%	10.47%	4.85%	9.75%	10.64%	7.82%	7.30%	8.35%	8.31%	7.55%	7.59%
WellCare ^(a)	2.32%	(2.0)%	3.23%	4.37%	4.84%	5.76%	4.85%	5.92%	8.54%	3.57%	2.97%	3.55%	7.55%	4.69%	4.64%
WellPoint		1.84%	2.85%	4.73%	8.13%	8.56%	9.50%	9.48%	9.52%	7.98%	8.03%	8.02%	7.09%	7.10%	6.93%
Average	3.82%	3.90%	4.89%	5.85%	6.94%	7.76%	6.56%	7.13%	7.46%	5.64%	5.01%	6.30%	6.53%	5.47%	5.42%
<i>Y/Y Change</i>	(58)bps	8bps	99bps	96bps	109bps	82bps	(120)bps	58bps	33bps	(182)bps	(63)bps	129bps	23bps	(105)bps	(6)bps
Average-Ex Medicaid	4.56%	3.87%	3.83%	5.56%	7.08%	8.50%	7.92%	8.94%	8.84%	6.76%	6.39%	7.75%	7.65%	6.73%	6.67%
<i>Y/Y Change</i>	(151)bps	(70)bps	(4)bps	173bps	153bps	142bps	(58)bps	102bps	(10)bps	(208)bps	(36)bps	136bps	(10)bps	(93)bps	(6)bps

From 2003-2007 normalized margins ran between 7%-8%

Medicare Advantage Growth Prospects Bright

We expect the MA market to grow 55% over the next decade or so

MA Enrollment Growth Projections, 2010 – 2019E

Medicare Advantage	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Beginning	11,292,603	11,874,561	12,622,512	13,606,195	14,556,584	15,345,956	15,999,834	16,585,888	17,184,708	17,805,521
Age-ins	825,937	1,031,333	1,298,953	1,309,965	1,254,891	1,172,271	1,124,539	1,155,809	1,167,470	1,198,773
Involuntary Terms	(180,682)	(201,868)	(227,205)	(258,518)	(334,801)	(383,649)	(399,996)	(414,647)	(429,618)	(445,138)
Voluntary/ Other, Net	(63,297)	(81,515)	(88,065)	(101,058)	(130,718)	(134,744)	(138,490)	(142,341)	(117,040)	(120,178)
Ending	11,874,561	12,622,512	13,606,195	14,556,584	15,345,956	15,999,834	16,585,888	17,184,708	17,805,521	18,438,978
YOY Growth	5.2%	6.3%	7.8%	7.0%	5.4%	4.3%	3.7%	3.6%	3.6%	3.6%
MA Penetration	25.0%	25.8%	26.9%	27.8%	28.5%	28.9%	29.1%	29.4%	29.6%	29.9%
Age-in Penetration	35.0%	37.5%	45.0%	42.5%	40.0%	37.5%	35.0%	35.0%	35.0%	35.0%
Involuntary Lapses	1.6%	1.7%	1.8%	1.9%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%

MA Adds First 3 Months	2006*	2007	2008	2009	2010	2011	2012
Aetna	17,891	51,484	152,865	49,631	7,076	(40,374)	35,875
AMERIGROUP	5,438	(222)	1,644	2,277	1,302	(409)	3,816
Centene	0	0	54	126	765	185	(47)
Cigna	0	0	2,094	12,099	92,295	(109,171)	367,381
Coventry	4,555	84,966	28,118	102,387	(328,242)	(5,342)	27,863
Health Net	11,714	20,503	28,395	(13,785)	(71,136)	(10,520)	21,449
HealthSpring	7,406	6,050	(1,019)	12,583	5,546	25,906	(346,554)
Humana	416,007	95,116	110,681	43,676	225,384	141,437	264,461
Molina	1,782	254	1,174	354	4,439	(764)	(1,493)
Universal American	17,535	74,986	691	(10,490)	40,076	(113,119)	(19,538)
UnitedHealth	239,047	(103,492)	6,422	206,568	212,145	57,107	254,450
WellCare	13,344	24,015	42,997	21,787	(107,333)	2,385	14,399
WellPoint	33,017	60,034	55,902	(29,734)	45,848	58,402	2,486
Total Covered Companies:	767,736	313,694	430,018	397,479	128,165	5,723	624,548
% Share of Adds	64.3%	50.7%	58.9%	68.3%	85.8%	1.9%	84.6%
All Other MA Plans	426,406	305,402	300,505	184,404	21,231	291,493	113,678
Total MA Market	1,194,142	619,096	730,523	581,883	149,396	297,216	738,226

*Note: 2006 data compares July 2006 to December 2005

Source: Company Documents, Barclays Research, CMS

We expect National plans to continue to aggregate share

The Big get Bigger

National	4Q03A	4Q11A	+/-	Change
Aetna	12,783	16,626	3,843	30.1%
Cigna	11,493	11,439	(54)	(0.5)%
UnitedHealth (inc PHS, SIE)	17,355	25,870	8,515	49.1%
WellPoint (inc ATH, WC)	23,900	30,913	7,013	29.3%
Total	65,531	84,848	19,317	29.5%
Regional	4Q03A	4Q11A		
Coventry	1,994	2,708	714.0	35.8%
Health Net	2,822	1,366	(1,456.0)	(51.6)%
Humana	3,065	2,906	(159.1)	(5.2)%
Total	7,881	6,980	(901)	(11.4)%

There has been a discernable shift from risk to ASO over the past several years.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	01-'11
Adjusted Total Risk	(1,024)	(909)	(974)	(2,798)	(763)	(954)	(912)	(1,255)	(2,277)	(2,328)	(594)	(14,789)
Adjusted Total ASO	91	2,039	967	1,598	2,441	1,105	2,169	752	(766)	1,302	1,406	13,102
Total Adjusted Commercial	(933)	1,129	(7)	(1,200)	1,678	150	1,257	(504)	(3,043)	(1,026)	812	(1,687)

Source: Company Reports, Barclays Research

Managed Care Continues to Deploy Capital through Share Repurchases

The first and most obvious use of capital continues to be share repurchases.

Managed Care companies spent \$2.5 billion on repurchases in 4Q11, one of the most active quarters in several years

	(\$ in millions)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL	'07-'11	'01-'11 Avg
Aetna	Share Repurchases	\$96	\$165	\$445	\$1,493	\$1,669	\$2,323	\$1,679	\$1,789	\$772	\$1,602	\$1,849	\$13,882	\$1,538	\$1,262
	CFFO	(\$34)	\$306	\$371	\$680	\$1,763	\$1,639	\$2,075	\$2,204	\$2,488	\$1,412	\$2,508	\$15,412	\$2,137	\$1,401
	% CFFO	-282%	54%	120%	219%	95%	142%	81%	81%	31%	113%	80%	91%	83%	65%
Cigna	Share Repurchases	\$1,139	\$343	\$0	\$722	\$1,626	\$4,216	\$1,200	\$380	\$0	\$200	\$225	\$10,051	\$501	\$1,117
	CFFO	\$1,086	\$1,378	\$2,308	\$1,436	\$695	\$642	\$1,240	\$1,656	\$745	\$1,730	\$1,491	\$14,407	\$1,372	\$1,310
	% CFFO	105%	25%	0%	50%	234%	657%	97%	23%	0%	12%	15%	70%	100%	150%
Coventry	Share Repurchases	\$10	\$242	\$0	\$97	\$17	\$253	\$429	\$318	\$30	\$5	\$336	\$1,736	\$224	\$174
	CFFO	\$187	\$228	\$323	\$454	\$802	\$1,066	\$957	\$650	\$886	\$272	\$401	\$6,226	\$633	\$566
	% CFFO	5%	106%	0%	21%	2%	24%	45%	49%	3%	2%	84%	28%	27%	29%
Health Net	Share Repurchases	\$0	\$160	\$288	\$89	\$0	\$251	\$230	\$243	\$23	\$234	\$390	\$1,908	\$224	\$212
	CFFO	\$546	\$420	\$375	(\$55)	\$191	\$309	\$535	(\$159)	\$248	\$210	\$105	\$2,725	\$188	\$248
	% CFFO	0%	38%	77%	-162%	0%	81%	43%	-153%	9%	112%	371%	70%	86%	6%
UnitedHealth	Share Repurchases	\$1,100	\$1,830	\$1,607	\$3,446	\$2,571	\$2,254	\$6,616	\$2,700	\$1,807	\$2,518	\$2,994	\$29,443	\$3,327	\$2,677
	Shareholder Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$651	\$651	\$0	\$0
	CFFO	\$1,844	\$2,423	\$2,882	\$4,003	\$4,139	\$6,526	\$5,877	\$4,238	\$5,625	\$6,282	\$6,968	\$50,807	\$5,798	\$4,619
% CFFO	60%	76%	56%	86%	62%	35%	113%	64%	32%	40%	52%	59%	56%	62%	
WellPoint	Share Repurchases	\$0	\$0	\$217	\$82	\$333	\$4,550	\$6,151	\$3,300	\$2,647	\$4,400	\$3,040	\$24,720	\$3,907	\$2,747
	Shareholder Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$93	\$93	\$0	\$0
	CFFO	\$680	\$991	\$1,143	\$1,547	\$3,257	\$4,068	\$4,360	\$2,535	\$3,039	\$1,416	\$3,374	\$26,411	\$2,945	\$2,401
% CFFO	0%	0%	19%	5%	10%	112%	141%	130%	87%	311%	93%	94%	137%	102%	
Other	Share Repurchases			\$164	\$134	\$165	\$252	\$41	\$433	\$239	\$428	\$1,167	\$3,023	\$278	\$232
	Shareholder Dividends														
	CFFO	\$678	\$1,283	\$799	\$1,113	\$1,706	\$3,657	\$3,067	\$2,545	\$2,546	\$3,682	\$3,750	\$24,827	\$3,099	\$2,108
% CFFO			21%	12%	10%	7%	1%	17%	9%	12%	31%	12%	9%	11%	
TOTALS	Share Repurchases	\$2,347	\$2,815	\$2,623	\$5,929	\$6,227	\$13,855	\$16,326	\$9,163	\$5,517	\$9,386	\$10,001	\$84,189	\$10,079	\$7,654
	Shareholder Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$744	\$744	\$0	\$0
	CFFO	\$4,888	\$6,893	\$8,050	\$9,013	\$12,395	\$17,717	\$18,001	\$13,669	\$15,576	\$15,004	\$18,598	\$139,804	\$16,170	\$12,709
% CFFO	48%	41%	33%	66%	50%	78%	91%	67%	35%	63%	54%	61%	68%	57%	



Repurchases as a % of CFFO over 50% in 7 of the last 8 years

Source: Company Reports, Barclays Research

Industry Thesis: Risks

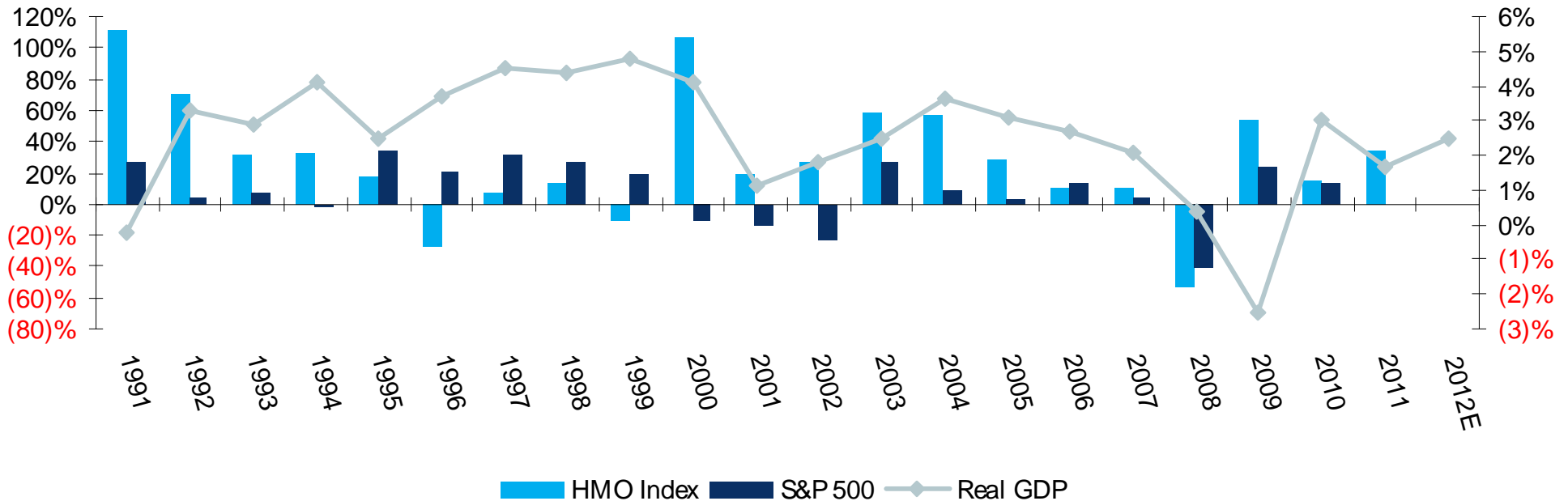
We are concerned about certain areas within the industry :

Risks

- 1) Managed care stocks have demonstrated countercyclical returns in the past, suggesting potential headwinds with a pick up in the broader economy.
- 2) Economic and reform related pressures on top lines are combining with new regulatory investments to pressure SG&A ratios for the industry.
- 3) Although recent CDC data suggests that flu trends may have abated, we highlight the possibility of another rise of swine flu in 2012.
- 4) Reserve levels have come down across our coverage universe, which gives the health insurers a smaller cushion against potential adverse deviations in the coming year.
- 5) In a similar vein, the amount of prior period development in 2011 is unlikely to recur in 2012 at the same magnitude.
- 6) Due to the political uncertainty surrounding healthcare reform, the health insurers are exposed to a higher level of headline risk which could impact the stock valuations.
- 7) Many Managed Care companies have undergone recent significant management changes, which could be of greater concern considering the industry is in a state of flux.
- 8) With ICD-10 as a catalyst, provider billing may become more accurate, increasing the risk that payments to providers may creep up above expectations, in our view.
- 9) RADV audits continue to loom as an unresolved, potentially negative issue for the Medicare Advantage operators.

Demonstrated Countercyclical Returns

HMO Index vs. S&P500 Index compared to GDP Growth: 1991-2012E



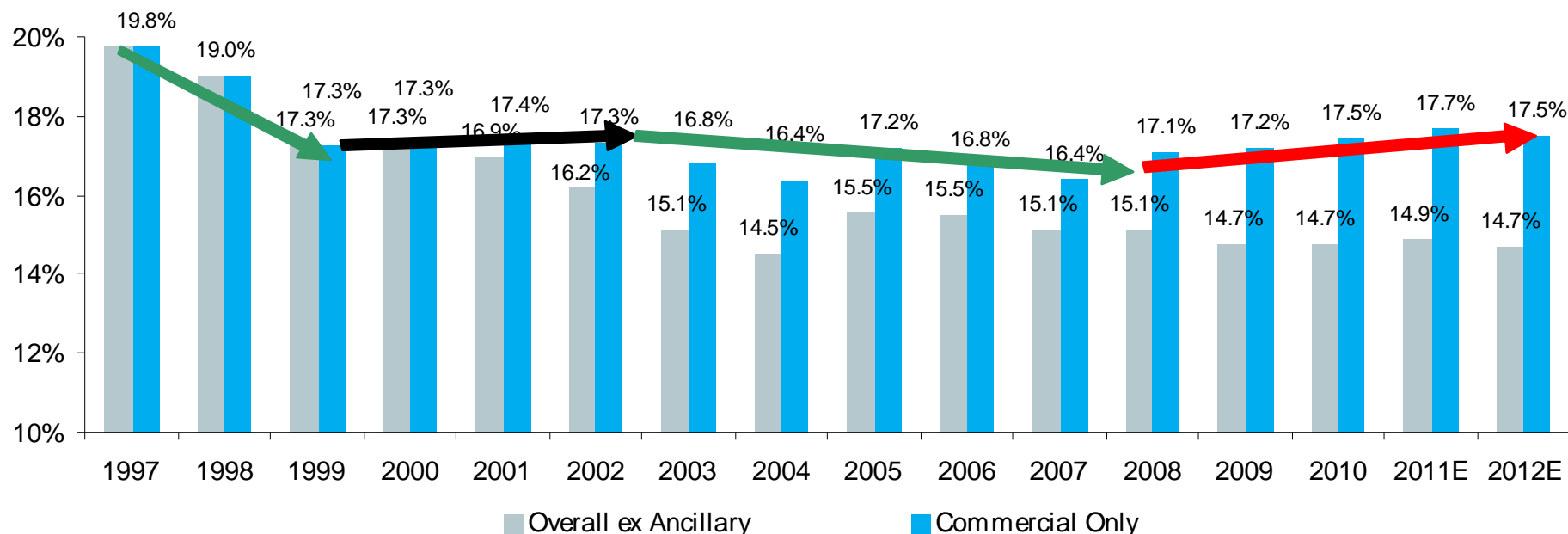
Barclays Research economists estimate real GDP growth of 2.5% in 2012 after growth of 1.7% in 2011, and growth of 3.0% in 2010.

Source: BEA, Reuters, FactSet and Barclays Research

Administrative Cost Pressures

Key drivers to the ratio improvement in recent years lie in improved scale and productivity gains

SG&A as a % of Revenue 1997-2012E



- **1997 - 1999:** Restructurings and Rationalization
- **1999 - 2002:** Premium acceleration leads to investments
- **2002 - 2004:** M&A pressures
- **2005 - 2008:** Medicare and merger integrations
- **2009 - 2012:** Reform related costs

Source: Company Documents and Barclays Research

Declines in DCP Could Be a Red Flag

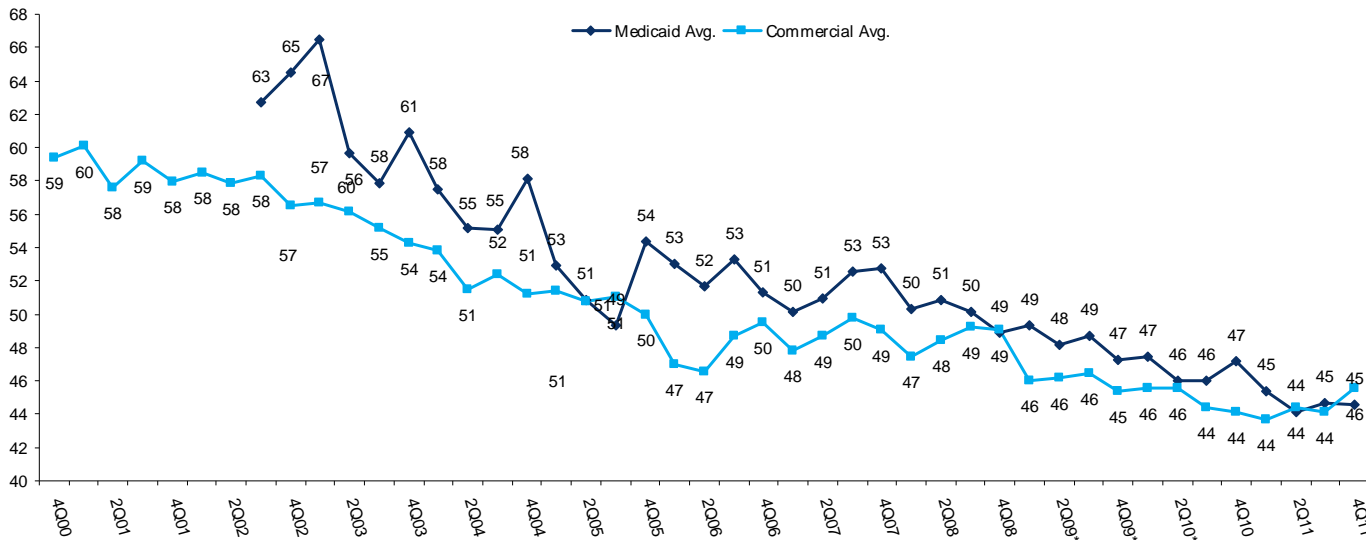
Days in Claims Payable (DCP) Analysis

	1Q09*	2Q09*	3Q09*	4Q09*	1Q10*	2Q10*	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	Average	Y/Y	Q/Q
Aetna	41.6	41.2	43.8	43.8	46.9	43.2	43.2	42.3	44.9	43.6	43.2	44.0	53.5	1.7	0.8
AMERIGROUP	50.0	46.0	45.0	42.0	43.0	41.0	40.0	39.0	39.0	37.0	37.0	38.0	52.6	(1.0)	1.0
Centene	45.3	47.5	48.9	50.1	47.7	48.2	47.1	45.6	44.4	44.4	44.6	45.3	50.3	(0.3)	0.7
Coventry	48.5	48.4	50.4	49.5	54.1	55.5	51.7	48.6	50.4	50.5	50.5	50.5	57.3	1.8	(0.1)
Health Net	43.9	43.1	41	34.2	40.5	39.3	39.0	41.3	35.1	36.7	36.1	37.9	46.9	(3.4)	1.8
Humana	54.6	56.1	56.2	55.4	57.0	57.1	57.9	53.6	55.5	56.0	54.2	52.5	52.9	(1.1)	(1.7)
Molina	51	47	45	44.0	44.0	44.0	42.0	42.0	41.0	39.0	39.0	40.0	50.7	(2.0)	1.0
UnitedHealth	50	53	53	52.0	48.0	50.0	49.0	49.0	46.0	47.0	47.0	48.0	58.7	(1.0)	1.0
WellCare	51	52	56	53.0	55.0	51.0	55.0	62.0	57.0	56.0	58.0	55.0	53.5	(7.0)	(3.0)
WellPoint (a)	47.3	45.4	45.9	47.8	43.4	42.1	40.7	39.3	40.6	40.8	41.6	40.6	49.7	1.3	(1.0)
Average	47.2	46.9	47.3	46.1	46.2	45.8	45.0	45.2	44.3	44.3	44.3	45.2	51.9	(0.1)	0.9

(a) DCP reported for legacy Anthem was 47.2 in 3Q04. DCP reported for combined WellPoint and WellChoice was 47.0 in 4Q05

* Represents Restated numbers for MOH, 2Q09 and 3Q09 represents BarCap Estimates.

Commercial Avg.	46.0	46.2	46.5	45.4	45.6	45.6	44.4	44.2	43.6	44.4	44.1	45.6	51.8	1.4	1.5
Medicaid Avg.	49.3	48.1	48.7	47.3	47.4	46.1	46.0	47.2	45.4	44.1	44.7	44.6	51.8	(2.6)	(0.1)



Reserve levels have come down across our coverage universe, which gives the health insurers a smaller cushion against potential adverse deviations in the coming year

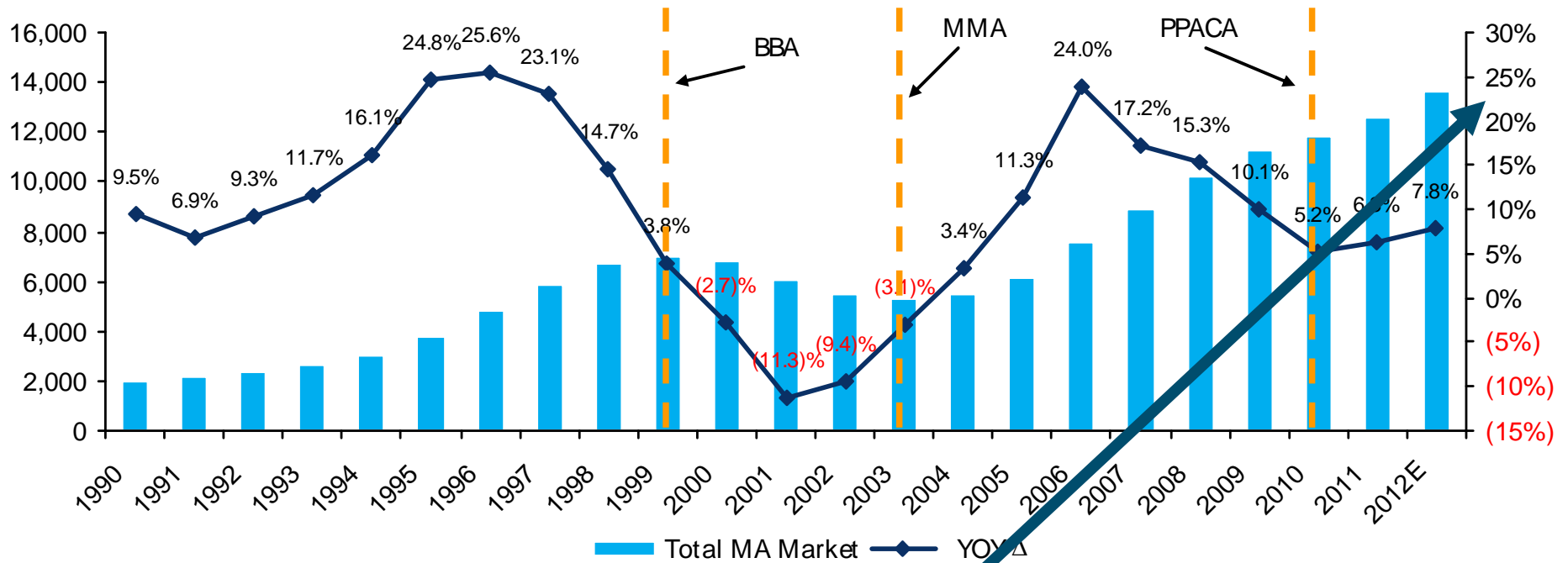
Source: Company Documents and Barclays Research

Medicare Managed Care 2012 Outlook

Regulation is the Most Obvious Driver of Participation

MA membership dwindles post 1997, before reaccelerating after MMA in 2003

Total Medicare Market Enrollment and Growth



Source: CMS, Company Documents and Barclays Research

“We never really grow up, we only learn how to act in public.”

Market Share Aggregation Will Continue in the Future

Top 15 Market Share in Medicare Advantage Plans

Dec-06	Members	Mkt Share	Dec-08	Members	Mkt Share	Dec-10	Members	Mkt Share	Dec-11	Members	Mkt Share
UnitedHealth	1,482,004	13.2%	UnitedHealth	1,538,699	13.7%	UnitedHealth	2,149,605	18.3%	UnitedHealth	2,332,986	18.6%
Humana	1,007,362	8.9%	Humana	1,436,467	12.8%	Humana	1,763,312	15.0%	Humana	1,941,852	15.5%
Kaiser	888,243	7.9%	Kaiser	904,130	8.0%	Kaiser	998,487	8.5%	Kaiser	1,054,002	8.4%
WellPoint	281,309	2.5%	WellPoint	469,448	4.2%	WellPoint	488,579	4.2%	Wellpoint	655,913	5.2%
Highmark	244,569	2.2%	Coventry	379,568	3.4%	Aetna	436,127	3.7%	Aetna	397,993	3.2%
Aveta	201,081	1.8%	Aetna	365,085	3.2%	Highmark	313,827	2.7%	HealthSpring	346,554	2.8%
Health Net	195,777	1.7%	Health Net	293,721	2.6%	HealthSpring	304,360	2.6%	Highmark	332,019	2.6%
Independence	179,627	1.6%	Highmark	290,959	2.6%	Universal American	288,729	2.5%	BCBS MI	260,954	2.1%
EmblemHealth	126,624	1.1%	BCBS MI	281,979	2.5%	Coventry	224,371	1.9%	Coventry	221,502	1.8%
Aetna	121,588	1.1%	WellCare	245,076	2.2%	Health Net	221,925	1.9%	Aveta	206,273	1.6%
HealthSpring	113,331	1.0%	Univ. Amer.	242,038	2.1%	Aveta	184,439	1.6%	Health Net	204,570	1.6%
SCAN	90,894	0.8%	Aveta	174,917	1.6%	EmblemHealth	169,517	1.4%	EmblemHealth	170,372	1.4%
WellCare	89,221	0.8%	HealthSpring	161,459	1.4%	CIGNA	145,655	1.2%	Universal American	159,195	1.3%
Coventry	79,435	0.7%	Independence	150,856	1.3%	Medical Card System	124,738	1.1%	WellCare	134,302	1.1%
Regence	75,096	0.7%	EmblemHealth	148,657	1.3%	SCAN Health Plan	124,671	1.1%	Medica	128,375	1.0%
Top 5	3,903,487	34.7%		4,728,312	42.0%		5,836,110	49.7%		6,382,746	50.8%
Top 10	4,728,184	42.0%		6,205,132	55.1%		7,189,322	61.2%		7,750,048	61.7%
Top 15	5,176,161	46.0%		7,083,059	62.9%		7,938,342	67.6%		8,546,862	68.0%

MA and PDP Penetration by Product: Barclays Research Covered Company Totals

Penetration	Dec-09	Dec-10	Sep-11	Oct-11	Nov-11	Dec-11	Change		% of Growth	
							M/ M	Y/ Y	M/ M	YTD
HMO	43.51%	44.52%	46.03%	46.01%	46.02%	46.04%	1 bp	152 bp	49.2%	66.2%
Local PPO	45.68%	54.95%	57.09%	56.99%	56.96%	57.01%	5 bp	206 bp	66.1%	60.2%
Regional PPO	81.71%	85.61%	85.79%	85.72%	85.65%	85.51%	-14 bp	-10 bp	66.0%	85.2%
PFFS	77.05%	80.32%	77.76%	77.67%	77.54%	77.49%	-6 bp	-283 bp	99.1%	81.9%
MSA	88.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0 bp	0 bp	0.0%	0.0%
Other	2.07%	1.99%	2.13%	2.16%	2.19%	2.22%	3 bp	23 bp	7.8%	14.6%
Total MA	50.87%	51.96%	51.44%	51.41%	51.42%	51.42%	0 bp	-54 bp	52.2%	42.5%
PDP	74.11%	76.68%	65.88%	65.93%	65.96%	65.99%	4 bp	-1069 bp	96.9%	-135.2%
Total	65.02%	66.82%	60.12%	60.12%	60.14%	60.15%	1 bp	-666 bp		-58.7%

Source: CMS, Barclays Research

Market Share Aggregation Will Continue in the Future

Top 15 Market Share in PDP Plans Over Time

Dec-06	Members	Mkt Share	Dec-08	Members	Mkt Share	Dec-10	Members	Mkt Share	Dec-11	Members	Mkt Share
UnitedHealth	4,505,358	27.0%	UnitedHealth	4,090,073	23.4%	UnitedHealth	4,543,634	25.4%	UnitedHealth	4,865,167	25.8%
Humana	3,554,455	21.3%	Humana	3,084,398	17.6%	Univ. Amer.	1,914,003	10.7%	CVS Caremark	3,424,160	18.1%
Wellpoint	1,138,643	6.8%	Univ. Amer.	1,835,087	10.5%	Humana	1,678,970	9.4%	Humana	2,537,054	13.4%
MemberHealth	988,974	5.9%	Wellpoint	1,392,424	8.0%	Coventry	1,636,103	9.1%	Coventry	1,146,239	6.1%
WellCare	923,837	5.5%	WellCare	986,028	5.6%	CVS Caremark	1,205,714	6.7%	WellCare	981,880	5.2%
Coventry	689,243	4.1%	Coventry	925,548	5.3%	Wellpoint	869,358	4.9%	HealthSpring	853,618	4.5%
Medco	433,930	2.6%	CVS Caremark	575,868	3.3%	WellCare	767,781	4.3%	Wellpoint	724,112	3.8%
Univ. Amer.	432,196	2.6%	Health Net	540,698	3.1%	Medco	750,548	4.2%	Medco	711,773	3.8%
CVS Caremark	418,800	2.5%	Longs	473,886	2.7%	HealthSpring	726,795	4.1%	Cigna	540,826	2.9%
Wellmark	341,876	2.0%	Medco	430,153	2.5%	Aetna	611,605	3.4%	Aetna Inc.	428,849	2.3%
HCSC	317,674	1.9%	Aetna	374,691	2.1%	Cigna	562,096	3.1%	Express Scripts	394,644	2.1%
Aetna	309,238	1.9%	HCSC	329,084	1.9%	Health Net	437,276	2.4%	Health Net	382,311	2.0%
Health Net	296,470	1.8%	Cigna	326,782	1.9%	HCSC	319,358	1.8%	BCBSMN, MT, NE, etc.	291,412	1.5%
Longs	213,741	1.3%	Wellmark	319,267	1.8%	BCBSMN, MT, NE, etc.	297,529	1.7%	HCSC	287,326	1.5%
AmeriHealth	209,460	1.3%	HealthSpring	282,429	1.6%	EmblemHealth	162,231	0.9%	Envision	137,628	0.7%
Top 5	11,111,267	66.6%		11,388,010	65.1%		10,978,424	61.4%		12,954,500	68.6%
Top 10	13,427,312	80.4%		14,334,163	82.0%		14,704,511	82.2%		16,213,678	85.9%
Top 15	14,773,895	88.5%		15,966,416	91.3%		16,483,001	92.2%		17,706,999	93.8%

Top 15 plan market share has grown 530 bps over 4 years, to 93.8%!

Source: CMS, Barclays Research

Market Share Aggregation

2011 was one of the more active years we've seen

Announced	Target	Purchaser	Consideration*	Members	Price/ Mem
2/ 28/ 2012	Preferred Care Partners	UnitedHealth	N/ A	50,584	N/ A
2/ 28/ 2012	Medica Healthcare Plans	UnitedHealth	N/ A	34,933	N/ A
11/ 22/ 2011	XL Health	UnitedHealth	\$1,750.0	110,081	\$15,897
10/ 24/ 2011	HealthSpring	Cigna	\$3,748.0	429,778	\$8,721
9/ 23/ 2011	MD Care	Humana	N/ A	15,000	N/ A
8/ 25/ 2011	Arcadian Management Services	Humana	\$150.0	64,000	\$2,344
6/ 8/ 2011	CareMore	WellPoint	\$800.0	54,646	\$14,640
3/ 15/ 2011	WellMed Medical Management	UnitedHealth	\$30.0	29,000	\$1,034
1/ 25/ 2011	American Health	Triple S	\$82.0	40,000	\$2,050
10/ 26/ 2010	Windsor Health	Munich Re	\$125.0	37,210	\$3,359
8/ 27/ 2010	Bravo Health	HealthSpring	\$545.0	133,334	\$4,087
8/ 4/ 2008	Cariten Healthcare	Humana	\$252.0	46,900	\$5,373
6/ 30/ 2008	Metcare	Humana	\$14.9	7,000	\$2,129
3/ 2/ 2008	OSF Health Plans	Humana	\$82.9	14,000	\$5,921
2/ 25/ 2008	Sierra Medicare	Humana	\$185.0	25,000	\$7,400
8/ 9/ 2007	Leon Medical Centers Health Plans	HealthSpring	\$407.0	25,700	\$15,837
5/ 30/ 2006	America's Health Choice	HealthSpring	\$50.0	13,000	\$3,846
5/ 12/ 2006	PMC Medicare	Aveta	\$250.0	55,000	\$4,545
7/ 6/ 2005	PacifiCare	UnitedHealth	\$8,100.0	3,500,000	\$2,314
12/ 14/ 2004	CarePlus	Humana	\$440.0	50,000	\$8,800
5/ 9/ 2004	SelectCare	Universal American	\$90.0	15,000	\$6,000
12/ 19/ 2003	Ochsner	Humana	\$131.3	185,700	\$707
Average					\$5,506
Average Ex "Outliers"					\$4,778

*In millions

Source: Company Documents and Barclays Research

Medicaid Managed Care 2012 Outlook

Medicaid Managed Care Positives

On the positive side for the segment, we note:

Positives

- 1) While we believe healthcare reform, in general, is onerous for managed care, there is clearly an enormous membership growth opportunity in Medicaid as a result of the law.
- 2) We expect a strong pipeline of Medicaid managed care expansions and reprocurements, driven by continually challenged state budgets.
- 3) New Medicaid managed care contract sizes for ABD and SSI populations will be much larger on a PMPM basis than TANF contracts, and will add significantly to the top line of managed care companies.
- 4) With state budgets under pressure in 2011 and beyond, state governors will increasingly look to move Medicaid enrollment over to managed care contracts.
- 5) In addition to state budget pressures, a shift in political winds from the midterm election will benefit the managed care companies.
- 6) In our opinion, one of the biggest opportunities in managed care over the next decade is the expansion of coverage to the estimated nine million dual eligibles in the country.
- 7) Putting all of the opportunities together, we believe that the valuations for the group are somewhere between slightly and particularly attractive.
- 8) While we admit the potential for short term pullbacks, particularly the risk of quarterly earnings shortfalls, we note that these events will not change our thesis, nor have the stocks historically suffered for long periods of time.

Healthcare Reform Impact Positive for Medicaid

Significant top line opportunity brought on by eligibility rule change

Government estimates call for roughly 25 million total new Medicaid beneficiaries from 2011 - 2014

	2009	2010E	2011E	2013E	2014E	2018E	2019E
Enrollment After PPACA (Sept. 2010 Projections), Millions							
Medicare	45.9	46.8	47.9	50.9	52.4	58.8	60.5
Medicaid/ CHIP	51.8	60.4	61.8	63.4	85.2	81.6	82.2
Other public	11.8	12.5	12.8	13.1	13.4	14.8	15.1
Employer-sponsored private health insurance	166.6	162.1	160.8	164.8	168.0	164.2	165.1
Other private health insurance ^a	26.6	27.1	26.3	25.9	14.3	11.9	11.4
Exchanges	0.0 ^b	0.0 ^b	0.0 ^b	0.0 ^b	15.8	30.4	30.6
Uninsured	44.3	49.7	52.0	49.9	25.5	23.9	24.4
Insured share of USpopulation ^c (%)	85.6	84.0	83.4	84.3	92.1	92.8	92.7
Enrollment Under Prior Law (Feb. 2010 Projections), Millions							
Medicare	45.9	46.8	47.9	50.9	52.4	58.8	60.5
Medicaid/ CHIP	51.8	60.4	61.8	63.4	61.9	61.4	61.9
Other public	11.8	12.1	12.4	13.1	13.4	14.8	15.1
Employer-sponsored private health insurance	166.4	160.5	159.5	163.3	165.1	165.3	165.2
Other private health insurance ^a	26.6	27.1	26.9	26.5	26.5	26.7	26.7
Uninsured	44.5	51.7	53.2	50.9	51.1	55.6	56.9
Insured share of USpopulation ^c (%)	85.5	83.3	83.0	84.0	84.1	83.2	83.0

Source: CMS, Office of the Actuary, National Health Statistics Group

a) In the prior-law baseline, "Other Private health insurance" includes private Medicare supplemental coverage and individual coverage. In current-law estimates, it includes only those with Medicare supplemental coverage.

b) Exchange plans will not be available until 2014

c) Calculated as a proportion of total US population, including unauthorized immigrants

Our Companies Benefitting from RFPs

We estimate that our covered companies added approximately \$9 billion in incremental run-rate revenues from 7 state contracts, and expect a healthy pipeline in 2012

Medicaid RFP Scoreboard						
State/ Winner	Contract Type	Incremental Impact (run-rate basis)				% of Total Run-Rate EPS
		Enrollment	Revenue (mm)	Pretax Income	EPS	
Arizona	Reprocurement	11,442	\$453.1	\$18.1		
Aetna		984	\$39.0	\$1.6	\$0.00	0.0%
Centene		3,342	\$132.3	\$5.3	\$0.06	2.2%
UnitedHealth		7,116	\$281.8	\$11.3	\$0.01	0.2%
Kentucky	Expansion	546,858	\$2,453.5	\$74.4		
Centene		182,286	\$817.8	\$25.4	\$0.30	11.1%
Coventry		182,286	\$817.8	\$24.5	\$0.11	3.6%
WellCare		182,286	\$817.8	\$24.5	\$0.35	9.0%
Louisiana	Expansion	889,829	\$1,835.2	\$73.4		
AMERIGROUP		177,966	\$367.0	\$14.7	\$0.16	4.3%
Centene		177,966	\$367.0	\$14.7	\$0.17	6.3%
UnitedHealth		177,966	\$30.1	\$4.5	\$0.01	0.2%
Texas	Expansion & Reprocurement	2,924,122	\$5,000.0	\$200.0		
AMERIGROUP		73,411	\$970.5	\$33.8	\$0.40	10.5%
Centene		107,973	\$1,267.0	\$46.4	\$0.54	20.0%
Molina		76,972	\$834.0	\$31.8	\$0.42	24.3%
HealthSpring		31,235	\$405.4	\$16.0	\$0.15	3.2%
UnitedHealth		35,103	\$369.0	\$13.8	\$0.01	0.2%
Nebraska	Expansion	60,000	\$400.0	\$16.0		
Coventry		30,000	\$200.0	\$8.0	\$0.08	2.6%
Washington	Expansion & Reprocurement	120,000	\$1,008.0	\$40.3		
AMERIGROUP		67,000	\$329.4	\$9.9	\$0.13	3.0%
Centene		67,000	\$329.4	\$9.9	\$0.11	3.6%
Molina		35,100	\$271.1	\$8.1	\$0.11	5.6%
UnitedHealth		67,000	\$329.4	\$9.9	\$0.01	0.1%
Missouri	Reprocurement	425,000	\$1,100.0	\$33.0		
Aetna		16,100	\$42.5	\$1.3	\$0.00	0.0%
Centene		81,300	\$214.6	\$6.4	\$0.07	2.3%
Coventry		28,000	\$74.0	\$2.2	\$0.01	0.3%
Total		1,682,991	\$8,976.0	\$314.0		

Source: Company Documents and Barclays Research

State Budgets Improving, But Still Under Pressure

We believe a primary driver of the increased Medicaid managed care adoption is challenged state budgets

(\$ in millions)

	Projected		Projected		
	2012 Shortfall	% of Budget	2012 Shortfall	% of Budget	
Alabama	\$979	13.4%	Nebraska	\$166	4.8%
Arizona	\$1,500	17.0%	Nevada	\$1,200	37.4%
California	\$23,000	27.2%	New Hampshire	\$250	18.4%
Colorado	\$450	6.2%	New Jersey	\$10,500	36.0%
Connecticut	\$2,900	14.7%	New Mexico	\$450	8.3%
District of Columbia	\$322	5.1%	New York	\$10,000	17.6%
Florida	\$3,700	11.5%	North Carolina	\$2,400	12.1%
Georgia	\$1,300	7.6%	Ohio	\$3,000	11.1%
Hawaii	\$540	9.8%	Oklahoma	\$500	9.0%
Idaho	\$92	3.6%	Oregon	\$1,700	25.5%
Illinois	\$5,300	16.0%	Pennsylvania	\$3,700	13.4%
Iowa	\$149	2.4%	Rhode Island	\$219	6.9%
Kansas	\$492	8.1%	South Carolina	\$630	11.5%
Kentucky	\$780	8.3%	South Dakota	\$127	11.0%
Louisiana	\$1,600	19.4%	Tennessee	N/A	N/A
Maine	\$422	13.8%	Texas	\$9,000	20.5%
Maryland	\$1,400	9.5%	Utah	\$390	8.0%
Massachusetts	\$1,800	5.6%	Vermont	\$176	14.3%
Michigan	\$767	3.6%	Virginia	\$2,000	12.3%
Minnesota	\$3,800	20.3%	Washington	\$2,500	15.3%
Mississippi	\$634	13.8%	Wisconsin	\$1,600	11.5%
Missouri	\$704	8.9%			
States Total	\$103,139	15.9%			

Source: cbpp.org

Dual Eligibles Provide Longer-Term Catalyst

We estimate roughly \$121 billion in revenue (across 22 states) is “actionable” for our coverage universe

State	Implementation Date	Duals	Total Incremental Rev (1,000's)	Visibility	Est. Revenue (\$1,000's)								
					AET	AGP	CNC	CVH	HNT	MOH	UNH	WCG	WLP
Arizona	Jan 2013	19,000	\$278,000	High	\$76,172	\$0	\$18,348	\$0	\$0	\$0	\$26,688	\$0	\$0
California	Jan 2013	800,000	\$14,000,000	High	\$0	\$0	\$0	\$0	\$2,578,297	\$773,268	\$0	\$0	\$1,691,655
Delaware	Apr 2012	10,000	\$208,333	High	\$104,167	\$0	\$0	\$0	\$0	\$0	\$104,167	\$0	\$0
Hawaii	2013	28,476	\$829,751	High	\$0	\$0	\$0	\$0	\$0	\$0	\$479,412	\$350,339	\$0
Massachusetts	Jan 2013	115,000	\$3,850,000	High	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Michigan	Jan 2013	221,000	\$7,888,524	High	\$0	\$0	\$0	\$299,764	\$0	\$1,341,049	\$1,554,039	\$0	\$0
New York	Oct 2012	710,000	\$27,848,588	High	\$0	\$974,701	\$0	\$0	\$0	\$0	\$278,486	\$1,253,186	\$0
South Carolina	2012/ 2013	45,000	\$1,044,224	High	\$0	\$0	\$138,882	\$0	\$0	\$0	\$128,440	\$0	\$0
Tennessee	2012/ 2013	137,000	\$2,900,000	High	\$0	\$443,700	\$0	\$0	\$0	\$0	\$1,380,400	\$0	\$0
Illinois	2013	274,178	\$6,011,689	Medium	\$3,306,429	\$0	\$2,705,260	\$0	\$0	\$0	\$0	\$0	\$0
Kentucky	TBD	84,000	\$2,721,121	Medium	\$0	\$0	\$897,970	\$897,970	\$0	\$0	\$0	\$897,970	\$0
New Mexico	TBD	48,000	\$480,000	Medium	\$0	\$240,000	\$0	\$0	\$0	\$0	\$240,000	\$0	\$0
Ohio	2013	187,714	\$6,757,704	Medium	\$0	\$0	\$1,025,464	\$0	\$0	\$1,554,668	\$772,662	\$0	\$0
Texas	Jan 2013	562,419	\$13,264,145	Medium	\$0	\$3,853,131	\$3,113,536	\$0	\$0	\$3,469,172	\$1,762,614	\$0	\$0
Washington	Jan 2013	25,000	\$830,297	Medium	\$0	\$166,059	\$166,059	\$0	\$0	\$166,059	\$166,059	\$0	\$0
Wisconsin	July 2012	20,000	\$813,055	Medium	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Florida	Oct 2013	550,000	\$12,901,313	Low	\$0	\$2,025,506	\$2,167,421	\$490,250	\$0	\$761,177	\$1,315,934	\$3,870,394	\$0
Indiana	TBD	130,869	\$4,300,486	Low	\$0	\$0	\$1,268,643	\$0	\$0	\$0	\$0	\$0	\$1,204,136
Kansas	TBD	53,996	\$1,836,588	Low	\$0	\$0	\$0	\$1,224,392	\$0	\$0	\$0	\$0	\$612,196
Maryland	12 - 24 months	96,000	\$1,802,198	Low	\$0	\$503,407	\$0	\$26,001	\$0	\$0	\$344,834	\$0	\$0
Pennsylvania	Early 2013	390,000	\$10,830,840	Low	\$303,264	\$0	\$0	\$86,647	\$0	\$0	\$1,505,487	\$0	\$0
Virginia	2012/ 2013	17,000	\$550,000	Low	\$0	\$41,250	\$0	\$25,850	\$0	\$0	\$0	\$0	\$233,200
Total High Opps		2,085,476	\$58,847,421		\$180,339	\$1,418,401	\$157,230	\$299,764	\$2,578,297	\$2,114,317	\$3,951,631	\$1,603,526	\$1,691,655
Total Medium Opps		1,201,311	\$30,878,011		\$3,306,429	\$4,259,190	\$7,908,290	\$897,970	\$0	\$5,189,899	\$2,941,336	\$897,970	\$0
Total Low Opps		1,237,865	\$32,221,425		\$303,264	\$2,570,163	\$3,436,064	\$1,853,140	\$0	\$761,177	\$3,166,255	\$3,870,394	\$2,049,532
Total		4,524,652	\$121,946,857		\$3,790,031	\$8,247,754	\$11,501,584	\$3,050,874	\$2,578,297	\$8,065,393	\$10,059,221	\$6,371,890	\$3,741,187

Source: Company Documents, Kaiser Family Foundation, Barclays Research



Medicaid Managed Care Risks

We are concerned about certain areas within the segment :

Risks

- 1) State budget pressures could impact reimbursement levels moving forward.
- 2) Any threats to repeal the core of health reform (which we view as ultimately unsuccessful) would materially impact the projected Medicaid expansion in 2014.
- 3) Medicaid managed care margins are slim, and volatility in medical costs could materially impact earnings forecasts.
- 4) An uptick in H1N1 or similar type of outbreak would impact cost trends for Medicaid more than any other health program.
- 5) If the employment picture improves, Medicaid membership could decline.

An Update on Health Reform

Health Reform

“Life all comes down to a few moments.

This is one of them. ”

- Bud Fox in Wall Street

2011: The Current State of the Industry

US Population Membership by Segment Estimates 2011

<i>Barclays Capital Estimates by Health Status</i>		
	December 2011	% of Total
Medicare Total	49,000,000	15.7%
<i>Medicare Advantage</i>	12,600,000	4.0%
<i>Medicare FFS</i>	36,400,000	11.6%
Medicaid Total	56,500,000	18.0%
<i>Medicaid Managed Care</i>	29,637,000	9.5%
<i>Medicaid FFS</i>	26,863,000	8.6%
Less: Dual Eligibles overlap	(9,000,000)	-2.9%
Commercial	161,500,000	51.6%
<i>Commercial Risk</i>	67,500,000	21.6%
<i>Employer ASO</i>	94,000,000	30.0%
TRICARE	6,039,305	1.9%
Uninsured	49,000,000	15.7%
Total US Population	313,039,305	100.0%

Source: AIS Directory, BLS, CBO, DoD, KFF.org, CMS, GAO, Census, Milliman, and Barclays Capital Estimates

- Just over 50% of Americans are insured through their employer or an individual policy.
- 16% of the Population is Medicare eligible and 18% are Medicaid Eligible
- Another 16% are Uninsured

Total Health Insurance Market, 2011

	Lives	PMPM	Revenues	% of Total	Margin %	Pre-tax Profit	% of Total	After-tax Profit	
Public companies*	Commercial Risk	31,286,504	\$339	\$127,093,818,391	44.7%	6.50%	\$8,261,098,195	43.6%	\$5,121,880,881
	Commercial ASO	60,470,425	\$25	\$18,243,615,621	6.4%	15.59%	\$2,844,855,509	15.0%	\$1,763,810,416
	Medicare Advantage	6,186,216	\$967	\$71,813,952,867	25.2%	6.75%	\$4,847,441,819	25.6%	\$3,005,413,927
	Medicare Part D	12,970,197	\$85	\$13,259,282,021	4.7%	5.00%	\$662,964,101	3.5%	\$411,037,743
	Medicare Supplement	3,916,500	\$151	\$7,106,426,830	2.5%	8.00%	\$568,514,146	3.0%	\$352,478,771
	Medicaid	15,814,041	\$220	\$41,734,218,568	14.7%	3.75%	\$1,565,033,196	8.3%	\$970,320,582
	TRICARE	6,039,305	\$72	\$5,222,488,329	1.8%	4.00%	\$208,899,533	1.1%	\$129,517,711
	Subtotal	136,683,188		\$284,473,802,627	100.0%	6.66%	\$18,958,806,500	100.0%	\$11,754,460,030
Other Plans	Commercial Risk	36,213,496	\$355	\$154,269,492,960	51.8%	3.50%	\$5,399,432,254	45.3%	
	Commercial ASO	33,529,575	\$30	\$12,070,647,000	4.1%	10.00%	\$1,207,064,700	10.1%	
	Medicare Advantage	6,413,784	\$967	\$74,425,552,356	25.0%	4.50%	\$3,349,149,856	28.1%	
	Medicare Part D	5,929,803	\$85	\$6,048,398,913	2.0%	3.00%	\$181,451,967	1.5%	
	Medicare Supplement	5,883,500	\$175	\$14,649,573,170	4.9%	6.00%	\$878,974,390	7.4%	
	Medicaid	13,822,959	\$220	\$36,492,611,760	12.2%	2.50%	\$912,315,294	7.6%	
	Subtotal	101,793,117		\$297,956,276,158	100.0%	4.00%	\$11,928,388,461	100.0%	
Total Industry	Commercial Risk	67,500,000	\$347	\$281,363,311,351	48.3%	4.86%	\$13,660,530,449	44.2%	
	Commercial ASO	94,000,000	\$27	\$30,314,262,621	5.2%	13.37%	\$4,051,920,209	13.1%	
	Medicare Advantage	12,600,000	\$967	\$146,239,505,223	25.1%	5.60%	\$8,196,591,675	26.5%	
	Medicare Part D	18,900,000	\$85	\$19,307,680,934	3.3%	4.37%	\$844,416,068	2.7%	
	Medicare Supplement	9,800,000	\$185	\$21,756,000,000	3.7%	6.65%	\$1,447,488,537	4.7%	
	Medicaid	29,637,000	\$220	\$78,226,830,328	13.4%	3.17%	\$2,477,348,490	8.0%	
	TRICARE	6,039,305	\$72	\$5,222,488,329	0.9%	4.00%	\$208,899,533	0.7%	
	Total **	238,476,305		\$582,430,078,785	100.0%	5.30%	\$30,887,194,961	100.0%	\$19,150,060,876
Medicare Fee For Service	36,400,000								
Medicaid Fee For Service	26,863,000								
Less: PDP Overlap	(18,900,000)								
Less: Med Supp Overlap	(9,800,000)								
Less: Duals Overlap	(9,000,000)								
Uninsured	49,000,000								
Total Country	313,039,305								
* - Public companies only include health insurance companies (i.e. not PBM, etc)									
** - After tax profit a hypothetical amount based on industry pretax profits									
Tax Assumption	38%								

Source: AIS Directory, BLS, CBO, DoD, KFF.org, CMS, GAO, Census, Milliman, and Barclays Capital Estimates

Total Health Insurance Market: Forecast 2011 - 2019E

2011 Private Insurance Impact

(\$ millions)	2011EMems	Revenues PMPM	Revenues (\$mm)	Assumed Margin	Pretax \$
Individual Plans	17,250,000	\$225	\$46,575	3.00%	\$1,397
Employer Risk	50,250,000	\$389	\$234,788	5.22%	\$12,263
Employer ASO	94,000,000	\$27	\$30,314	13.37%	\$4,052
Medicare Advantage	12,600,000	\$967	\$146,240	5.60%	\$8,197
Medicare Part D	18,900,000	\$85	\$19,308	4.37%	\$844
Med Supp	9,800,000	\$185	\$21,756	6.65%	\$1,447
Medicaid Mgd Care	29,637,000	\$220	\$78,227	3.17%	\$2,477
TRICARE	6,039,305	\$72	\$5,222	4.00%	\$209
Exchange	0		\$0		\$0
Total	238,476,305		\$582,430	5.30%	\$30,887

2014 Private Insurance Impact

(\$ millions)	2014EMems	Growth vs. 2011	Revenues PMPM	Revenues (\$mm)	Revenue Impact	CAGR	Assumed Margin	Pretax \$	Pretax \$ Change	CAGR
Individual Plans	12,250,000	(5,000,000)	\$272	\$39,953	(\$6,622)	-5.0%	3.00%	\$1,199	(\$199)	-5.0%
Employer Risk	38,278,750	(11,971,250)	\$477	\$219,104	(\$15,685)	-2.3%	4.50%	\$9,860	(\$2,404)	-7.0%
Employer ASO	98,758,750	4,758,750	\$29	\$34,298	\$3,984	4.2%	12.37%	\$4,241	\$189	1.5%
Medicare Advantage	15,345,956	2,745,956	\$1,054	\$194,146	\$47,906	9.9%	4.50%	\$8,737	\$540	2.1%
Medicare Part D	19,856,813	956,813	\$92	\$21,845	\$2,537	4.2%	4.00%	\$874	\$29	1.1%
Med Supp	10,296,125	496,125	\$202	\$24,977	\$3,221	4.7%	6.50%	\$1,623	\$176	3.9%
Medicaid Mgd Care	41,441,863	11,804,863	\$370	\$184,097	\$105,870	33.0%	3.00%	\$5,523	\$3,046	30.6%
TRICARE	6,341,270	301,965	\$78	\$5,905	\$683	4.2%	5.00%	\$295	\$86	12.2%
Exchange	12,122,777	12,122,777	\$350	\$50,916	\$50,916	N/A	2.50%	\$1,273	\$1,273	N/A
Total	254,692,304	16,215,999		\$775,239	\$192,809	10.0%	4.34%	\$33,625	\$2,737	2.9%

2019 Private Insurance Impact

(\$ millions)	2019EMems	Growth vs. 2011	Revenues PMPM	Revenues (\$mm)	Revenue Impact	CAGR	Assumed Margin	Pretax \$	Pretax \$ Change	CAGR
Individual Plans	0	(17,250,000)	N/A	\$0	(\$46,575)	N/A	3.00%	\$0	(\$1,397)	-100.0%
Employer Risk	23,872,670	(26,377,330)	\$685	\$196,171	(\$38,617)	-2.2%	4.00%	\$7,847	(\$1,545)	-5.4%
Employer ASO	120,155,120	26,155,120	\$33	\$47,212	\$16,898	5.7%	10.87%	\$5,130	\$1,836	3.0%
Medicare Advantage	18,438,978	5,838,978	\$1,314	\$290,705	\$144,465	9.0%	4.50%	\$13,082	\$6,501	6.0%
Medicare Part D	22,466,161	3,566,161	\$101	\$27,288	\$7,980	4.4%	3.50%	\$955	\$279	1.6%
Med Supp	10,817,366	521,241	\$234	\$30,421	\$8,665	4.3%	6.25%	\$1,901	\$542	3.5%
Medicaid Mgd Care	48,116,131	18,479,131	\$450	\$260,028	\$181,802	16.2%	3.50%	\$9,101	\$6,363	17.7%
TRICARE	6,658,334	619,029	\$88	\$7,015	\$1,793	3.8%	4.50%	\$316	\$81	5.3%
Exchange	29,162,945	29,162,945	\$539	\$188,457	\$188,457	N/A	2.50%	\$4,711	\$4,711	N/A
Total	279,687,705	40,715,275		\$1,047,298	\$464,868	7.6%	4.11%	\$43,043	\$17,371	4.2%

Source: AIS Directory, BLS, CBO, DoD, KFF.org, CMS, GAO, Census, Milliman, and Barclays Capital Estimates

Industry Projections Caveat

“Confidence is the feeling you have before you understand the situation.”

- P.J. O'Rourke 1993

MLR Minimums: Manageable In the Commercial Segment

MLR regulation stipulates that as of January 1, 2011, benefits expenses must be at least 85% of total premiums collected in commercial (i.e. employer-based) large group plans, and at least 80% of total premiums collected in individual or commercial small group plans, on an adjusted basis.

Reported Income Statement		MLR Worksheet	
Premium Taxes	\$6.00	Gross Premiums	\$300.00
Other Premiums	\$294.00	Premium Taxes	(\$6.00)
Total Gross Premiums	\$300.00	Federal Taxes (ex Invest Inc)	(\$4.08)
Net Invest Income	\$3.00	Net Premiums	\$289.92
Total Revenues	\$303.00	Claims Expense	(\$240.00)
Claims Expenses	(\$240.00)	Quality Improvement	(\$4.50)
MLR	80.0%	Total Medical Costs	(\$244.50)
Quality Improvement	(\$4.50)	MLR	84.3%
Premium Taxes	(\$6.00)	Federal Taxes	\$4.08
Other Admin Costs	(\$37.50)	Other Admin Costs	(\$37.50)
Total G&A	(\$48.00)	Total G&A	(\$33.42)
G&A Ratio	15.8%	G&A Ratio	11.5%
Pretax Earnings	\$15.00	Net Invest Income	\$3.00
Federal Income Taxes (ex Invest Inc.)	(\$4.08)	Pretax Earnings	\$15.00
Federal Income Taxes (on Invest Inc.)	(\$1.02)	Federal Income Taxes	(\$5.10)
State Income Taxes (ex Invest Inc.)	(\$0.72)	State Income Taxes	(\$0.90)
State Income Taxes (on Invest Inc.)	(\$0.18)		
Net Income	\$9.00	Net Income	\$9.00

Source: Barclays Capital Estimates

MLR Minimums: Manageable In the Commercial Segment

The GAO estimates 77% of credible lives covered in 2010 were already in compliance

	Credible Insurers			Already PPACA Compliant			
	# of Insurers	Total Lives Covered	% of Lives Covered	# of Insurers	% of Credible Insurers	Lives Covered	% of Covered Lives
Individual	553	10,131,103	15.0%	238	43%	4,862,929	48%
Small Group	601	17,905,130	27.0%	421	70%	13,607,899	76%
Large Group	642	39,102,236	58.0%	494	77%	33,236,901	85%
Total	1,796	67,138,469	100.0%	1,153	64%	51,707,729	77%

- It is likely that the NAIC definition for the commercial MLR minimum will serve as the base for the Medicare Advantage definition
- MA plans will have an extra three years to understand the definition and plan accordingly
- **MA plans are likely starting a much higher MLR than the commercial plans**
- Broker costs will be more important in MA

Medicare Advantage Medical Loss Ratios

	2010	2011	2012E	2013E	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	Q/Q (bps)	Y/Y (bps)
Aetna	87.3%	84.0%	84.5%	84.8%	87.0%	86.4%	84.9%	91.1%	85.1%	84.6%	81.4%	84.8%	340	(629)
Coventry	82.0%	82.8%	85.2%	85.4%	85.7%	81.2%	77.0%	84.1%	84.2%	82.9%	82.0%	82.3%	30	(180)
Health Net	88.8%	90.3%	90.1%	89.6%	88.2%	88.5%	89.4%	89.4%	89.0%	90.9%	90.7%	90.5%	(15)	113
HealthSpring	79.3%	N/A	N/A	N/A	81.8%	79.9%	78.8%	77.0%	84.4%	81.2%	79.6%	N/A*	N/A	N/A
Humana	81.7%	80.7%	84.0%	84.5%	80.9%	80.3%	81.1%	84.6%	79.1%	79.7%	79.1%	82.6%	342	(202)
WellCare	79.6%	80.8%	82.0%	82.4%	85.3%	80.9%	76.1%	76.0%	87.8%	83.6%	78.0%	74.0%	(402)	(204)
Average	83.2%	83.7%	85.2%	85.3%	84.5%	82.8%	81.7%	83.7%	84.9%	83.8%	81.8%	82.8%	103	(87)
Y/Y Change (bps)	(187)	53	143	17	(188)	(265)	(228)	(32)	43	98	9	(87)		

*Note: HealthSpring was acquired by Cigna in 1Q12

Source: GAO, Company Documents and Barclays Capital Estimates

Annual Insurance Tax

(\$ in billions)

Annual Insurer Fee	
2014E	\$8,000
2015E	\$11,300
2016E	\$11,300
2017E	\$13,900
2018E	\$14,300
2019E	Subsequent year + rate of premium growth

In our opinion, the fee will present the largest problem for Medicaid managed care plans, given that they will struggle to pass the fee to their members.

Additionally, this could present a similar issue for Medicare Advantage plans.

in millions	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	8 Yr. CAGR
Commercial Risk	\$281,363	\$273,722	\$266,288	\$259,057	\$245,043	\$231,788	\$219,250	\$207,390	\$196,171	-4.4%
Medicare Advantage	\$146,240	\$160,726	\$176,647	\$194,146	\$210,471	\$228,170	\$247,356	\$268,156	\$290,705	9.0%
Medicare Part D	\$19,308	\$20,119	\$20,964	\$21,845	\$22,839	\$23,878	\$24,964	\$26,100	\$27,288	4.4%
Medicare Supplement	\$21,756	\$22,781	\$23,853	\$24,977	\$25,982	\$27,027	\$28,114	\$29,245	\$30,421	4.3%
Medicaid	\$78,227	\$104,052	\$138,404	\$184,097	\$197,261	\$211,366	\$226,480	\$242,675	\$260,028	16.2%
Exchange	\$0	\$0	\$0	\$50,916	\$66,149	\$85,940	\$111,653	\$145,058	\$188,457	N/A
Total Premiums	\$546,893	\$581,400	\$626,157	\$735,036	\$767,745	\$808,169	\$857,817	\$918,624	\$993,071	7.7%
YOY Growth		6.3%	7.7%	17.4%	4.4%	5.3%	6.1%	7.1%	8.1%	
Industry Tax				\$8,000	\$11,300	\$11,300	\$13,900	\$14,300	\$15,459	
% of Premiums				1.09%	1.47%	1.40%	1.62%	1.56%	1.56%	

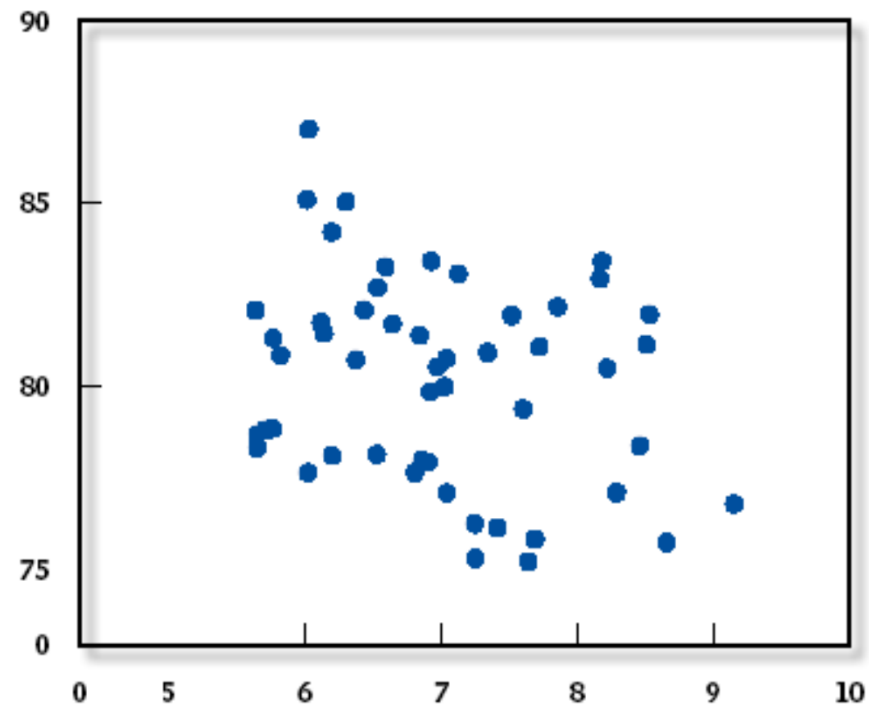
We estimate that the first year of the fee, 2014, the industry tax will be 1.09% of total premiums growing to 1.56% in 2019 and beyond.

Source: Patient Protection and Affordable Care Act and Barclays Capital.

There is Another Important Part of the Equation

Quite an Obvious Trend between Cost and Quality

The Relationship Between Quality of Care and Medicare Spending, by State, 2004



Source: CMS

Did That Last Section Matter?

Nov 6, 2012: The Single Most Important Day of the Year

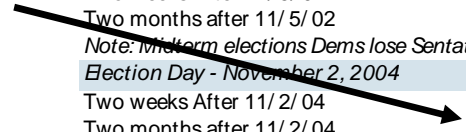
In terms of the impact of the elections on the managed care group, we believe that the 2012 elections carry mitigated risk, and large potential upside.

There are 3 main reasons why we believe that the 2012 elections will be more important than usual:

- 2012 is a Presidential election year.
- There is little current consensus on the outcome of the elections, particularly at the Presidential level.
- There is a lot more riding on this election due to health reform.

Period	Stock Performance				Congress	Election Results						
	HMO	PHS	HUM	S&P 500		Dems Before	Dems After	Change	GOP Before	GOP After	Change	
Election Day - November 3, 1998	HMO	PHS	HUM	S&P 500								
Two weeks After 11/ 3/ 98	-1.2%	-2.6%	-9.6%	2.6%	Senate	45	45	+0	55	55	+0	
Two months after 11/ 3/ 98	5.6%	-3.9%	-10.5%	10.6%	House	206	211	+5	228	223	-5	
<i>Note: Midterm elections with House Dems gaining slightly and managed care stocks noticeably underperform</i>												
Election Day - November 7, 2000	HMO	PHS	HUM	S&P 500								
Two weeks After 11/ 7/ 00	5.4%	33.7%	-5.9%	-5.9%	Senate	46	50	+4	54	50	-4	
Two months after 11/ 7/ 00	9.3%	37.0%	5.9%	-9.5%	House	211	212	+1	223	221	-2	
<i>Note: Presidential elections with Reps taking WH, keeping the House and splitting Senate and managed care stocks noticeably outperform</i>												
Election Day - November 5, 2002	HMO	PHS	HUM	S&P 500								
Two weeks After 11/ 5/ 02	-2.9%	-8.9%	-9.0%	-2.0%	Senate	51	49	-2	49	51	+2	
Two months after 11/ 5/ 02	-1.9%	-6.7%	-14.5%	1.5%	House	212	204	-8	221	229	+8	
<i>Note: Midterm elections Dems lose Senate (and a few House seats) dislodging gridlock with White House and managed care stocks underperform</i>												
Election Day - November 2, 2004	HMO	PHS	HUM	S&P 500								
Two weeks After 11/ 2/ 04	16.3%	40.3%	18.4%	4.0%	Senate	49	45	-4	51	55	+4	
Two months after 11/ 2/ 04	30.1%	69.8%	50.8%	7.2%	House	204	202	-2	229	232	+3	
<i>Note: Presidential elections with Reps keeping WH and House and picking up the Senate and managed care stocks noticeably outperform</i>												
Election Day - November 7, 2006	HMO	HS	HUM	S&P 500								
Two weeks After 11/ 7/ 06	-2.9%	-6.0%	-10.5%	1.4%	Senate	45	51	+6	55	49	-6	
Two months after 11/ 7/ 06	2.8%	-1.8%	-5.7%	2.6%	House	202	233	+31	232	202	-30	
<i>Note: Midterm elections and Dems surge taking back Senate and House and managed care stocks noticeably underperform</i>												
Election Day - November 4, 2008	HMO	HS	HUM	S&P 500								
Two weeks After 11/ 4/ 08	-18.8%	-6.3%	-10.0%	-14.6%	Senate	51	59	+8	49	41	-8	
Two months after 11/ 4/ 08	-19.8%	15.6%	-13.9%	-13.9%	House	236	257	+21	199	178	-21	
<i>Note: Presidential elections with Dems taking WH and growing lead in House and Senate and managed care stocks noticeably underperform</i>												
Election Day - November 2, 2010	HMO	HS	HUM	S&P 500								
Two weeks After 11/ 2/ 10	-1.6%	-3.1%	-5.1%	-1.3%	Senate	59	53	-6	41	47	+6	
Two months after 11/ 2/ 10	2.3%	-5.8%	-9.7%	5.4%	House	256	193	-63	179	242	+63	
<i>Note: Midterm elections, Reps win back House and post strong gains in the Senate, managed care stocks underperform</i>												

This was a very big impact in 2004



Source: FactSet, Barclays Capital.

Nov 6, 2012: The Single Most Important Day of the Year

We base our thoughts on the premise that the PPACA was a particularly onerous piece of legislation as it relates to the health insurance industry.

The common perception of the legislation was that the managed care companies saw the brunt of the negative impacts including: minimum loss ratios, an industry tax, exchanges, minimum benefit levels, restricted underwriting, and many other provisions.

If the Republicans can gain the White House, or take the majority in the Senate, we believe that there are significant potential ramifications.

- **Repeal and Replace Reform:** While we assign this is a low probability, it is certainly possible that Republicans would look to replace the legislation with something less onerous on the managed care industry.
- **Delays in Implementation:** There are opportunities to change the timeline of the implementation through congressional action. We would view delays in the onset of reform as a positive.
- **Administrative Softening: This is the most likely scenario and potentially the most helpful.**
 - ▶ The President appoints the head of HHS and CMS, the agencies with the most power to set the implementation of the PPACA.
 - ▶ Ex: HHS is ultimately responsible for the definition of the minimum MLR and rebates.
 - ▶ It is possible that the administration of MA could see changes as well.

The Supreme Court Decision and Why It Doesn't Matter

We believe that there is a very low likelihood of the Supreme Court delivering a verdict that would be material to the managed care stocks over the long term.

From March 26 – 28, 2012, twenty-six states and the National Federation of Independent Business (NFIB) will present their case to the Supreme Court regarding the constitutionality of health reform.

The justices have allotted time to discuss the individual mandate, the law's Medicaid expansion, severability of the mandate, and whether the Anti-Injunction Act bars a ruling until 2015.

We see four potential outcomes:

Outcome	Probability	Likely LT Stock Reaction
PPACA Overturned	5%-10%	up 20%-30%
Individual Mandate Unconstitutional	20%-30%	down 0%-5%
State Medicaid Funding Unconstitutional	0%-5%	Unchanged
PPACA Confirmed	55%-75%	down 0%-3%
Weighted Average		Unchanged (up 0.3%)

The Supreme Court Decision and Why It Doesn't Matter

Our weighted average estimate for stock reactions to the SCOTUS decision is for a roughly flat move.

We ultimately expect the Supreme Court to issue a ruling in June 2012:

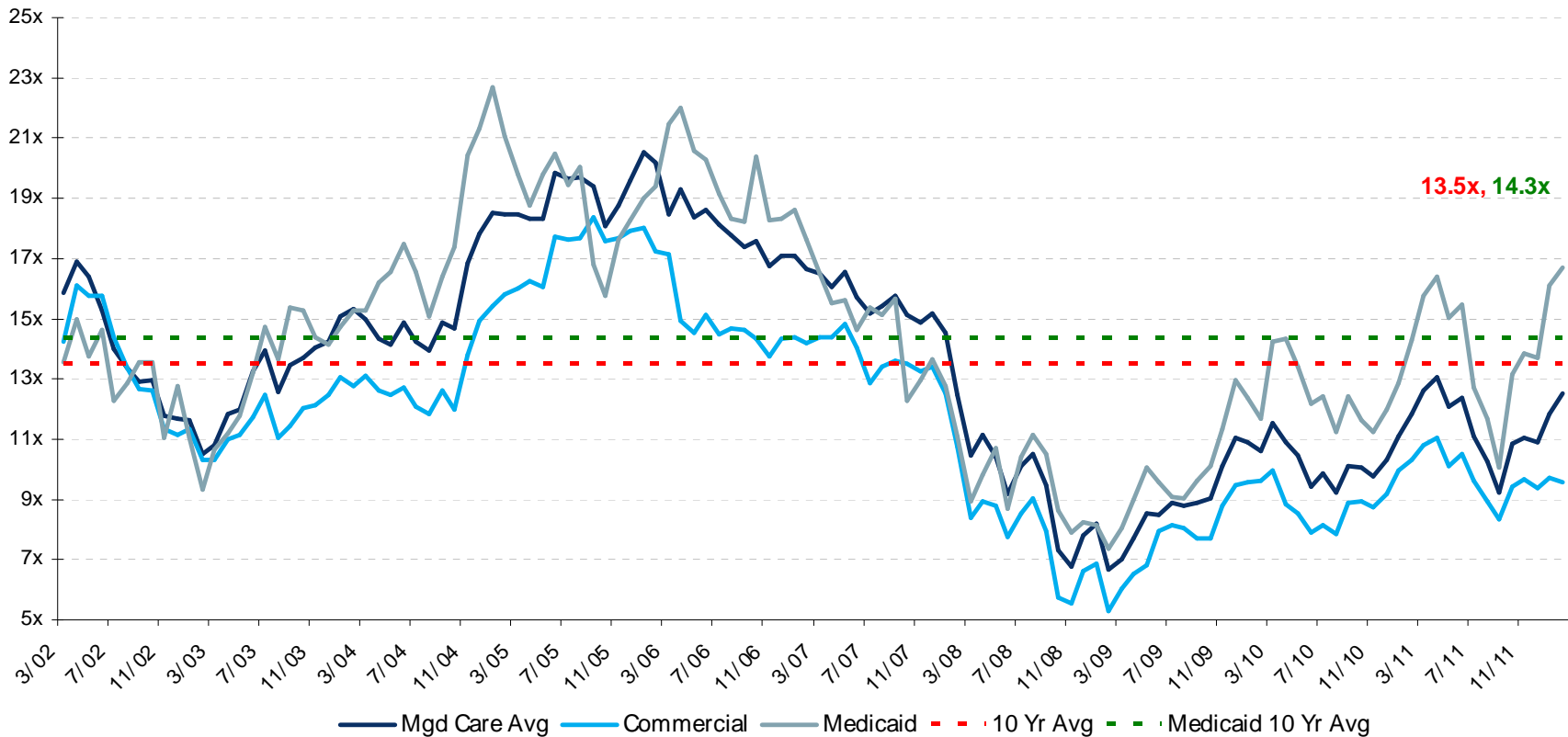
- **Outcome 1: Entire PPACA ruled unconstitutional** **Probability: 5–10%**
 - ▶ The reversal of PPACA, which we believe is unlikely, would provide a significant boost to the profitability of managed care companies.
- **Outcome 2: Individual Mandate ruled unconstitutional** **Probability: 20–30%**
 - ▶ We do not believe that the striking of the most controversial aspect of PPACA would pose a significant concern to the health insurance industry.
- **Outcome 3: Additional State Funding of Medicaid ruled unconstitutional** **Probability: 0–5%**
 - ▶ The elimination of this requirement is likely just a budget issue. We assume the Federal government would be on the hook to fund the 2014 expansion.
- **Outcome 4: PPACA Left Intact** **Probability: 55–75%**
 - ▶ The confirmation of the law appears to be the most likely outcome. While we believe this is the “consensus” call, there could be some disappointment that SCOTUS did not strike down the law, offset by relief that the Court left the individual mandate unchanged.

Valuation Review

Managed Care: Absolute Valuation

The managed care group currently trades at 12.5x forward twelve month (FTM) estimates. This compares to the S&P 500, which is at 13.1x forward twelve month estimates. On a relative basis, the managed care group multiple is currently trading at a 5% discount to the market multiple.

Managed Care 10 Yr. Absolute FTM P/E Multiples

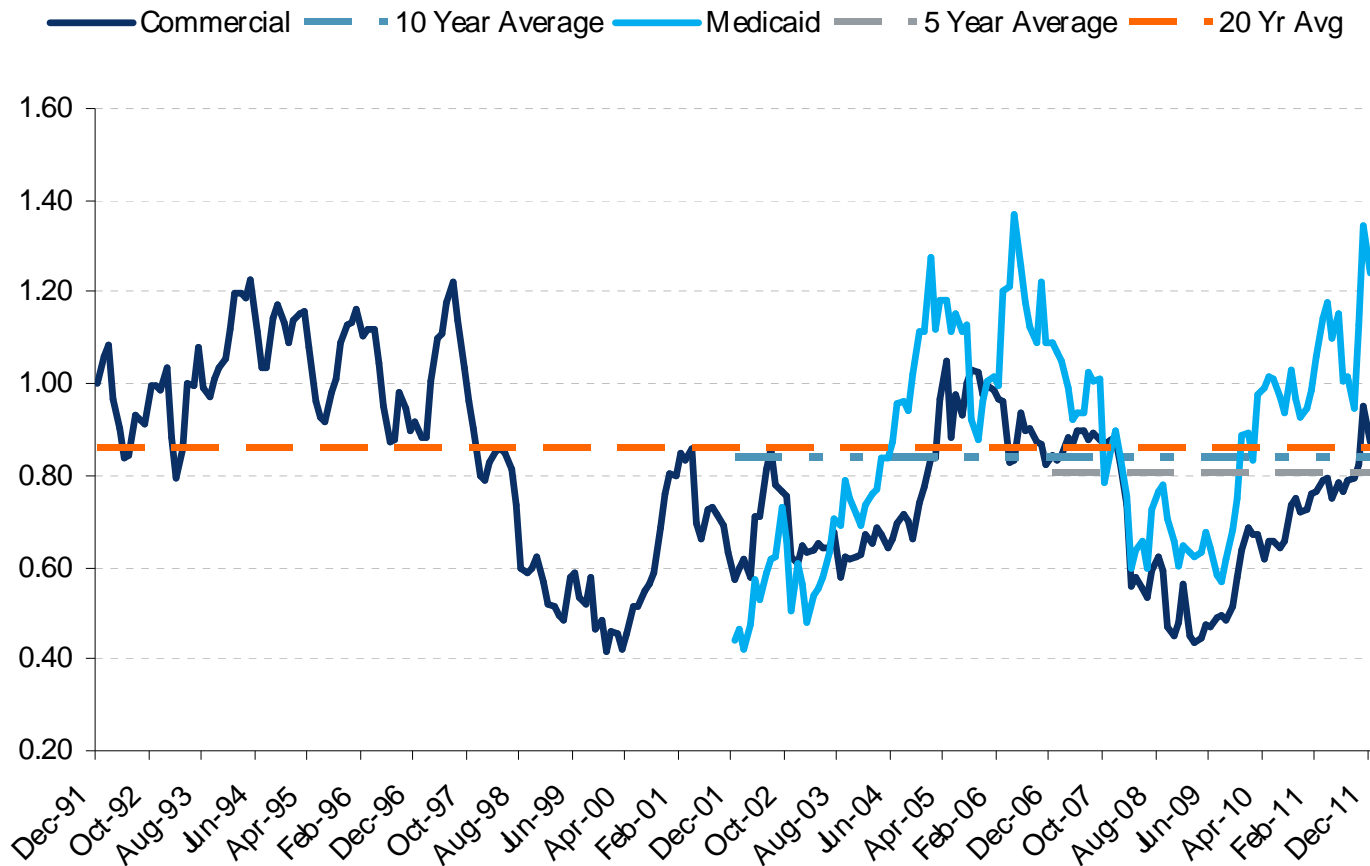


Source: FactSet, Barclays Research

Managed Care: Relative Valuation

On a relative basis, the managed care group multiple is currently trading at a 5% discount to the market multiple.

Managed Care FTM P/E Multiples Relative to S&P 500



Source: FactSet, Barclays Research

Managed Care 2011 & 2012 YTD Performance

Managed Care	Closing Stock Price 3/20/2012	1Q11	2Q11	3Q11	4Q11	2011	1Q12TD
Aetna	\$46.30	22.7%	17.8%	(17.6%)	16.1%	38.3%	9.7%
AMERIGROUP	\$63.95	46.3%	9.7%	(44.6%)	51.4%	34.5%	8.2%
Centene	\$44.76	30.1%	7.7%	(19.3%)	38.1%	56.2%	13.1%
Cigna	\$46.48	20.8%	16.1%	(18.5%)	0.1%	14.6%	10.7%
Coventry	\$33.31	20.7%	14.5%	(21.0%)	5.1%	14.7%	10.0%
Health Net	\$38.43	19.8%	(1.9%)	(26.1%)	28.3%	11.5%	26.3%
HealthSpring	\$55.00	40.9%	23.4%	(20.9%)	49.6%	105.6%	0.8%
Healthways	\$7.72	37.7%	(1.2%)	(35.2%)	(30.2%)	(38.5%)	12.5%
Humana	\$85.34	27.8%	15.2%	(9.7%)	20.5%	60.0%	(2.6%)
Magellan Health	\$46.71	3.8%	11.5%	(11.8%)	2.4%	4.6%	(5.6%)
Molina Healthcare	\$32.27	43.6%	1.7%	(43.1%)	44.6%	20.3%	44.5%
UnitedHealth	\$54.78	25.2%	14.1%	(10.6%)	9.9%	40.3%	8.1%
Universal American	\$10.25	12.0%	8.9%	(3.6%)	11.0%	30.6%	(61.6%)
WellCare	\$66.76	38.8%	22.6%	(26.1%)	38.2%	73.7%	27.2%
WellPoint	\$66.86	22.7%	12.9%	(17.1%)	1.5%	16.5%	0.9%
Average		27.5%	11.5%	(21.7%)	19.1%	32.2%	6.8%
National (AET,CI,UNH,WLP)		22.8%	15.2%	(15.9%)	6.9%	27.4%	7.4%
Regional (CVH,HNT,HUM)		22.8%	9.3%	(18.9%)	17.9%	28.7%	11.3%
Medicaid (AGP,CNC,MOH,WCG)		39.7%	10.4%	(33.3%)	43.1%	46.2%	23.2%
Medicare (HS, HUM,UAM)		26.9%	15.8%	(11.4%)	27.0%	65.4%	(21.1%)
Ancillary (HWAY, MGLN)		20.8%	5.1%	(23.5%)	(13.9%)	(16.9%)	3.5%
S&P500 Index	\$1,405.52	5.4%	(0.4%)	(14.3%)	11.2%	(0.0%)	11.8%
Russell 2000 Index	\$829.24	7.6%	(1.9%)	(22.1%)	15.0%	(5.5%)	11.9%
NASDAQ Composite	\$3,074.15	4.8%	(0.3%)	(12.9%)	7.9%	(1.8%)	18.0%

Managed Care stocks outperformed the market by 22.1% in 1Q11, and 11.9% in 2Q11.

3Q11 performance down 21.7% versus the S&P down 14.3%.

4Q11 rebound, up 19.1% vs 11.2% gain for the S&P.

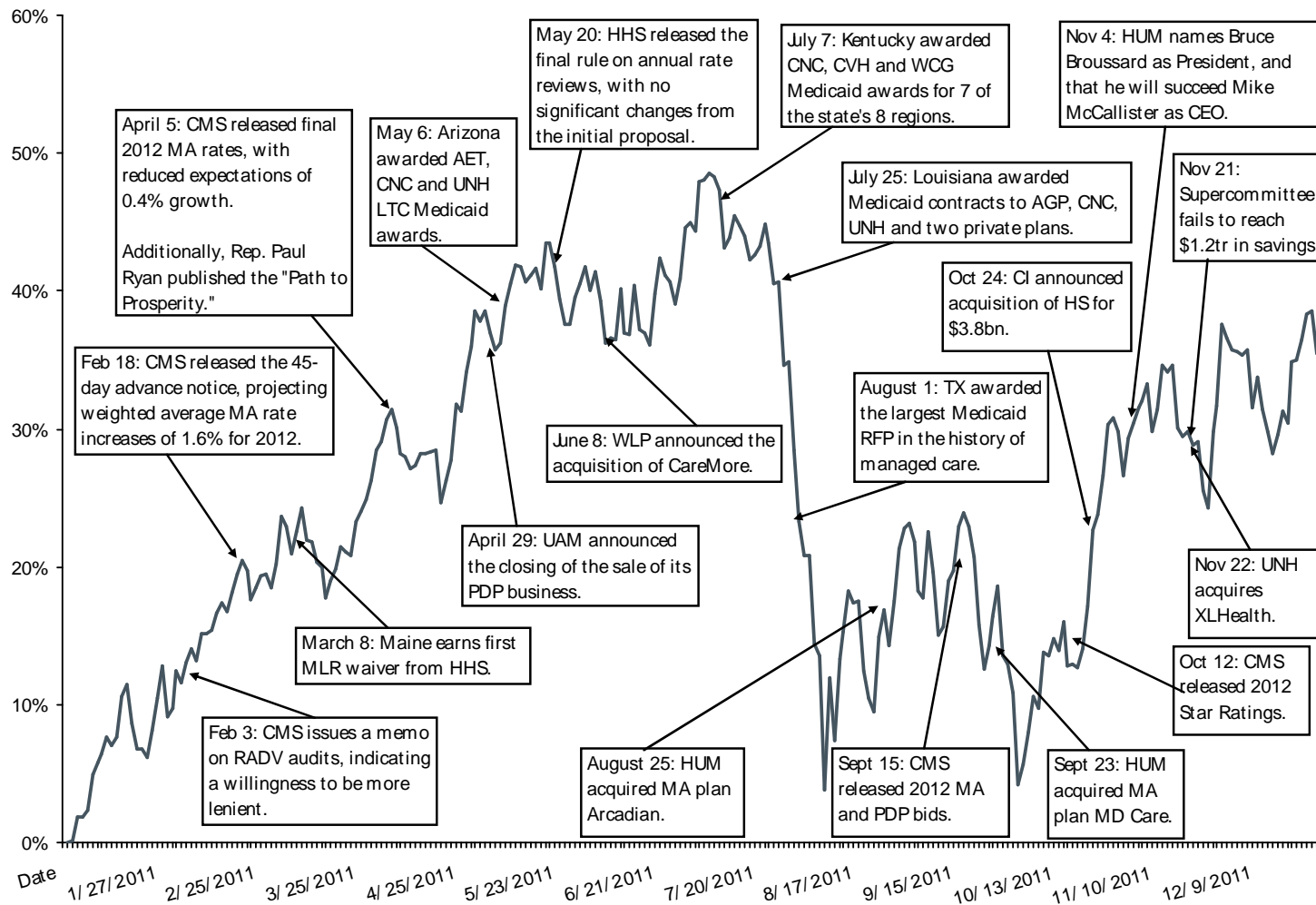
Returns lag S&P in 2012 YTD, though up 6.8% through 3/20/2012.

Source: Barclays Research, FactSet

2011 Managed Care Industry Review

Another Strong Year Amidst Health Reform

2011 Group Price Trend



Source: FactSet, Barclays Capital.

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AMERIGROUP Corp. (AGP, 20-Mar-2012, USD 63.95), 2-Equal Weight/1-Positive

Centene Corp. (CNC, 20-Mar-2012, USD 44.76), 1-Overweight/1-Positive

CIGNA Corp. (CI, 20-Mar-2012, USD 46.48), 2-Equal Weight/1-Positive

Coventry Health Care (CVH, 20-Mar-2012, USD 33.31), 2-Equal Weight/1-Positive

Health Net (HNT, 20-Mar-2012, USD 38.43), 3-Underweight/1-Positive

Healthways Inc. (HWAY, 20-Mar-2012, USD 7.72), 3-Underweight/1-Positive

Humana Inc. (HUM, 20-Mar-2012, USD 85.34), 2-Equal Weight/1-Positive

Magellan Health Services (MGLN, 20-Mar-2012, USD 46.71), 1-Overweight/1-Positive

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WellCare Health Plans (WCG, 20-Mar-2012, USD 66.76), 2-Equal Weight/1-Positive
WellPoint, Inc. (WLP, 20-Mar-2012, USD 66.86), 1-Overweight/1-Positive

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