

HEALTH NET INC
Form 425
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Cantor Fitzgerald Inaugural
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New York City
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Pursuant to Rule 425 under the Securities Act of 1933, as amended, and
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Securities Exchange Act of 1934, as amended

Subject Company: Health Net, Inc.

Commission File No.: 1-12718

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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 made as of the date of this filing and are subject to change.

limited to, the expected closing date of the transaction; the possibility that the expected synergies and value creation from the p realized, or will not be realized within the expected time period; the risk that the businesses will not be integrated successfully; making it more difficult to maintain business and operational relationships; the risk that unexpected costs will be incurred; cha political conditions, changes in federal or state laws or regulations, including the Patient Protection and Affordable Care Act an Affordability Reconciliation Act and any regulations enacted thereunder, provider and state contract changes, the outcome of p proceedings, reduction in provider payments by governmental payors, the expiration of Centene s or Health Net s Medicare c contracts by federal or state governments and tax matters; the possibility that the merger does not close, including, but not limi satisfy the closing conditions, including the receipt of approval of both Centene s stockholders and Health Net s stockholders transaction may not be available on favorable terms; and risks and uncertainties discussed in the reports that Centene and Heal Securities and Exchange Commission (the SEC). These forward-looking statements reflect Centene s and Health Net s cur events and are based on numerous assumptions and assessments made by Centene and Health Net in light of their experience a trends, current conditions, business strategies, operating environments, future developments and other factors they believe app forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on ci in the future. The factors described in the context of such forward-looking statements in this announcement could cause Center with respect to the proposed merger, actual results, performance or achievements, industry results and developments to differ n expressed in or implied by such forward-looking statements. Although it is believed that the expectations reflected in such for reasonable, no assurance can be given that such expectations will prove to have been correct and persons reading this announc cautioned not to place undue reliance on these forward-looking statements which speak only as of the date of this announc Health Net assumes any obligation to update the information contained in this announcement (whether as a result of new inform otherwise), except as required by applicable law. A further list and description of risks and uncertainties can be found in Cente 10-K for the fiscal year ended December 31, 2014 and in its reports on Form 10-Q and Form 8-K as well as in Health Net s A the fiscal year ended December 31, 2014 and in its reports on Form 10-Q and Form 8-K.

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Safe Harbor Statement

Additional Information and Where to Find It

Participants in Solicitation

No Offer or Solicitation

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 prospectus statement/prospectus for the stockholders of Centene and Health Net to be filed with the SEC, and each will mail the joint prospectus to their respective stockholders and file other documents regarding the proposed transaction with the SEC. Centene and Health Net urge

read the joint proxy statement/prospectus when it becomes available, as well as other documents filed with the SEC, because the information. Investors and security holders will be able to receive the registration statement containing the joint proxy statement free of charge at the SEC's web site, <http://www.sec.gov>. These documents can also be obtained (when they are available) free of charge upon written request to the Investor Relations Department, Centene Plaza 7700 Forsyth Blvd. St. Louis, MO 63105, (314) 725-4477, <http://www.centene.com/investors/>, or from Health Net upon written request to the Investor Relations Department, Health Net, Woodland Hills, CA 91367, (800) 291-6911, or from Health Net's website, www.healthnet.com/InvestorRelations. 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. Information regarding the rules of the SEC, be deemed participants in the solicitation of the respective stockholders of Centene and Health Net in connection with the 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 definitive proxy statement for its 2015 Annual Meeting of Stockholders, which was filed with the SEC on March 16, 2015. 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 16, 2015. You can obtain free copies of these documents from Centene and Health Net using the contact information above. 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 or the 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 Section 10(b) of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law.

Earnings Guidance Policy

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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

Health Net adds over 6M members & key capabilities in growth products

1.7M Medicaid members; strengthens leading position in Medicaid

Enhances national leadership position in LTSS

4 Star Medicare Advantage capability with \$3B in revenue and 275k members

Deep experience with Duals and other underserved populations

Attractive Exchange capabilities including 300k members

Brings complementary focus on targeted Exchange population

Innovative capabilities with value based product set built on leading provider network

Participation in additional government programs including VA and TRICARE serving over 2.8M members

Pro Forma 2015E Premium & Service Revenue of \$37B and Adj. EBITDA in excess of \$1.5B

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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

Purchase

Price

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

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

Projected

Financial

Impact

Projected

Financial

Impact

Path to

Closing

Path to

Closing

Financing

Financing

Ownership

Ownership

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

shareholders to own ~29% of Company

7
Cost Synergy Opportunities
Core G&A Efficiencies
Specialty Company
Integration
Medical Costs
Technology Platform
\$150M
in Year 2

8
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

Pro Forma Membership as of 3/31/15

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

9
Medicaid Leadership
Combination Results in the Largest Medicaid Player
5.7
5.6
5.0
4.0
2.6
2.4

1.7
Peer
Peer
Peer
Peer
1
2
3
4
5
6
-

10

Diversifying into Adjacent Growth

Markets

Commercial / Exchanges

Medicaid

Medicare

Specialty / Government

Duals

Note: Estimated revenue represents Premium and Service revenue

2015E Revenue:

\$16 billion*

2015E Pro Forma Revenue:

\$37 billion

2015E Revenue:

\$21 billion

83%

2%

0.7%

11%

4%

39%

34%

19%

4%

4%

64%

16%

8%

8%

4%

11
Attractive Growth Opportunities
Increased
Medicare
Advantage
Presence
4 Star Plans
275k Members
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
5.7M Members

Segment Size by Product

12

Medicaid

& CHIP

Medicare

(Duals)

Correctional

Healthcare

Health Insurance

Marketplace

\$612B

\$612B

\$234B

\$234B

\$104B

\$104B

\$9B

\$9B

\$959

billion

\$959

billion

US Health Care Public Financing	
13	
2014	
2019	
2024	
72	
91	
93	

50

62

72

7

14

21

5

5

5

CHIP

Exchange

Medicare

Medicaid

134 million

(42% of Americans)

172 million

(52% of Americans)

191 million

(56% of Americans)

Source: HMA, 2014

Millions of Beneficiaries

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

Marketplace

\$140 billion

\$140 billion

Both companies participate in each of these segments

Market Opportunity by Product

15

Medicaid

Medicare

(Duals)

Health Insurance

Marketplace

National leader in Medicaid Managed Care

National leadership in MLTSS

Fastest growing Medicaid Managed Care Segment

Expands Medicare pipeline beyond duals

Over 35% of Medicare beneficiaries are under 200% FPL

Over 65% of Medicare beneficiaries are under 400% FPL

4 Star platform

Aligned strategy focused on subsidized populations

Correctional

Healthcare

Provides correctional healthcare services in 6 markets
combined

Health Solutions -
2008
16
States
70
Solutions
8

17
Government Solutions
AZ
AR
CA
FL
GA

IL
IN
KS
LA
MA
MI
MN
MS
MO
NH
OH
OR
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
Dental
Benefits
2
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.

23 States

237 Solutions

1

Health Solutions

Pro Forma 2015

18
Medicaid
High Quality Value Based Networks
High Quality Value Based Networks
Integrated Specialty Solutions
Integrated Specialty Solutions
Common Technology Platform
Common Technology Platform
Targeted Exchange

Medicare
Advantage
Leveraging Core Capabilities Across
Government Programs

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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%

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