

June 2, 2008

Humana, Inc.
The Humana Building
500 W. Main Street
Louisville, KY 40202

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including Humana. On October 18, 2005 and November 16, 2006, we sent Humana information regarding findings in POGO's database. As of today, we have not received a response from you. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Humana, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure

Instances

1. Academy of Medicine of Cincinnati v. Humana Health Plan of Ohio Inc. (Antitrust)

Date: 10/23/2003 (Date of Settlement)

Misconduct Type: Antitrust

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$106,000,000

Disposition: Settlement

Synopsis: "The Academy of Medicine of Cincinnati, the Butler County Medical Society, the Northern Kentucky Medical Society, and several physicians filed antitrust suits in state courts in Ohio and Kentucky against Aetna Health, Inc., Humana Health Plan of Ohio, Inc., Anthem Blue Cross Blue Shield, and United Healthcare of Ohio, Inc., alleging that the defendants violated the Ohio and Kentucky antitrust laws by conspiring to fix the reimbursement rates paid to physicians in the Greater Cincinnati and Northern Kentucky region. Each suit sought class certification, damages and injunctive relief. Plaintiffs cited no evidence that any such conspiracy existed, but based their allegations on assertions that physicians in the Greater Cincinnati region are paid less than physicians in other major cities in Ohio and Kentucky. On October 23, 2003, [Humana] entered into a settlement agreement with the plaintiffs that specified an increase in future reimbursement we pay to a class consisting of physicians in a 12-county area in Southern Ohio and Northern Kentucky over the next three years. [Humana] agreed to increase the reimbursement, in the aggregate, subject to certain contingencies, that will increase the amounts paid for physician services over the amounts paid in 2003 as follows: \$20 million in 2004, an additional \$15 million in 2005 and an additional \$10 million in 2006. The agreement also provides for a committee to monitor our contracting practices for the period 2007 through 2010, with reporting to us if any anticompetitive behavior is believed to have occurred. The agreement was approved by the courts on December 30, 2003." Altogether, by calendar year 2006, the total reimbursement Humana agreed to pay would amount to at least \$100 million greater than if reimbursement during that time were paid at 2003 levels. Humana also agreed to pay plaintiffs' attorney fees in the amount of \$6 million.

2. Conspiracy to Improperly Deny, Delay and/or Reduce Physician Payments

Date: 05/05/2005 (Date of Settlement)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Non-Governmental

Contracting Party: Non-Governmental

Court Type: Civil

Amount: \$3,500,000

Disposition: Settlement

Synopsis: "This action is between (1) a class of practicing or retired physicians from around the United States and by certain medical societies, and (2) a number of health care insurance companies, including Aetna, Anthem, Inc., Cigna, Coventry Health Care, Inc., Health Net, Inc., Humana Health Plan, Inc., Humana, Inc., Pacificare Health Systems, Inc., Prudential Insurance Company of America, United Health Care, United Health Group and Wellpoint Health Networks, Inc. The complaint in the Action alleges that between 1990 and 2002, these

companies engaged in a conspiracy to improperly deny, delay and/or reduce payment to physicians by engaging in several types of allegedly improper conduct... The complaint claims that this conduct violated various state and federal statutes. The named plaintiffs in the complaint also seek recovery on various common law theories, including breach of contract.” In August 2006, Humana settled claims filed on behalf of a class consisting of chiropractors and other non-MD specialists, agreeing to pay \$3.5 million and change its business practices.

3. Physician Corporation of America Securities Litigation (False Statements)

Date: 11/26/2003 (Date of Settlement Approval)

Misconduct Type: Securities

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$10,200,000

Disposition: Settlement

Synopsis: “The consolidated complaint alleged that [Humana subsidiary, Physician Corporation of America (PCA)] and the individual defendants knowingly or recklessly made false and misleading statements in press releases and public filings with respect to the financial and regulatory difficulties of PCA’s workers’ compensation business... On August 25, 2003, the parties entered into an agreement to settle the case for the amount of \$10.2 million. On November 26, 2003, the settlement received final approval by the Court.”

4. Violations of the Fair Labor Standards Act

Date: 07/12/2005 (Date of Announcement)

Misconduct Type: Labor

Enforcement Agency: Labor

Contracting Party: None

Court Type: Administrative

Amount: \$1,013,259

Disposition: Fine

Synopsis: Humana agreed to pay \$1,013,259 to 2,510 employees for violations of the Fair Labor Standards Act. According to the Labor Department, between February 2003 and February 2005, Humana failed to properly compensate customer service and claim specialists at call centers in Cincinnati, Louisville, and Green Bay who performed various off-the-clock tasks.

5. Unsupported Price Increases

Date: 07/08/2005 (Date of Report)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Health and Human Servs.

Contracting Party: None

Court Type: N/A

Amount: \$0

Disposition: Investigative Finding

Synopsis: In one of a series of reports on Medicare+Choice organizations’ use of the additional funding provided by the Benefits Improvement and Protection Act of 2000 (BIPA), the Department of Health and Human Services sought to "determine whether Humana (1) supported

the \$7.8 million of additional capitation payments and used the funds in a manner consistent with BIPA requirements and (2) supported the \$6.6 million cost increase that was not related to the BIPA funding increase. Of the \$7.8 million BIPA capitation payment increase in Humana's revised proposal, \$2.6 million was properly supported and was used in a manner consistent with BIPA requirements. However, the remaining \$5.2 million was unsupported; therefore, we could not determine whether it was used in a manner consistent with BIPA requirements. Additionally, of the \$6.6 million increase in direct medical care costs that was not related to the BIPA funding increase, \$1.3 million was supported. The remaining \$5.3 million was unsupported.”

6. Wrongful Death

Date: 07/01/2005 (Date of Verdict)

Misconduct Type: Health

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$4,190,000

Disposition: Judgment Against Defendant

Synopsis: A San Antonio, Texas jury awarded \$7.4 million in actual damages in a wrongful death lawsuit against Humana Health Plan of Texas Inc., a physician, and his physicians group. Humana and the plaintiffs reached an out-of-court agreement to cap punitive damages at \$1.6 million. Humana is responsible for 35 percent of the \$7.4 million damages award. The plaintiffs accused Humana of negligently managing the case of a woman with chronic kidney disease who died in June 2001.

7. Improper Medicare Plan Sales Practices

Date: 08/22/2007 (Date of Announcement)

Misconduct Type: Ethics

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Administrative

Amount: \$500,000

Disposition: Fine

Synopsis: In May 2007, the Oklahoma Insurance Commissioner ordered Humana to take corrective action against the use of improper sales practices to enroll Medicare beneficiaries. According to a report prepared by the Oklahoma Insurance Department, dozens of Humana agents did not have the proper licenses to sell insurance in the state, and some agents enrolled Medicare beneficiaries in plans they did not understand or want. Humana did not contest the allegations and, in August 2007, agreed to pay a \$500,000 fine.

8. Selling Unauthorized Medicare Prescription Coverage

Date: 01/11/2008 (Date of Order)

Misconduct Type: Consumer Affairs

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Administrative

Amount: \$500,000

Disposition: Fine

Synopsis: The Illinois Department of Financial and Professional Regulation ordered Humana Insurance Co. to pay a \$500,000 fine to resolve complaints that Humana enrolled Illinois citizens into more expensive and/or duplicative health plans. The IDFPR also determined that, contrary to Illinois law, Humana let unlicensed agents sell policies and failed to notify the state when it fired two of them.

9. Conspiracy to Suppress Payments to Physicians

Date: 03/18/2008 (Date of Settlement)

Misconduct Type: Antitrust

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$3,000,000

Disposition: Settlement

Synopsis: Humana Inc. settled part of a case in which Kansas City area physicians sued Humana and other health insurance companies for allegedly conspiring to suppress payments to physicians. A class action lawsuit filed in 2005 alleges that the companies violated antitrust laws by fixing prices and engaging in other monopolistic practices, such as refusing to negotiate reasonable reimbursements. Under the settlement, Humana admitted no wrongdoing and agreed to pay \$2.8 million in cash, to be distributed among more than 2,200 physicians, and implement initiatives and other commitments with respect to its business practices, the cost of which will have a value of no less than \$200,000.

Pending Instances

Medicare Marketing Practices

Date: 03/08/2007 (date of news coverage)

Misconduct Type: Health

Enforcement Agency: Health and Human Servs.

Contracting Party: Health and Human Servs.

Court Type: Criminal

Amount: \$0

Disposition: Pending

Synopsis: According to media accounts, federal officials are investigating whether Humana, which sells prescription-drug coverage to Medicare beneficiaries, inappropriately steered its most expensive customers to a competitor.

Blose v. Humana (Workplace Harassment and Discrimination)

Date: 07/28/2006 (Date of Appellate Decision)

Misconduct Type: Labor

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: Colleen Blose, a former employee of Humana, filed suit against Humana in Jefferson County, Kentucky Circuit Court in September 2004, claiming the company had ignored her complaints about her co-workers, whom she alleges had harassed her, causing her physical injury and emotional distress. Blose, who has cerebral palsy, also claims Humana discriminated against her after she was laid off by refusing to hire her for another position because of her disability. Humana argues her lawsuit should be barred on the grounds that Blose had signed a severance agreement – the validity of which Blose disputes – that waived her rights to sue the company. In February 2005, the court dismissed the suit. In July 2006, the Kentucky Court of Appeals overturned the lower court and remanded the case, ruling that Blose did not have adequate opportunity to complete discovery and that the validity of the severance agreement remains at issue.