

WELLPOINT INC
Form 10-Q
April 22, 2009
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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 March 31, 2009

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)

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Not Applicable

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

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 April 15, 2009
Common Stock, \$0.01 par value	484,639,194 shares

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For the Period Ended March 31, 2009
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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****WellPoint, Inc.****Consolidated Balance Sheets**

<i>(In millions, except share data)</i>	March 31, 2009 (Unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,378.1	\$ 2,183.9
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$1,664.6 and \$1,538.6)	1,774.2	1,564.8
Equity securities (cost of \$951.9 and \$1,293.0)	810.3	1,088.0
Other invested assets, current	16.8	23.6
Accrued investment income	164.6	172.8
Premium and self-funded receivables	3,525.4	3,042.9
Other receivables	1,400.5	1,373.9
Income tax receivable		159.9
Securities lending collateral	461.6	529.0
Deferred tax assets, net	730.8	779.0
Other current assets	1,220.9	1,212.2
Total current assets	12,483.2	12,130.0
Long-term investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$13,031.7 and \$12,401.3)	12,537.1	11,808.4
Equity securities (cost of \$33.8 and \$34.7)	29.0	30.7
Other invested assets, long-term	705.3	703.2
Property and equipment, net	1,051.8	1,054.5
Goodwill	13,460.3	13,461.3
Other intangible assets	8,761.7	8,827.2
Other noncurrent assets	386.4	387.9
Total assets	\$ 49,414.8	\$ 48,403.2
Liabilities and shareholders equity		
Liabilities		
Current liabilities:		
Policy liabilities:		
Medical claims payable	\$ 6,168.0	\$ 6,184.7
Reserves for future policy benefits	63.4	64.5
Other policyholder liabilities	1,677.7	1,626.8
Total policy liabilities	7,909.1	7,876.0
Unearned income	1,153.1	1,087.7
Accounts payable and accrued expenses	3,003.6	2,856.5
Income taxes payable	196.0	
Security trades pending payable	27.8	5.8
Securities lending payable	474.1	529.0
Short-term borrowings	100.0	98.0
Current portion of long-term debt	710.5	909.7
Other current liabilities	1,766.6	1,657.6
Total current liabilities	15,340.8	15,020.3
Long-term debt, less current portion	8,527.1	7,833.9
Reserves for future policy benefits, noncurrent	662.8	664.7
Deferred tax liabilities, net	2,118.5	2,098.9

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Other noncurrent liabilities	1,257.6	1,353.7
Total liabilities	27,906.8	26,971.5
Commitments and contingencies Note 9		
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: 486,347,468 and 503,230,575	4.8	5.0
Additional paid-in capital	16,278.1	16,843.0
Retained earnings	5,970.6	5,479.4
Accumulated other comprehensive loss	(745.5)	(895.7)
Total shareholders' equity	21,508.0	21,431.7
Total liabilities and shareholders' equity	\$ 49,414.8	\$ 48,403.2

See accompanying notes.

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WellPoint, Inc.
Consolidated Statements of Income
(Unaudited)

(In millions, except per share data)

	Three Months Ended	
	March 31	
	2009	2008
Revenues		
Premiums	\$ 14,203.2	\$ 14,234.4
Administrative fees	941.5	969.6
Other revenue	154.0	162.6
Total operating revenue	15,298.7	15,366.6
Net investment income	197.1	232.7
Net realized losses on investments	(352.5)	(45.6)
Total revenues	15,143.3	15,553.7
Expenses		
Benefit expense	11,588.2	12,116.5
Selling, general and administrative expense:		
Selling expense	432.0	444.3
General and administrative expense	1,933.1	1,804.3
Total selling, general and administrative expense	2,365.1	2,248.6
Cost of drugs	112.4	118.9
Interest expense	116.1	119.0
Amortization of other intangible assets	67.9	71.5
Total expenses	14,249.7	14,674.5
Income before income tax expense	893.6	879.2
Income tax expense	313.2	291.1
Net income	\$ 580.4	\$ 588.1
Net income per share		
Basic	\$ 1.17	\$ 1.08
Diluted	\$ 1.16	\$ 1.07

See accompanying notes.

Table of Contents**WellPoint, Inc.****Consolidated Statements of Cash Flows****(Unaudited)**

<i>(In millions)</i>	Three Months Ended March 31	
	2009	2008
Operating activities		
Net income	\$ 580.4	\$ 588.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized losses on investments	352.5	45.6
Loss on disposal of assets	0.3	0.2
Deferred income taxes	(10.5)	(6.0)
Amortization, net of accretion	109.6	118.9
Depreciation expense	26.1	25.8
Share-based compensation	24.8	37.0
Excess tax benefits from share-based compensation	(0.7)	(11.1)
Changes in operating assets and liabilities, net of effect of business combinations:		
Receivables, net	(486.1)	(454.0)
Other invested assets	13.8	22.3
Other assets	(7.5)	(135.8)
Policy liabilities	31.2	502.1
Unearned income	65.4	36.4
Accounts payable and accrued expenses	120.3	(48.3)
Other liabilities	16.8	23.6
Income taxes	347.1	289.0
Other, net	8.5	7.4
Net cash provided by operating activities	1,192.0	1,041.2
Investing activities		
Purchases of fixed maturity securities	(2,051.0)	(1,742.9)
Proceeds from fixed maturity securities:		
Sales	869.5	1,938.8
Maturities, calls and redemptions	289.5	642.7
Purchases of equity securities	(31.3)	(744.9)
Proceeds from sales of equity securities	168.4	377.4
Purchases of other invested assets	(18.8)	(61.8)
Proceeds from sales of other invested assets	0.9	18.3
Changes in securities lending collateral	54.9	97.5
Purchases of subsidiaries, net of cash acquired	(1.1)	(0.4)
Purchases of property and equipment	(68.9)	(79.0)
Proceeds from sales of property and equipment	0.2	4.5
Other, net	(3.2)	
Net cash (used in) provided by investing activities	(790.9)	450.2
Financing activities		
Net (repayments of) proceeds from commercial paper borrowings	(273.1)	188.1
Repayment of long-term borrowings	(228.1)	(2.7)
Proceeds from long-term borrowings	990.3	
Net proceeds from short-term borrowings	2.0	
Changes in securities lending payable	(54.9)	(97.5)
Changes in bank overdrafts	19.5	144.7

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Repurchase and retirement of common stock	(681.2)	(2,008.6)
Proceeds from exercise of employee stock options and employee stock purchase plan	17.9	57.7
Excess tax benefits from share-based compensation	0.7	11.1
Net cash used in financing activities	(206.9)	(1,707.2)
Change in cash and cash equivalents	194.2	