

HUMANA INC
Form 424B5
May 26, 2006

As filed pursuant to Rule 424(b)(5)

Registration Statement No. 333-132878

PROSPECTUS SUPPLEMENT

(To Prospectus dated March 31, 2006)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered		Maximum offering price per unit	Maximum aggregate offering price		Amount of registration fee (1)(2)	
	6.450% notes due 2016	\$	500,000,000	99.709%	\$	498,545,000	\$

(1) Calculated in accordance with Rule 457(r) of the Securities Act.

(2) Pursuant to Rule 415(a)(5) and Rule 457(p), \$27,600 that was already paid with respect to \$300 million aggregate initial offering price of securities that were previously registered pursuant to Registration Statement No. 333-100419 of Humana Inc., and were not sold thereunder, will be used to offset a portion of the aggregate registration fee of \$53,500 due for this offering. The remaining \$25,900 of the aggregate registration fee has been paid.

PROSPECTUS SUPPLEMENT

(To Prospectus Dated March 31, 2006)

\$500,000,000

Humana Inc.

6.450% Senior Notes due 2016

Interest on the notes is payable on June 1 and December 1 of each year, beginning on December 1, 2006. The notes will mature on June 1, 2016. Interest will accrue from May 31, 2006.

We may redeem the notes in whole or in part at any time prior to their maturity at the make whole redemption price described in this prospectus supplement.

The notes will be unsecured and will rank equally with all of our other unsecured senior indebtedness.

Investing in the notes involves risks that are described in the Risk Factors sections beginning on page S-3 of this prospectus supplement and in other documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Senior Note	Total
Public Offering Price	99.709 %	\$ 498,545,000
Underwriting Discount	0.650 %	\$ 3,250,000
Proceeds to Humana Inc. (before expenses)	99.059 %	\$ 495,295,000

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

The underwriters expect to deliver the notes to purchasers on or about May 31, 2006 through The Depository Trust Company.

Joint Book-Running Managers

Citigroup

Wachovia Securities

Co-Managers

Banc of America Securities LLC

Goldman, Sachs & Co.

JPMorgan

BNY Capital Markets, Inc.

Daiwa Securities America Inc.

Wells Fargo Securities

May 25, 2006

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriters have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front cover of this prospectus supplement, the accompanying prospectus or those documents.

TABLE OF CONTENTS

Prospectus Supplement

	Page
<u>About this Prospectus Supplement</u>	S-ii
<u>Forward-Looking Statements</u>	S-ii
<u>Incorporation of Certain Documents by Reference</u>	S-iii
<u>Summary</u>	S-1
<u>The Offering</u>	S-2
<u>Risk Factors</u>	S-3
<u>Selected Consolidated Financial Data</u>	S-5
<u>Capitalization</u>	S-7
<u>Use of Proceeds</u>	S-9
<u>Description of the Notes</u>	S-10
<u>Underwriting</u>	S-19
<u>Legal Matters</u>	S-21
<u>Experts</u>	S-21

Prospectus

<u>About this Prospectus</u>	ii
<u>Forward-Looking Statements</u>	iii
<u>Where You Can Find Additional Information</u>	iv
<u>Incorporation of Certain Documents by Reference</u>	v
<u>Our Company</u>	1
<u>Use of Proceeds</u>	2
<u>Description of the Securities We May Issue</u>	3
<u>Description of the Debt Securities</u>	7
<u>Description of the Preferred Stock and the Depositary Shares</u>	
<u>Representing Fractional Shares of Preferred Stock</u>	10
<u>Description of the Common Stock</u>	12
<u>Description of the Securities Warrants</u>	13
<u>Plan of Distribution</u>	14
<u>Legal Matters</u>	16
<u>Experts</u>	17

ABOUT THIS PROSPECTUS SUPPLEMENT

These offering materials consist of two documents and the information incorporated by reference in these two documents: this prospectus supplement, which describes the terms of the notes that we are currently offering, and the accompanying prospectus, which provides general information about us and our debt securities, some of which may not apply to the notes that we are currently offering. If information in this prospectus supplement, or the information incorporated by reference in this prospectus supplement, is inconsistent with, updates or changes the accompanying prospectus or the information incorporated by reference in the accompanying prospectus, this prospectus supplement, or the information incorporated by reference in this prospectus supplement, will apply and will supersede that information in the accompanying prospectus or the information incorporated by reference in the accompanying prospectus. In addition, the information in this prospectus supplement may add to, update or change the information incorporated by reference in this prospectus supplement and accordingly will supersede that information.

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, referred to in **Incorporation of Certain Documents by Reference** in this prospectus supplement and the accompanying prospectus.

Unless otherwise specified, all references in this prospectus supplement to:

- **we, us and our** are to Humana Inc., a Delaware corporation, and its consolidated subsidiaries, unless the context otherwise requires; and
- **underwriters** are to the firms listed in **Underwriting** in this prospectus supplement.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and any documents we incorporate by reference in this prospectus supplement and the accompanying prospectus may include both historical and forward-looking statements. The forward-looking statements are made within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we are including this statement for purposes of complying with these safe harbor provisions. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, including, among other things, information set forth under **Risk Factors** beginning on page S-3 of this prospectus supplement, matters described in this prospectus supplement and the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including the **Risk Factors** contained in certain documents incorporated by reference in this prospectus supplement.

We undertake no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus supplement and the accompanying prospectus might not occur. There may also be other risks that we are unable to predict at this time.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Securities and Exchange Commission, or SEC, allows us to incorporate by reference into this prospectus supplement and the accompanying prospectus information contained in documents that we file with it. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference into this prospectus supplement and the accompanying prospectus is an important part of this prospectus supplement and the accompanying prospectus, and information we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934:

- our annual report on Form 10-K for the fiscal year ended December 31, 2005, or the Form 10-K, except to the extent superseded as described below;
- our quarterly report on Form 10-Q for the quarterly period ended March 31, 2006;
- our current reports on Form 8-K filed on March 1, 2006 and April 5, 2006;
- our current report on Form 8-K filed on May 1, 2006, but only to the extent that the information contained in that current report is deemed to be filed; and
- our current report on Form 8-K filed on May 24, 2006.

On January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, or SFAS 123R, using the modified retrospective transition method. Our current report on Form 8-K filed on May 24, 2006, referenced above, contains information showing the effects of our retrospective application of SFAS 123R on our historical annual financial information included in the Form 10-K, as if SFAS 123R had been adopted on January 1, 1995, the effective date of Statement of Financial Accounting Standards No. 123, *Accounting for Stock Based Compensation*. Accordingly, some of the information in the Form 10-K, in particular our historical consolidated financial statements and related notes and schedules, selected financial information, management's discussion and analysis of financial condition and results of operations and computation of ratio of earnings to fixed charges, has been superseded by the information contained in the above-referenced current report on Form 8-K.

You may request a copy of these filings at no cost, by writing or telephoning us at the following address:

**500 West Main Street
Louisville, Kentucky 40202
(502) 580-1000
Attn: Investor Relations**

Edgar Filing: HUMANA INC - Form 424B5

You may also obtain a copy of these filings from our Internet web site at www.humana.com. Please note, however, that the information on our Internet web site, other than the documents listed above, is not intended to be incorporated by reference into this prospectus supplement or the accompanying prospectus and should not be considered a part of this prospectus supplement or the accompanying prospectus.

S-iii

SUMMARY

Humana Inc.

Headquartered in Louisville, Kentucky, we are one of the nation's largest publicly traded health benefits companies, based on our 2005 revenues of \$14.4 billion. We offer coordinated health insurance coverage and related services through a variety of traditional and Internet-based plans for employer groups, government-sponsored programs and individuals. As of March 31, 2006, we had approximately 9.3 million members in our medical benefit programs, as well as approximately 1.9 million members in our specialty products programs. As of December 31, 2005, we had approximately 559,000 contracts with physicians, hospitals, dentists, and other providers to provide health care to our members. During 2005, 51% of our premiums and administrative services fees were derived from contracts with the federal government, including 17% related to our TRICARE contracts and 20% related to our contracts in Florida with the Centers for Medicare and Medicaid Services, or CMS. Under our CMS contracts in Florida, we provide health insurance coverage, including pharmacy-only benefits, to approximately 435,400 members as of March 31, 2006.

We manage our business with two segments: Government and Commercial. The Government segment consists of members enrolled in government-sponsored plans, and includes three lines of business: Medicare, TRICARE and Medicaid. The Commercial segment consists of members enrolled in products marketed to employer groups and individuals, and includes three lines of business: fully insured medical, administrative services only, or ASO, and specialty. We identified our segments in accordance with the aggregation provisions of Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" which is consistent with information used by our Chief Executive Officer in managing our business. The segment information aggregates products with similar economic characteristics. These characteristics include the nature of customer groups and pricing, benefits and underwriting requirements.

The results of each segment are measured by income before income taxes. We allocate all selling, general and administrative expenses, investment and other income, interest expense, and goodwill, but no other assets or liabilities, to our segments. Members served by our two segments often utilize the same medical provider networks, enabling us to obtain more favorable contract terms with providers. Our segments also share overhead costs and assets. As a result, the profitability of each segment is interdependent.

S-1

THE OFFERING

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section entitled "Description of the Notes" in this prospectus supplement and "Description of the Debt Securities" in the accompanying prospectus.

Issuer	Humana Inc.
Notes Offered	\$500,000,000 initial aggregate principal amount of 6.450% Senior Notes due 2016.
Maturity Date	June 1, 2016.
Interest Payment Dates	June 1 and December 1 of each year, commencing on December 1, 2006.
Ranking	The notes will be unsecured senior obligations and will rank equally with all of our existing and future unsecured and unsubordinated indebtedness. The notes will effectively rank junior to any of our existing and future secured indebtedness to the extent of the assets securing that indebtedness, and will be structurally subordinated to any indebtedness and other liabilities of our subsidiaries.
Optional Redemption	We may redeem the notes, in whole or in part, at any time at the make whole redemption price described in "Description of the Notes - Optional Redemption" in this prospectus supplement.
Covenants	The indenture and the supplemental indenture governing the notes will contain covenants that, subject to exceptions and qualifications: <ul style="list-style-type: none"> • limit our ability and the ability of our subsidiaries to create liens, and • limit our ability to consolidate, merge or transfer all or substantially all of our assets. <p>See "Description of the Notes" in this prospectus supplement.</p>
Use of Proceeds	We estimate that our net proceeds from the offering of the notes, less underwriters' discounts and our estimated costs of the offering, will be approximately \$494.0 million. We intend to use a portion of these net proceeds from the offering for the repayment of the outstanding balance under our credit facility, and to use the balance of the net proceeds for general corporate purposes, including the funding of our short-term cash needs and potential acquisitions. As of May 1, 2006, the outstanding balance under our credit facility was \$200 million. <p>Our 7¼% Senior Notes due 2006 mature on August 1, 2006. We intend to use some of the balance of the net proceeds from this offering and/or borrowings under our credit facility for the repayment of our 7¼% Senior Notes due 2006, which mature on August 1, 2006.</p>
Additional Issuances	We may reopen this series of notes and issue an unlimited principal amount of additional notes of this series in the future. See "Description of the Notes - Additional Issuances" in this prospectus supplement.
Risk Factors	See "Risk Factors" beginning on page S-3 of this prospectus supplement and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of certain factors you should carefully consider before deciding to invest in the notes.

S-2

RISK FACTORS

Before making a decision to invest in the notes, you should carefully consider the following:

- the risk factors described below and those contained in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus; and
- the other information included in this prospectus supplement, the accompanying prospectus and incorporated by reference in this prospectus supplement and the accompanying prospectus.

Risks Associated with the Notes

Our Ability to Obtain Funds from Our Subsidiaries Is Limited and the Notes Will Be Effectively Subordinated to All Liabilities of Our Subsidiaries

Because we operate as a holding company, the notes are effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. Our subsidiaries are the operating entities which generate revenues. As a result, we will be dependent upon dividends, administrative expense reimbursements, and intercompany transfers of funds from our subsidiaries to meet our payment obligations on the notes. However, these subsidiaries are generally regulated by state departments of insurance. In most states, we are required to seek prior approval by these state regulatory authorities before we transfer money or pay dividends from these subsidiaries that exceed specified amounts, or, in some states, any amount. We are also required by law to maintain specific prescribed minimum amounts of capital in these subsidiaries. See

Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity Regulatory Requirements in our Form 10-Q for the quarterly period ended March 31, 2006, which is incorporated by reference in this prospectus supplement. In addition, we normally notify the state departments of insurance prior to making payments that do not require approval. Accordingly, since all of our premiums are earned by our subsidiaries, we cannot guarantee that sufficient funds will be available to us to pay interest on or the principal of the notes. In addition, in the event of our bankruptcy, liquidation or any similar proceeding, holders of notes will be entitled to payment only after the holders of any indebtedness and other liabilities of our subsidiaries have been paid or provided for by these subsidiaries, including the claims of our members. In addition, the indenture under which the notes will be issued does not restrict us or our subsidiaries from incurring additional indebtedness.

We Have Financial and Operating Restrictions in Our Debt Instruments That May Have an Adverse Effect on Our Operations

Agreements governing our existing indebtedness contain covenants that limit our ability to incur additional indebtedness, to create liens or other encumbrances, to make certain payments and investments, including dividend payments and to sell or otherwise dispose of assets and merge or consolidate with other entities. Our credit facility also requires us to meet certain financial ratios and tests. As of March 31, 2006, after giving effect to the issuance and sale of the notes and the use of the estimated net proceeds, we estimate that we would have had the ability to borrow up to \$636 million, including \$565 million under our credit facility, after taking into account the ratios and tests mentioned above. It is our intention to seek to increase the size of our credit facility from \$600 million to \$1.0 billion. Agreements we enter into in the future governing indebtedness could also contain significant financial and operating restrictions.

A failure to comply with the obligations contained in our current or future credit facilities or indentures could result in an event of default or an acceleration of debt under other instruments that may contain cross-acceleration or cross-default provisions. We cannot be certain that we would have, or be able to obtain, sufficient funds to make these accelerated payments.

The Notes Are Unsecured Obligations

The notes will not be secured by any of our assets and are effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness. Accordingly in the event of our bankruptcy, liquidation or any similar proceeding, holders of the notes will be entitled to payment only after the holders of any of our secured indebtedness have been paid to the extent of the value of the assets securing that indebtedness. As of March 31, 2006, we had \$3.5 million of secured indebtedness outstanding. In addition, the indentures governing our existing notes and the notes being offered hereby permit us to incur additional indebtedness, including secured indebtedness.

A Liquid Trading Market for the Notes May Not Develop

There has not been an established trading market for the notes. We do not intend to apply for listing of the notes on any securities exchange or for quotation through the National Association of Securities Dealers Automated Quotation System. Although the underwriters have informed us that they currently intend to make a market in the notes, they have no obligation to do so and may discontinue making a market at any time without notice. The liquidity of any market for the notes will depend on the number of holders of the notes, our performance, the market for similar securities, the interest of securities dealers in making a market in the notes and other factors. A liquid trading market may not develop for the notes.

S-4

SELECTED CONSOLIDATED FINANCIAL DATA

We derived the selected consolidated financial data below from our consolidated financial statements and accompanying notes, some of which are incorporated by reference in this prospectus supplement. This information is only a summary. This information should be read together with our historical financial statements and related notes and our Management's Discussion and Analysis of Financial Condition and Results of Operations, which are incorporated by reference in this prospectus supplement.

It should be noted that, on January 1, 2006, we adopted SFAS 123R using the modified retrospective transition method. We filed a current report on Form 8-K on May 24, 2006, which is incorporated by reference in this prospectus supplement, to show the effects of our retrospective application of SFAS 123R on our historical annual financial information included in the Form 10-K. Accordingly, some of the information in the Form 10-K, in particular our historical consolidated financial statements and related notes and schedules, selected financial information, management's discussion and analysis of financial condition and results of operations and computation of ratio of earnings to fixed charges, has been superseded by the information contained in the above-referenced current report on Form 8-K. All prior period financial data set forth below reflects our retrospective application of SFAS 123R.

	Three Months Ended		Fiscal Year Ended December 31,				
	March 31,		2005(a)(b)	2004(c)	2003(d)	2002(e)(f)	2001
	2006	2005(a)					
	(dollars in thousands, except per share amounts)						
Summary of Operations							
Revenues:							
Premiums	\$ 4,521,486	\$ 3,290,815	\$ 14,001,591	\$ 12,689,432	\$ 11,825,283	\$ 10,930,397	\$ 9,938,961
Administrative services fees							