

WELLPOINT INC
Form 10-Q
October 22, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended September 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-16751

WELLPOINT, INC.

(Exact name of registrant as specified in its charter)

INDIANA

(State or other jurisdiction of

incorporation or organization)

120 MONUMENT CIRCLE

INDIANAPOLIS, INDIANA

(Address of principal executive offices)

Registrant's telephone number, including area code: (317) 488-6000

35-2145715

(I.R.S. Employer

Identification Number)

46204-4903

(Zip Code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Title of Each Class	Outstanding at October 15, 2008
Common Stock, \$0.01 par value	509,040,326 shares

WellPoint, Inc.

Quarterly Report on Form 10-Q

For the Period Ended September 30, 2008

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****WellPoint, Inc.****Consolidated Balance Sheets**

<i>(In millions, except share data)</i>	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,270.6	\$ 2,767.9
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$1,607.4 and \$1,814.5)	1,640.6	1,832.6
Equity securities (cost of \$1,684.1 and \$1,732.7)	1,527.5	1,893.7
Other invested assets, current	34.8	40.3
Accrued investment income	165.7	165.8
Premium and self-funded receivables	3,265.5	2,870.1
Other receivables	1,347.8	996.4
Income tax receivable		0.9
Securities lending collateral	633.0	854.1
Deferred tax assets, net	741.7	559.6
Other current assets	1,050.7	1,050.4
Total current assets	12,677.9	13,031.8
Long-term investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$12,687.2 and \$13,832.6)	12,035.1	13,917.3
Equity securities (cost of \$35.7 and \$43.4)	35.2	45.1
Other invested assets, long-term	789.9	752.9
Property and equipment, net	1,019.4	995.9
Goodwill	13,582.1	13,435.4
Other intangible assets	8,895.1	9,220.8
Other noncurrent assets	723.9	660.8
Total assets	\$ 49,758.6	\$ 52,060.0
Liabilities and shareholders equity		
Liabilities		
Current liabilities:		
Policy liabilities:		
Medical claims payable	\$ 6,272.5	\$ 5,788.0
Reserves for future policy benefits	63.3	63.7
Other policyholder liabilities	1,617.1	1,832.2
Total policy liabilities	7,952.9	7,683.9
Unearned income	1,050.6	1,114.6
Accounts payable and accrued expenses	2,798.4	2,909.6
Income tax payable	14.6	
Security trades pending payable	7.5	50.6
Securities lending payable	633.0	854.1
Short-term borrowings	100.0	
Current portion of long-term debt	623.7	20.4
Other current liabilities	1,881.4	1,755.0
Total current liabilities	15,062.1	14,388.2
Long-term debt, less current portion	8,491.3	9,023.5
Reserves for future policy benefits, noncurrent	663.4	661.9
Deferred tax liability, net	2,501.0	3,004.4
Other noncurrent liabilities	1,367.5	1,991.6

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Total liabilities	28,085.3	29,069.6
Commitments and contingencies Note 14		
Shareholders' equity		
Preferred stock, without par value, shares authorized 100,000,000; shares issued and outstanding none		
Common stock, par value \$0.01, shares authorized 900,000,000; shares issued and outstanding: 508,980,558 and 556,212,039	5.1	5.6
Additional paid-in capital	17,016.0	18,441.1
Retained earnings	5,167.2	4,387.6
Accumulated other comprehensive (loss) income	(515.0)	156.1
Total shareholders' equity	21,673.3	22,990.4
Total liabilities and shareholders' equity	\$ 49,758.6	\$ 52,060.0

See accompanying notes.

WellPoint, Inc.

Consolidated Statements of Income

(Unaudited)

<i>(In millions, except per share data)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Revenues				
Premiums	\$ 14,230.7	\$ 13,905.6	\$ 42,810.0	\$ 41,598.9
Administrative fees	925.6	911.6	2,861.2	2,759.5
Other revenue	153.1	157.6	481.8	471.2
Total operating revenue	15,309.4	14,974.8	46,153.0	44,829.6
Net investment income	214.2	257.7	664.5	757.7
Net realized (losses) gains on investments	(562.6)	9.5	(636.0)	10.6
Total revenues	14,961.0	15,242.0	46,181.5	45,597.9
Expenses				
Benefit expense	11,745.6	11,380.0	35,817.7	34,215.2
Selling, general and administrative expense:				
Selling expense	448.2	430.8	1,337.6	1,283.4
General and administrative expense	1,772.0	1,759.1	5,349.8	5,298.4
Total selling, general and administrative expense	2,220.2	2,189.9	6,687.4	6,581.8
Cost of drugs	114.1	107.3	351.5	327.7
Interest expense	118.4	119.6	353.9	322.6
Amortization of other intangible assets	71.9	73.8	215.0	215.5
Impairment of intangible assets	141.4		141.4	
Total expenses	14,411.6	13,870.6	43,566.9	41,662.8
Income before income tax expense	549.4	1,371.4	2,614.6	3,935.1
Income tax (benefit) expense	(271.3)	503.4	455.3	1,448.8
Net income	\$ 820.7	\$ 868.0	\$ 2,159.3	\$ 2,486.3
Net income per share				
Basic	\$ 1.61	\$ 1.47	\$ 4.12	\$ 4.12
Diluted	\$ 1.60	\$ 1.45	\$ 4.09	\$ 4.06

See accompanying notes.

WellPoint, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

<i>(In millions)</i>	Nine Months Ended September 30	
	2008	2007
Operating activities		
Net income	\$ 2,159.3	\$ 2,486.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized losses (gains) on investments	636.0	(10.6)
Loss on disposal of assets	6.0	10.3
Deferred income taxes	(322.2)	(229.4)
Amortization, net of accretion	358.2	350.7
Depreciation expense	78.7	91.4
Impairment of intangible assets	141.4	
Share-based compensation	129.3	153.6
Excess tax benefits from share-based compensation	(14.9)	(141.4)
Changes in operating assets and liabilities, net of effect of business combinations:		
Receivables, net	(739.5)	(441.4)
Other invested assets, current	5.4	34.4
Other assets	(89.8)	(61.0)
Policy liabilities	270.5	638.0
Unearned income	(63.8)	(3.4)
Accounts payable and accrued expenses	(137.7)	(199.0)
Other liabilities	(446.4)	158.3
Income taxes	43.9	424.8
Other, net	23.7	(21.3)
Net cash provided by operating activities	2,038.1	3,240.3
Investing activities		
Purchases of fixed maturity securities	(5,007.9)	(7,131.4)
Proceeds from fixed maturity securities:		
Sales	4,611.8	5,319.6
Maturities, calls and redemptions	1,429.3	595.1
Purchases of equity securities	(1,237.8)	(1,147.7)
Proceeds from sales of equity securities	935.0	1,750.9
Changes in securities lending collateral	221.1	13.2
Purchases of subsidiaries, net of cash acquired	(207.7)	(298.5)
Proceeds from sales of subsidiaries, net of cash sold	5.0	
Purchases of property and equipment	(235.9)	(211.5)
Proceeds from sales of property and equipment	11.3	52.6
Other, net	(60.7)	(30.9)
Net cash provided by (used in) investing activities	463.5	(1,088.6)
Financing activities		