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## Health Net Inc. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from [Christine Arnold] - Cohen & Company.

#### [Christine Arnold] - Cohen & Company

Yes, a couple of questions for you, the positive development in the roll forward looks real good versus a year ago. Can you tell us where you saw that positive development and if there was any net impact? And then secondly, how do you think about COBRA and how have you incorporated the impact potentially of the new COBRA provisions in your guidance?

#### Jay Gellert

[Christine], its Jay. With regard to your first question, last year's roll forward table reflects the PPIA we brought forward. This year's reflects the normal transfer as a result of bringing the margin down and then bringing it back up in the new year. So, it's consistent with our experiences that we've had a limited amount of positive PPIA in the quarter that's offset by some small adjustments in other areas. So, there's been no net affect on the quarter.

With regard to COBRA, we've seen a very, very slight uptick in COBRA that's not significant. Our anticipation is that the Federal subsidy will change the mix of COBRA, but until we see a more significant change in the number of people in COBRA, we really can't opine on what its implications will be.

#### [Christine Arnold] - Cohen & Company

Have you sent out the letters where people get to kind of show up retroactively?

#### Jay Gellert

Yes, we have.

#### [Christine Arnold] – Cohen & Company

You have?

#### Jay Gellert

Yes, and we've still not seen a dramatic change to it at this point in time and if we see anything we'll act upon it.

**Operator**

Your next question comes from Charles Boorady – Citigroup.

**Charles Boorady – Citigroup**

Can you comment on Medicaid? Perhaps, can you give us the loss ratio and what your expectations are in California? If there's any updates since you previously guided in terms of any budget related issues and if you expect a recurrence of the delayed payment in the Q1 to recur in the Q2 or beyond this year?

**Jay Gellert**

Well, let me take it one by one with the last one first. We anticipate that the state will push back the payment by a month to improve their cash flow through the rest of the year, so we're basically taking that into consideration. So it's a delay of basically a relatively small number of days, but it basically helps their cash flow numbers, so we're expecting that that will be the way they'll act through the rest of the year.

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