

HEALTH NET INC
Form 425
July 15, 2015

July
15, 2015
Filed by Centene
Corporation
Pursuant to Rule 425 under the Securities Act of 1933, as amended, and
deemed filed pursuant to Rule 14a-12 under the
Securities Exchange Act of 1934, as amended
Subject Company: Health Net, Inc.
Commission File No.: 1-12718
This
filing
relates
to
the
previously
disclosed
proposed

business
combination
of
Health
Net,
Inc.
and
Centene
Corporation.
The
following
is
an
updated
investor
and
analyst
presentation
posted
to
Centene
Corporation's
website
on
July
15,
2015.
Centene
+ Health Net

2

Safe Harbor Statement

Cautionary Statement Regarding Forward-Looking Statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Health Net and the combined businesses of Centene and Health Net and certain plans and objectives of Centene and Health Net with respect to the expected benefits of the proposed merger. These forward-looking statements can be identified by the fact that they do not relate to current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, aim, continue, will, may, would, could or should or other words of similar meaning or the negative thereof. Such forward-looking statements could cause actual plans and results to differ materially from those expressed or implied in forward-looking statements. Such forward-looking statements are based on management's current expectations and are subject to various risks and uncertainties.

limited
to,
the
expected
closing
date
of
the
transaction;
the
possibility
that
the
expected
synergies
and
value
creation
from
the
proposed
merger
will
not
be realized, or will not be realized within the expected time period; the risk that the businesses will not be integrated successfully
merger making it more difficult to maintain business and operational relationships; the risk that unexpected costs will be incurred
conditions, political conditions, changes in federal or state laws or regulations, including the Patient Protection and Affordable
Care
Education
Affordability
Reconciliation
Act
and
any
regulations
enacted
thereunder,
provider
and
state
contract
changes,
the
outcome
of
pending
legal
or
regulatory
proceedings,

reduction
in
provider
payments
by
governmental
payors,
the
expiration
of
Centene's
or
Health
Net's
Medicare
or
Medicaid
managed
care
contracts
by
federal
or
state
governments
and
tax
matters;
the
possibility
that
the
merger
does
not
close,
including,
but
not
limited to, due to the failure to satisfy the closing conditions, including the receipt of approval of both Centene's stockholders
stockholders; the risk that financing for the transaction may not be available on favorable terms; and risks and uncertainties dis
Centene and Health Net have filed with the Securities and Exchange Commission (the "SEC"). These forward-looking statem
Health Net's current views with respect to future events and are based on numerous assumptions and assessments made by Ce
light of their experience and perception of historical trends, current conditions, business strategies, operating environments, fut
other factors they believe appropriate. By their nature, forward-looking statements involve known and unknown risks and unce
relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward
announcement
could
cause
Centene's

and
Health
Net's
plans
with
respect
to
the
proposed
merger,
actual
results,
performance
or
achievements,
industry

results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will be correct and persons reading this announcement are therefore cautioned not to place undue reliance on these forward-looking statements only as of the date of this announcement. Neither Centene nor Health Net assumes any obligation to update the information contained in this announcement (whether as a result of new information, future events or otherwise), except as required by applicable law. A full list of risks and uncertainties can be found in Centene's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and its Form 10-Q and Form 8-K as well as in Health Net's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and its Form 10-Q and Form 8-K.

3

Safe Harbor Statement

Additional Information and Where to Find It

The proposed merger transaction involving Centene and Health Net will be submitted to the respective stockholders of Centene for consideration. In connection with the proposed merger, Centene will prepare a registration statement on Form S-4 that will include a proxy statement/prospectus for the stockholders of Centene and Health Net to be filed with the SEC, and each will mail the joint proxy statement/prospectus to their respective stockholders and file other documents regarding the proposed transaction with the SEC. Centene and Health Net urge their respective stockholders to read the joint proxy statement/prospectus when it becomes available, as well as other documents filed with the SEC, because they contain important information. Investors and security holders will be able to receive the registration statement containing the joint proxy statement/prospectus.

documents free of charge at the SEC's web site, <http://www.sec.gov>. These documents can also be obtained (when they are available) from Centene upon written request to the Investor Relations Department, Centene Plaza 7700 Forsyth Blvd. St. Louis, MO 63105, (314) 291-6911, or from Health Net upon written request to the Investor Relations Department, Health Net, 10000 Wilshire Street Woodland Hills, CA 91367, (800) 291-6911, or from Health Net's website, www.healthnet.com/InvestorRelations.

Participants in Solicitation

Centene, Health Net and their respective directors and executive officers and other members of management and employees may be deemed participants in the solicitation of proxies from the respective stockholders of Centene and Health Net in favor of the merger. In addition, any person who may, under the rules of the SEC, be deemed participants in the solicitation of the respective stockholders of Centene and Health Net in favor of the proposed merger will be set forth in the joint proxy statement/prospectus when it is filed with the SEC. You can find information about Centene's executive officers and directors in its definitive proxy statement for its 2015 Annual Meeting of Stockholders, which was filed with the SEC on March 26, 2015. You can find information about Health Net's executive officers and directors in its definitive proxy statement for its 2015 Annual Meeting of Stockholders, which was filed with the SEC on March 26, 2015. You can obtain free copies of these documents from Centene and Health Net upon request as set forth above.

No Offer or Solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy securities, nor shall it be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law.

Earnings Guidance Policy

4

Our

Company's

policy

is,

that

the

Company

undertakes
no
obligation
to
update
its
earnings
guidance,
other
than
as
part
of
its
quarterly
or
yearly
earnings
disclosure,
and
that
silence
on
guidance
by
the
Company
or
Company
officials
should
not
be
interpreted
that
guidance
has
or
has
not
changed.
In
any
event,
no
updated
guidance
would
ever
be

given
that
is
not
previously
or
simultaneously
disclosed
in
an
SEC
filing
or
other
broad
non-exclusionary
means.

Further,
it
is
Company
policy
to
generally
not
hold
discussions
with
investors
commencing
two
weeks
prior
to
earnings
release.

- 5
Enhanced Capabilities for Delivering
High Quality, Affordable Healthcare
- 1.
Growth in 2017 and beyond
- 2.
Critical mass
- 3.
Increased capabilities

- 4.
Pro Forma 2015E Premium & Service Revenue of \$37B
- 5.
Pro Forma 2015E Adj. EBITDA in excess of \$1.5B
- +
- =

6

Growth Drivers

Deeper Penetration in California (Largest Medicaid State, Segment Size: 12 Million)

o

Medicaid

1.7 M members

o

Medicare

over 265K members

o

Exchange

nearly 300K members

o

Duals Demo

27K members

o

Prison Health

125K eligibles

Medicare Advantage across Centene

States

o

Over 65% of Medicare beneficiaries at or under 400% of FPL

o

HNT Medicare Advantage in AZ, CA, OR, WA

Additional Business

o

Tricare

2.8 M eligibles

o

VA

nearly 5M eligibles

o

\$600M in revenue

Centene

o

Additional Segments

o

Specialty Company Growth

7

Key Transaction Terms

\$28.25 in cash plus 0.622 shares of Centene

Implies

\$78.57

per

Health

Net

share

based

on

July

1

st

close

Total transaction value of \$6.8B, including assumption of Health Net debt

Purchase

Price

Projected

Financial

Impact

Greater than 10% accretive to GAAP EPS in first full year

Greater than 20% accretive to Adjusted EPS in first full year

Pre tax synergies of \$150M by the end of year 2; half in year 1 (On top of Cognizant Savings)

Path to

Closing

Expect to close in early 2016

Health Net and Centene shareholder approval

Expiration of Hart-Scott-Rodino waiting period and customary State approvals including change of control approvals from State insurance and health regulators in Arizona, California and Oregon.

Financing commitment of \$2.7B

Pro forma debt to capital ratio of ~40%

Permanent financing to consist primarily of senior notes

Financing

Ownership

Centene shareholders to own ~71% of Company and Health Net shareholders to own

~29% of Company

8
Cost Synergy Opportunities
Core G&A Efficiencies
Specialty Company
Integration
Medical Costs
Technology Platform
\$150M
in Year 2

Savings Are Incremental to Growth Opportunity
On Top of Cognizant Savings

9
Critical Mass: Leader in High Quality
Affordable Plans
Health Net
Centene
Common States
Medicaid:
5.7 million
Specialty / Government:

3.1 million

Commercial / Exchanges:

1.3 million

Medicare:

275,000

Duals:

40,000

Total

10.4 million

Pro Forma Membership as of 3/31/15

Note: Map excludes Health Net's TRICARE North Region membership

10
Diversifying and Setting the Stage for
2016 and Beyond
+
Commercial / Exchanges
Medicaid
Medicare
Specialty / Government
Duals

2015E Pro Forma Revenue:

\$37 billion

2015E Revenue:

\$16 billion

2015E Revenue:

\$21 billion

Note: Estimate of revenue represents Premium and Service revenue and excludes health insurer fee revenue, premium taxes and

64%

16%

8%

8%

4%

39%

34%

19%

4%

4%

83%

2%

0.7%

11%

4%

11
Significant and Real Growth
Opportunities
Increased
Medicare
Advantage
Presence
4 Star Plans
Centene

States
Enhanced
Opportunity for
Targeted
Exchange
Populations
Leader in
Quality
Affordable
Plans
Value Based
Networks
Additional
Government
Health
Programs
VA
TRICARE
Leverage
Specialty
Platform
Depth and
Breadth of
Integrated
Specialty
Products
Leader in
Medicaid
National
Presence
Leadership
Position
Introduces
Commercial
Group
Business
Harnesses
strong
distribution
channels
Provides
opportunities
on private
exchanges

Increased Addressable Segments by
Product
12
Medicaid
& CHIP
Medicare
Correctional
Healthcare
Health Insurance

Marketplace

\$612B

\$612B

\$689B

\$689B

\$104B

\$104B

\$9B

\$9B

\$1.4

trillion

\$1.4

trillion

US Health Care
Public Financing
13
134 million
(42% of Americans)
172 million
(52% of Americans)
191 million
(56% of Americans)

Source: HMA, 2014
Millions of Beneficiaries
2014
2019
2024
72
91
93
50
62
72
7
14
21
5
5
5
CHIP
Exchange
Medicare
Medicaid

Current Pipeline
14
Medicaid
& CHIP
Medicare
(Duals)
Correctional
Healthcare
Health Insurance

Marketplace

\$140 billion

(Note: this figure does not include additional Medicare Advantage in CNC States)

\$140 billion

(Note: this figure does not include additional Medicare Advantage in CNC States)

Opportunity for Deeper Penetration in Segment

Centene
Has Delivered Growth Since
2008
15
States
70
Solutions
8
Government Solutions

AZ

IN

OH

TX

Low-Income Medicaid

CHIP

ABD (non duals)

ABD (dual-eligible) or Dual Demonstrations

Long-Term Services and Supports

Foster Care

Medicare Special Needs Plan

Specialty Health Solutions

Pharmacy Benefits

Behavioral & Specialty Therapies

Life & Health Management

Managed Vision

FL

SC

WI

HEALTHCARE COVERAGE SOLUTIONS

GA

Telehealth

Combination Creates Increased Product Diversity
Across a Broader Footprint (Pro Forma 2015)

16

23 States

237 Solutions

Government Solutions

AZ

AR
CA
FL
GA
IL
IN
KS
LA
MA
MI
MN
MS
MO
NH
OH
OR
1
SC
TN
TX
VT
WA
WI
TANF
Medicaid Expansion
CHIP
ABD (non-duals)
ABD (Medicaid only
dual-eligibles)
Dual Demonstrations
Intellectually/Developmentally Disabled
Long-Term Services and Supports
Foster Care
Medicare
Advantage
Medicare
Special Needs Plan
Health Insurance Marketplace
Correctional Healthcare
Specialty Health Solutions
Pharmacy Benefits
Behavioral & Specialty Therapies
Life & Health Management
Primary Care Solutions for Complex
Populations
Managed Vision
Telehealth (Nurse Triage
and Education Line)

1
Entry underway with acquisition of Agate Resources anticipated to close in Q3 2015.

2

Centene is in process of transitioning dental services from external vendors to our new dental benefit management subsidiary.

3

Does not include HNT's Group Commercial and TRICARE lines of business.

Dental Benefits

2

17

Enhanced Capabilities for Delivering
High Quality, Affordable Healthcare
Scale in
Government
Programs

Leading position in Government programs: Medicaid, Medicare, VA and TRICARE
PF 2015E Premium & Service Revenue of \$37B and Adj. EBITDA in excess of \$1.5B
Opportunity to leverage specialty programs

Increased

Capabilities

Provides scale and expertise in Medicare

Strong quality position with 4 Star plan

Innovative capabilities for value based Exchange & consumer products

Platform for

Expanded

Growth

Significant growth opportunity in Medicare, Exchanges & other Gov't programs

Leadership in CA, FL and TX

Expanded growth pipeline

Compelling

Financial

Profile

In first year, GAAP EPS accretion of >10% and Adjusted EPS accretion > 20%

Prudent capital structure with debt to capital of ~40%

Centene
+ Health Net