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Health Net, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Okay. Thank you. (Operator instructions) And we will take our first question from Matthew Borsch from Goldman Sachs.

Matthew Borsch – Goldman Sachs

Yes. Thanks. Good morning. I'm wondering if you can tell us anything more than what you said in your prepared remarks about the process that is underway for the Northeastern Arizona, anything may be on the timing and whether those are being contemplated as potentially going to one, sever or separately? And then the follow up is Jay, you referred to the \$500 million excess capital in the Northeast. I just – I had a conversation with some of your team earlier on this. I just want to clarify my understanding, is that total capital as we are using the term total capital not excess capital, but correct me if you are looking at it differently?

Jay Gellert

Okay. To your first question, as we indicated, we are actively engaged in the process. We are encouraged by what we are seeing at this point and we are still on track as articulated. I don't think we have anything more specific to say than that other than to indicate that we believe that what we have talked about in the past is realistic. With regard to capital, the capital that we are speaking about is excess in that. It's not necessary to settle liabilities. It's not excess in terms of the regulatory requirement to operate the business. So, being very clear that much more tangible equity than liability. So, we have paid out everything. It had that additional amount, but because of the regulatory requirements that amount is required if you are operating the business.

Operator

Moving on to our next question, we have Carl McDonald from Oppenheimer.

Carl McDonald – Oppenheimer

Thanks. Just wanted to follow up on the divestiture process which is, how do you think about the fixed costs that are currently allocated to the Northeast business in Arizona for that matter. So, assuming that the businesses do go away, how much of the administrative costs are going to have to now allocate to the remaining West coast and TRICARE business?

Jay Gellert

When we spoke about this, we said that we anticipated that if the Company operated absent those humanities, it would be neutral to slightly accretive. That assumed absorbing some of the administrative costs and eliminating others, all of which we believe is realistic, coincident with the transaction.

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