



COVENTRY



HEALTH CARE

2009 SUMMARY ANNUAL REPORT

● AN EASY AND SIMPLE EXPERIENCE

● OPERATIONAL EXCELLENCE

● FINANCIAL DISCIPLINE

● AN EMPOWERING ENVIRONMENT



## STRENGTHENING OUR CORE



At Coventry Health Care, we are driven to ensure that every person and organization we serve receives the greatest possible value for their healthcare dollar. We do this by providing a full range of competitive products and services through our seven core businesses—Commercial Risk, Medicare Advantage, Medicare Part D, Medicaid, Workers' Comp Services, FEHBP, and Network Rental.

With nearly 5.3 million members in all 50 states at the end of 2009, we are committed to constantly improving our low-cost platform so that we can deliver the products and services that our customers want at a price they can afford. Coventry has the expertise, the experience, and the agility to craft the new products, the new processes, and the new services needed to make healthcare more accessible to all Americans.

## SELECTED CONSOLIDATED FINANCIAL DATA

(in thousands, except per share and membership data)

	December 31,				
	2009	2008	2007	2006	2005
<b>OPERATIONS STATEMENT DATA<sup>(1,2)</sup></b>					
Operating revenues	\$13,903,526	\$11,734,227	\$9,694,176	\$7,549,253	\$6,428,049
Operating earnings	501,951	585,529	901,328	828,539	764,812
Earnings before income taxes	504,554	571,861	963,212	883,021	772,486
Income from continuing operations	315,334	362,000	605,444	551,457	485,020
(Loss) income from discontinued operations, net of tax	(73,033)	19,895	20,650	8,588	16,619
Net earnings	242,301	381,895	626,094	560,045	501,639
Basic earnings per share from continuing operations	2.15	2.43	3.91	3.48	3.07
Basic (loss) earnings per share from discontinued operations	(0.50)	0.13	0.13	0.05	0.11
Total basic earnings per share	1.65	2.56	4.04	3.53	3.18
Diluted earnings per share from continuing operations	2.14	2.41	3.85	3.42	3.00
Diluted (loss) earnings per share from discontinued operations	(0.50)	0.13	0.13	0.05	0.10
Total diluted earnings per share	1.64	2.54	3.98	3.47	3.10
<b>BALANCE SHEET DATA<sup>(1,2)</sup></b>					
Cash and investments	\$ 3,855,647	\$ 3,171,121	\$2,859,237	\$2,793,800	\$2,062,893
Total assets	8,166,532	7,727,398	7,158,791	5,665,107	4,895,172
Total medical liabilities	1,605,407	1,446,391	1,161,963	1,121,151	752,774
Other long-term liabilities	456,518	368,482	445,470	309,616	309,742
Debt	1,599,027	1,902,472	1,662,021	760,500	770,500
Stockholders' equity	3,712,554	3,430,669	3,301,479	2,953,002	2,554,703
<b>OPERATING DATA<sup>(1,2)</sup></b>					
Medical loss ratio	85.4%	84.0%	79.6%	79.3%	79.4%
Operating earnings ratio	3.6%	5.0%	9.3%	11.0%	11.9%
Administrative expense ratio	15.5%	16.5%	17.0%	15.6%	16.1%
Basic weighted average shares outstanding	146,652	148,893	154,884	158,601	157,965
Diluted weighted average shares outstanding	147,395	150,208	157,357	161,434	161,716
Total membership	5,269,000	4,628,000	4,673,000	4,107,000	3,706,000

(1) Operating Data includes the results of operations of acquisitions since the date of acquisition. Balance Sheet Data reflect acquisitions as of December 31 of the year of acquisition.

(2) Unless noted as discontinued operations, Operating Data excludes First Health Services Corporation ("FHSC") operating results for each year presented due to the sale of this business in July 2009. Balance Sheet Data does not include FHSC balances for 2008 and prior as amounts are immaterial.



## LETTER TO OUR SHAREHOLDERS

In a year dominated by change and uncertainty, returning to business fundamentals was never more important than in 2009. Manage your finances. Improve your operations. Find and retain the best people. And, of course, serve your customers well.

In 2009, Coventry Health Care focused relentlessly on strengthening our seven core businesses and restoring the financial stability and predictability that you came to expect over the past decade. Along the way, we eliminated distractions and cleared a better path to growth and profitability in 2010 and beyond. To make good on this promise, Coventry took a page from our past and recommitted to our four pillars of strength that have always served us, our shareholders, and our customers:

“In 2009, it was “mission critical” to strengthen the seven core businesses by eliminating unnecessary costs, improving operational execution, and raising the caliber of our senior leadership team. While these initiatives showed positive results in 2009, we still have much more work to do and will vigorously pursue even greater improvements during 2010.”

—ALLEN F. WISE Chairman and Chief Executive Officer

1. **Unyielding financial discipline.** This allows us to leverage our low-cost structure across our businesses.
2. **Operational excellence.** Improve the business from top-to-bottom to enable us to meet our commitments to customers and shareholders.
3. **Attract and retain talented managers.** Empower managers to make the decisions necessary to succeed and recognize them when they do.
4. **Build strong relationships.** Work with members, employers, and providers in an open and direct way to achieve the best possible results.

#### FOCUSING ON OUR CORE

To strengthen our core, we focused on what we do best: delivering the products and services that provide outstanding value to our customers. Our seven core businesses drive this company’s longevity, stability, and its prospects for long-term success. These are businesses in which we have the expertise, experience, and cost structure to compete successfully. They are also balanced between risk and fee-based operations and generate a diversified revenue stream with dependable cash flow.

In 2009, it was “mission critical” to strengthen the seven core businesses by eliminating unnecessary

**CORE STRENGTH** Reduced our outstanding debt by more than \$300 million, resulting in a 30.1 percent debt to capital ratio at year-end.

costs, improving operational execution, and raising the caliber of our senior leadership team. While these initiatives showed positive results in 2009, we still have much more work to do and will vigorously pursue even greater improvements during 2010.

#### STABILITY THROUGH DISCIPLINE AND DIVERSIFICATION

Despite the weak economy and uncertain political environment for our industry, this focus on our core businesses and strengths provided a powerful new source of energy at Coventry in 2009. As companies around the nation hunkered down by shedding jobs and cutting costs, the commercial risk segment of our industry came under pressure—and Coventry was no exception. We leveraged our strong local presence and low-cost structure to deliver excellent customer service while launching new affordable small group products that were attractive in the marketplace.

# 2009 HIGHLIGHTS

Our seven core businesses are the source of not only our longevity and stability as a company, but also our prospects for long-term success.

- Achieved more than 35 percent membership growth in our network-based Medicare Advantage products by opening new markets, expanding current geographies, and continuing to grow our network of doctors and hospitals.
- Fourth consecutive year of strong performance in Medicare Part D including growth of 752,000 members from the prior year.

Our Medicare Advantage products offer the clearest example of how we re-evaluated our businesses in 2009. Early in the year, we made a strategic decision to exit the Medicare Advantage Private-Fee-for-Service business. Simultaneously, we redoubled our commitment to our Medicare Advantage Coordinated Care Plans with significant investments to improve our chronic care models to produce better, more cost-effective treatment and outcomes for our most acute members. We continue to believe that Medicare Advantage offers the best opportunity to realize the goal of “bending the cost curve” while providing better value and benefits for seniors compared to Medicare fee-for-service.

**CORE STRENGTH** Revenues from continuing operations increased 18.5 percent from the prior year.

By contrast, Medicare Part D needed only fine-tuning. Although this product has been volatile for some in our industry, Coventry recorded its fourth consecutive year of profitable growth in 2009 thanks in large part to our pricing discipline. At year’s end, we delivered high-quality, affordable drug benefits to nearly 1.7 million members, an increase of more than 80 percent from 2008. Today, we are the fourth largest Medicare Part D provider nationally with nearly 10 percent market share.

Our Medicaid business grew at a more measured rate. We increased our membership by over 8 percent while achieving financial targets despite challenges like the H1N1 flu. The outlook for this business remains positive as many states find that Medicaid managed care is a necessary strategy for containing costs. And, whether major or more incremental healthcare reforms are enacted, most proposals would expand Medicaid eligibility especially for a large number of those currently uninsured.

Our three fee-based businesses—Workers’ Comp Services, the Federal Employee Health Benefit Program, and Network Rental—all generated steady cash flow in 2009 and are well positioned for the future. These businesses benefitted from our intense focus on administrative efficiencies during 2009 and will continue to do so in the future.

## REEMPHASIZING OUR SOURCES OF STRENGTH

Across all seven businesses, we reemphasized our four pillars of strength that have served us well for many years. The first is *financial discipline*. Coventry is driven to be the provider of low-cost, high-value managed care products and services. We do this because it is prudent. Just as important, it provides the resources to design the innovative, affordable products that health care customers want and need. This year, we focused on pricing our products appropriately in relation to medical trends while reducing administrative expenses wherever possible.

# STRENGTHENING OUR CORE

- Grew Medicaid membership by more than 8 percent to over 400,000 members while expanding our service area.
- Individual membership growth of nearly 20 percent, now providing services to nearly 150,000 members.
- Completed the divestiture of a non-core business, First Health Services, while deploying capital to a core acquisition, Preferred Health Systems.

Our focus on *operational excellence* played a key role in our recent decision to acquire Preferred Health Systems from Via Christi Health System in Wichita, Kansas. This acquisition added approximately 120,000 new members and helps build out our core health plan business in our six-state Midwest region, which now exceeds one million members. For over a decade, making health plan acquisitions and improving these businesses over time has been a tried-and-true recipe for success at Coventry.

To sustain this level of operational excellence, however, we must attract and retain outstanding people. Our approach is to create an *empowering work environment* that encourages employees to use their talents to the fullest, sets high expectations, and celebrates extraordinary accomplishments. Making sure that we had the right people in the right positions across the company was one of our primary 2009 objectives. We made good progress last year, which was crucial to building momentum and strategically positioning the company going forward.

Healthcare is an inherently complex business. Our success also depends on building strong relationships with our members, providers, and other external customers to deliver a *straightforward and productive experience*. Whether it is enrolling a new member, refilling a prescription, or processing a claim, we are committed to doing things right the first time. The profiles of members and their case

**CORE STRENGTH** Cash flow from operations of \$882 million with approximately \$510 million of deployable free cash at year-end.

managers following this letter highlight this last guiding principle.

## STEERING A STEADY COURSE

No matter what the future holds, this organization is crystal clear about its objectives and areas of focus. We are determined to eliminate distractions, drive down costs, and devote ourselves to strengthening our core businesses. I would like to take this opportunity to thank our more than 14,000 employees for their efforts and assure you, our shareholders, that we are committed to working harder, smarter, and faster to achieve these objectives in 2010.



Allen F. Wise  
*Chief Executive Officer*



## SOURCES *of* STRENGTH

1.

AN EASY AND  
SIMPLE EXPERIENCE

We forge strong relationships with members, providers, and employer groups and devote ourselves to making their interactions with us increasingly productive.

2.

OPERATIONAL  
EXCELLENCE

We strive to find the most efficient, cost-effective, and responsive ways to operate our company and serve our customers.

3.

FINANCIAL  
DISCIPLINE

We manage our balance sheet prudently and drive down costs relentlessly, ensuring the long-term stability of our company and enhancing our ability to develop innovative, affordable products.

4.

AN EMPOWERING  
ENVIRONMENT

We strive to exceed expectations in everything we do by empowering employees, setting high targets, and rewarding exceptional results.

• SERVING OUR CUSTOMERS

## COORDINATING CARE AND DELIVERING PEACE OF MIND



At Coventry, we appreciate how precious good health is. When people are ill or injured, our job is to smooth their way to a speedy recovery and ensure that they have the most effective care possible.

This could mean reaching out to people with multiple chronic conditions to help them adhere more faithfully to their treatment plan. Or stepping in to arrange transportation for women with high-risk pregnancies so that they can receive adequate prenatal care. Or coordinating the efforts of a team of providers to ensure that members undergoing major medical procedures have access to the services they need.

At Coventry, we add value by partnering with patients and their healthcare providers to produce the best possible outcomes.



## MEDICAID PROGRAMS

Coventry works closely with our Medicaid members who face serious health challenges, providing the information, support, and encouragement they need to make positive changes to their health.

COVENTRY MEMBER ASHLEE FESSENDEN

# SUPPORTING MOMS DURING COMPLICATED PREGNANCIES



“Our goal is to do everything that we can to help moms like Ashlee stay out of the hospital until they deliver.”

—DANA PAMINTUAN Coventry Complex Case Manager

Ashlee Fessenden had a lot on her mind. She and her husband Joseph were expecting their third child. Her first two children had been born prematurely, and she was worried and a little scared about going through another difficult pregnancy. And then Dana Pamintuan stepped into the picture. A registered nurse and OB/disease case manager at Coventry, Dana provided the reassurance and practical support that helped sustain Ashlee through the birth of her son Elijah.

## SMOOTHING THE WAY FOR BETTER PRENATAL CARE

Coventry partners with the state of Missouri, where Ashlee lives, to provide assistance to its Medicaid recipients. When Ashlee was in her sixth week, Dana called Ashlee and introduced herself. “Our group at Coventry focuses on high-risk pregnant moms, and we

reached out to Ashlee because we knew that she had a history of pre-term deliveries,” Dana says. “Our goal is to do everything that we can to help moms like Ashlee stay out of the hospital until they deliver.”

Dana and her colleagues help in a variety of ways, depending on the needs of the members. Because Ashlee had hypertension and gestational diabetes, she had to visit two doctors at least once a week, trips that took more than an hour each way. Dana not only arranged for transportation, but also coordinated the appointments so that Ashlee could see both doctors during the same trip. Dana followed up regularly throughout the pregnancy, helping Ashlee deal with medical issues as they arose. “I encouraged Ashlee to call me whenever she was worried or even when she just had a question to ask,” Dana says.

## WORKING ONE-ON-ONE

For Ashlee, Dana’s attentiveness and compassion was a real source of comfort. “Dana is the kind of special person you encounter once in a lifetime,” Ashlee says.

Ashlee continued to stay in touch with Dana after Elijah was born and volunteered to appear on the patient panel, the highlight of the baby showers that Dana periodically organizes for her clients. The women on the panel discuss their experiences with complicated pregnancies and answer questions from the audience. “Dana inspired me to participate in the panel, and I thought I could be helpful,” Ashlee says. “People tend to listen when they hear from other moms who have gone through the same experience.”



# COMMERCIAL BUSINESS

Our complex case managers combine extensive training and years of experience with a heartfelt desire to help others. It's a combination that delivers better outcomes and lower costs for our members.

COVENTRY MEMBER MARGARET ANDERSON

# BUILDING RELATIONSHIPS THAT IMPROVE MEMBER HEALTH



“As a nurse, I’ve been taught to look at every person I see as an individual and find ways to help that are meaningful to them.”

—ED HAVRILA Coventry Complex Case Manager

Ed Havrila, a Coventry case manager in Charlottesville, Virginia, knows that in order to make a real difference in someone’s health, you have to do more than make a telephone call. You have to build a real relationship. And it’s clear from the way member Margaret Anderson talks about him that Ed has succeeded. “I consider him one of my best friends,” she says. “Ed is a wonderful person who truly cares about what’s happening in my life.”

## WEARING A NUMBER OF HATS

Margaret has several chronic medical conditions including diabetes and congestive heart failure that make her case complicated to manage. To support her, Ed wears a number of hats. He’s an educator who uses his background as a nurse to help Margaret understand

the physical basis of her illness and how her treatment program can help. He follows up by sending her links to Web sites and articles on exercise and nutrition.

Ed also acts as Margaret’s personal cheerleader. He urges Margaret to stick to her regimen, applauds her successes, and encourages her when she slips. “I know it’s not easy being in Margaret’s position,” Ed says, “so we take it one day at a time.”

In addition, Ed serves as Margaret’s personal medical administrator, helping her keep track of her schedule of examinations and tests. If she has a doctor’s visit on her calendar, he calls with a reminder. He also helps her create a list of useful questions to bring with her.

## GETTING CLOSE TO OUR MEMBERS

Altogether, Margaret and Ed speak to each other at least once a week and frequently more often. “Even though I’ve never met him, it’s clear that Ed really knows me,” Margaret says. “He can tell from the sound of my voice when I leave a message whether I’m having a good day. It’s really remarkable. And because I know he’s really trying hard for me, I try hard to help myself.”

And Ed looks forward to talking to Margaret. “As a nurse, I’ve been taught to look at every person I see as an individual and find ways to help that are meaningful to them,” he says. “I can’t imagine a more worthwhile challenge.”



# MEDICARE ADVANTRA

When seniors enroll in one of our Medicare Advantage Advantra plans, they gain the peace of mind of knowing that they will have the support of the Coventry team at their side throughout their medical interactions.

COVENTRY MEMBER DOROTHY LANGFORD

# HELPING MEMBERS BEAT THE ODDS



“We’re here to improve the quality of life as well as the health our members enjoy.”

—MARY SCHICK Coventry Complex Case Manager

When Dorothy Langford, a former elementary school teacher, was diagnosed with leukemia and told that she had six months to live, she was, understandably, in a state of shock. But Dorothy persevered, and with the help of Coventry’s Advantra plan for Medicare recipients, her cancer is in remission. She’s now doing well, more than 18 months later.

“Coventry really came through for me,” Dorothy says. “Thanks to Coventry, I could focus on getting better rather than worrying about finances.”

## **FOCUSING ON QUALITY OF LIFE**

But Coventry does more than simply pay the bills. We make sure that our members get the care they need as seamlessly and smoothly as possible. When Dorothy was

referred to a hospital to be evaluated for a bone marrow transplant, Mary Schick, a Registered Nurse and Coventry complex case manager, took charge of coordinating her care. Mary ensured that Dorothy got the authorizations she needed, orchestrated the services of the dozens of people who would help Dorothy on the road back to health, and kept Dorothy posted about the latest developments.

Mary was most active in Dorothy’s care in the weeks immediately following the transplant. As a result of chemotherapy before the procedure, Dorothy was weak, vulnerable to infection, and prone to dehydration. Mary arranged for home healthcare, and Coventry authorized the purchase of a scooter, so that Dorothy didn’t


have to be housebound. “We’re here to improve the quality of life as well as the health our members enjoy,” Mary says. “The scooter is a case in point. Coventry approved it in a day!”

## **UPBEAT ABOUT HER FUTURE**

Dorothy has been extremely pleased with the support she’s received from Mary and the Coventry team. When reviewing her coverage options for 2010, Dorothy opted to remain with Coventry even though there were lower cost options available from our competitors. And she remains upbeat about her future. “I think I surprised my doctors,” she says. “I feel like everything is going to be fine.”



# FINANCIAL STATEMENTS

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## CONSOLIDATED BALANCE SHEETS

Coventry Health Care, Inc. and Subsidiaries

(in thousands)

	December 31,	
	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,418,554	\$ 1,123,114
Short-term investments	442,106	338,129
Accounts receivable, net of allowance of \$21,350 and \$11,040 as of December 31, 2009 and 2008, respectively	258,993	293,636
Other receivables, net	496,059	524,803
Other current assets	234,446	130,808
Total current assets	2,850,158	2,410,490
Long-term investments	1,994,987	1,709,878
Property and equipment, net	271,931	308,016
Goodwill	2,529,284	2,695,025
Other intangible assets, net	471,693	546,168
Other long-term assets	48,479	57,821
Total assets	\$ 8,166,532	\$ 7,727,398
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Medical liabilities	\$ 1,605,407	\$ 1,446,391
Accounts payable and other accrued liabilities	682,171	474,561
Deferred revenue	110,855	104,823
Total current liabilities	2,398,433	2,025,775
Long-term debt	1,599,027	1,902,472
Other long-term liabilities	456,518	368,482
Total liabilities	4,453,978	4,296,729
<b>Stockholders' equity:</b>		
Common stock, \$.01 par value; 570,000 authorized 190,462 issued and 147,990 outstanding in 2009 190,318 issued and 148,288 outstanding in 2008	1,905	1,903
Treasury stock, at cost; 42,472 in 2009; 42,031 in 2008	(1,282,054)	(1,287,662)
Additional paid-in capital	1,750,113	1,748,580
Accumulated other comprehensive income, net	41,406	8,965
Retained earnings	3,201,184	2,958,883
Total stockholders' equity	3,712,554	3,430,669
Total liabilities and stockholders' equity	\$ 8,166,532	\$ 7,727,398

The financial information presented above should be read in conjunction with the audited consolidated financial statements and accompanying notes included in Coventry's 2009 Annual Report on Form 10-K.

## CONSOLIDATED STATEMENTS OF OPERATIONS

Coventry Health Care, Inc. and Subsidiaries

(in thousands, except per share data)

	Years Ended December 31,		
	2009	2008	2007
Operating revenues:			
Managed care premiums	\$12,717,399	\$10,563,163	\$8,689,633
Management services	1,186,127	1,171,064	1,004,543
Total operating revenues	13,903,526	11,734,227	9,694,176
Operating expenses:			
Medical costs	10,859,394	8,868,579	6,920,531
Cost of sales	240,828	195,600	93,808
Selling, general and administrative	2,151,799	1,940,820	1,646,865
Depreciation and amortization	149,554	143,699	131,644
Total operating expenses	13,401,575	11,148,698	8,792,848
Operating earnings	501,951	585,529	901,328
Interest expense	84,875	96,386	82,217
Other income, net	87,478	82,718	144,101
Earnings before income taxes	504,554	571,861	963,212
Provision for income taxes	189,220	209,861	357,768
Income from continuing operations	315,334	362,000	605,444
(Loss) income from discontinued operations, net of tax	(73,033)	19,895	20,650
Net earnings	\$ 242,301	\$ 381,895	\$ 626,094
Net earnings per share:			
Basic earnings per share from continuing operations	\$ 2.15	\$ 2.43	\$ 3.91
Basic (loss) earnings per share from discontinued operations	(0.50)	0.13	0.13
Total basic earnings per share	\$ 1.65	\$ 2.56	\$ 4.04
Diluted earnings per share from continuing operations	\$ 2.14	\$ 2.41	\$ 3.85
Diluted (loss) earnings per share from discontinued operations	(0.50)	0.13	0.13
Total diluted earnings per share	\$ 1.64	\$ 2.54	\$ 3.98
Weighted average common shares outstanding:			
Basic	146,652	148,893	154,884
Effect of dilutive options and restricted stock	743	1,315	2,473
Diluted	147,395	150,208	157,357

The financial information presented above should be read in conjunction with the audited consolidated financial statements and accompanying notes included in Coventry's 2009 Annual Report on Form 10-K.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Coventry Health Care, Inc. and Subsidiaries

(in thousands)

	Years Ended December 31,		
	2009	2008	2007
<b>Cash flows from operating activities:</b>			
Net earnings	\$ 242,301	\$ 381,895	\$ 626,094
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation and amortization	151,815	150,226	142,569
Amortization of stock compensation	47,047	60,582	64,129
Deferred income tax benefit	(87,610)	(34,178)	(25,017)
Loss on other-than-temporarily impaired securities	—	36,160	—
Loss on disposal of FHSC	81,557	—	—
Gain on repurchase of debt	(8,371)	(4,628)	—
Other adjustments	8,642	10,243	6,635
Changes in assets and liabilities, net of effects of the purchase of subsidiaries:			
Accounts receivable	12,258	(28,699)	2,523
Other receivables	19,235	(198,904)	(89,190)
Medical liabilities	159,095	276,417	(98,781)
Accounts payable and other accrued liabilities	223,182	(49,689)	(20,122)
Other changes in assets and liabilities	32,692	27,931	(28,830)
<b>Net cash from operating activities</b>	<b>881,843</b>	<b>627,356</b>	<b>580,010</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures, net	(60,323)	(69,371)	(61,307)
Proceeds from sales of investments	292,515	696,806	1,022,810
Proceeds from maturities of investments	522,144	166,034	321,561
Purchases of investments	(1,140,475)	(1,034,892)	(1,633,113)
Proceeds (payments) for acquisitions, net	10,197	(137,374)	(1,192,601)
Proceeds from FHSC disposal, net	115,437	—	—
<b>Net cash from investing activities</b>	<b>(260,505)</b>	<b>(378,797)</b>	<b>(1,542,650)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of stock	1,224	7,233	52,262
Payments for repurchase of stock	(32,796)	(323,137)	(439,237)
Proceeds from issuance of debt, net	—	668,409	1,153,280
Repayment of debt	(294,930)	(423,872)	(260,500)
Excess tax benefit from stock compensation	604	387	31,534
<b>Net cash from financing activities</b>	<b>(325,898)</b>	<b>(70,980)</b>	<b>537,339</b>
<b>Net change in cash and cash equivalents</b>	<b>295,440</b>	<b>177,579</b>	<b>(425,301)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,123,114</b>	<b>945,535</b>	<b>1,370,836</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,418,554</b>	<b>\$ 1,123,114</b>	<b>\$ 945,535</b>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest	\$ 84,383	\$ 93,219	\$ 55,596
Income taxes paid, net	\$ 190,703	\$ 273,917	\$ 445,284

The financial information presented above should be read in conjunction with the audited consolidated financial statements and accompanying notes included in Coventry's 2009 Annual Report on Form 10-K.

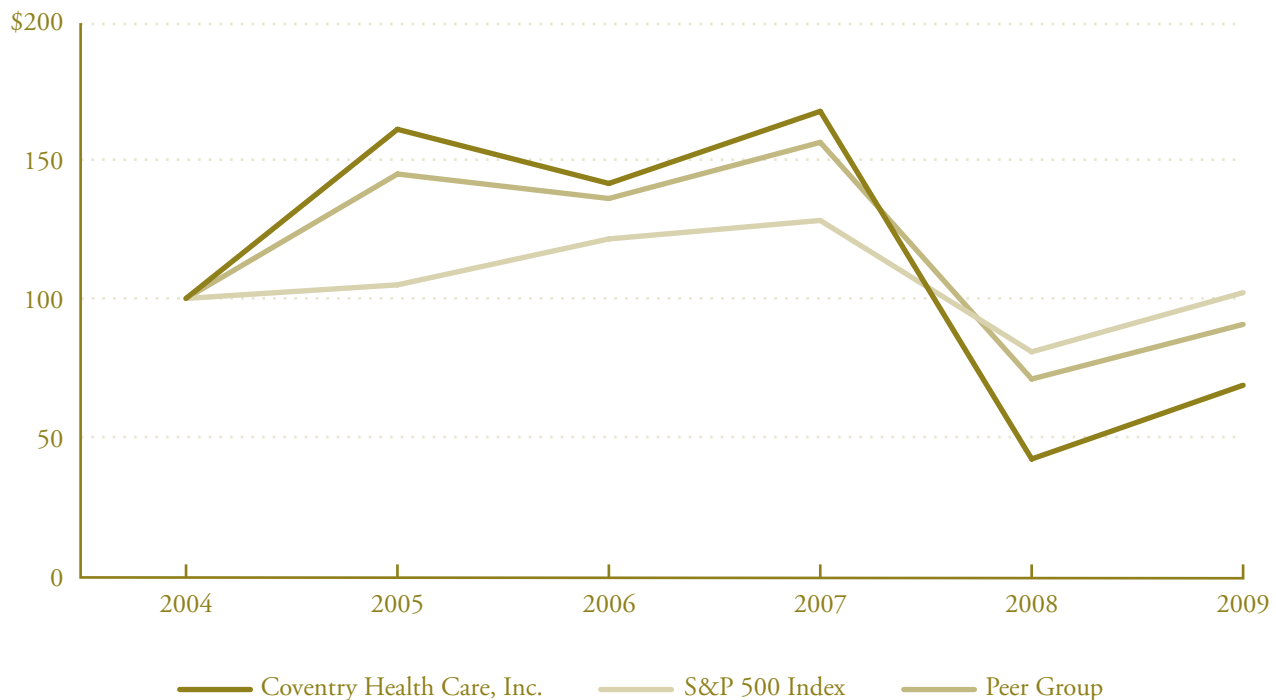
## TOTAL SHAREHOLDER RETURNS

The following graph compares the cumulative total shareholder return on the Company's common stock for the five years ending December 31, 2009 with the cumulative total return of the Standard & Poor's 500 Index and a Custom Peer Group Index compiled by Zach's Investment Research, Inc., assuming an investment of \$100 on December 31, 2004. The following companies are included in the Custom Peer Group Index (and the returns of each company have been weighted according to its relative stock market capitalization at the beginning of each period for which a return is indicated): Aetna Inc., CIGNA Corporation, Health Net, Inc., Humana Inc., UnitedHealth Group Inc., and WellPoint, Inc.

### COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN

Assumes Initial Investment of \$100

December 2004–December 2009



	2004	2005	2006	2007	2008	2009
Coventry Health Care	\$100.00	\$161.01	\$141.47	\$167.50	\$42.07	<b>\$ 68.67</b>
S&P 500 Index	\$100.00	\$104.89	\$121.46	\$128.13	\$80.73	<b>\$102.08</b>
Peer Group	\$100.00	\$144.88	\$136.05	\$156.30	\$70.92	<b>\$ 90.63</b>

Note: The stock price performance shown on the graph above is not necessarily indicative of future price performance.

# DIRECTORS & EXECUTIVE OFFICERS

## BOARD OF DIRECTORS

Allen F. Wise  
Chairman and Chief Executive Officer,  
Coventry Health Care

Elizabeth E. Tallett  
Lead Director, Coventry Health Care  
Principal  
Hunter Partners, LLC

Joel Ackerman  
Investor

L. Dale Crandall  
President  
Piedmont Corporate Advisors, Inc.

Lawrence N. Kugelman  
Private Investor and Business Consultant

Daniel N. Mendelson  
Chief Executive Officer  
Avalere Health

Rodman W. Moorhead, III  
Private Investor  
Former Senior Advisor and  
Managing Director (Retired)  
Warburg Pincus

Michael A. Stocker, M.D.  
Chairman  
NYC Health and Hospitals Corporation

Joseph R. Swedish  
(Elected February 2010)  
President and Chief Executive Officer  
Trinity Health

Timothy T. Weglicki  
Founding Partner  
ABS Capital Partners

## EXECUTIVE OFFICERS

Allen F. Wise  
Chief Executive Officer and Director

Harvey C. DeMovick, Jr.  
Executive Vice President

Thomas C. Zielinski  
Executive Vice President and  
General Counsel

Michael D. Bahr  
Executive Vice President,  
Commercial Business

John J. Stelben  
Interim Chief Financial Officer  
and Treasurer

Patrisha L. Davis  
Senior Vice President and  
Chief Human Resources Officer

Paul C. Conlin  
Senior Vice President,  
Medicaid Business

John J. Ruhlmann  
Senior Vice President and  
Corporate Controller

David W. Young  
President and Chief Executive Officer,  
Workers Compensation Business

## NOTICE OF ANNUAL MEETING

The annual meeting of shareholders will be held on May 20, 2010, at 8:00 a.m., Eastern Daylight Saving Time, at the Four Seasons Hotel, 2800 Pennsylvania Avenue, N.W., Washington, District of Columbia 20007 Telephone (202) 342-0444.

## TRANSFER AGENT

BNY Mellon Shareowner Services, Inc.  
480 Washington Blvd., 27th Floor  
Jersey City, NJ 07310  
(800) 522-6645  
[www.melloninvestor.com](http://www.melloninvestor.com)

## CORPORATE COUNSEL

Bass, Berry and Sims, PLC  
Nashville, TN

## CORPORATE HEADQUARTERS

Coventry Health Care, Inc.  
6705 Rockledge Drive, Suite 900  
Bethesda, MD 20817  
(301) 581-0600

## FORM 10-K

Coventry Health Care has filed an Annual Report on Form 10-K for the year ended December 31, 2009 with the Securities and Exchange Commission. Section 302 CEO/CFO certifications and Section 906 CEO/CFO certifications have been filed as exhibits to Form 10-K.

In addition, the Company has submitted an unqualified Section 12(a) CEO Certification to the NYSE in 2009 pursuant to Section 303A.12 of the NYSE Listed Company Manual.

Shareholders may obtain a copy of this report, including all certifications, by contacting:  
Investor Relations Department  
Coventry Health Care  
6705 Rockledge Drive, Suite 900  
Bethesda, MD 20817  
(301) 581-5717  
[Investor-Relations@cvty.com](mailto:Investor-Relations@cvty.com)

The report and certifications are also available on Coventry's Investor Relations website at <http://www.coventryhealthcare.com>

## COMMON STOCK

Coventry Health Care common stock is traded on the New York Stock Exchange under the symbol "CVH".

## DIVIDEND POLICY

Coventry Health Care has not paid any cash dividends on its common stock. The Company's ability to pay dividends is restricted as discussed in the Liquidity and Capital Resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

## DISCLAIMER

This annual report contains forward-looking information. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are defined as statements that are not historical facts and include those statements relating to future events or future financial performance. Actual performance may be significantly impacted by certain risks and uncertainties, including those described in Coventry's Annual Report on Form 10-K for the year ended December 31, 2009. Coventry undertakes no obligation to update or revise any forward-looking statements.



**COVENTRY**  
*Health Care, Inc.*

6705 Rockledge Drive, Suite 900  
Bethesda, MD 20817  
[www.coventryhealthcare.com](http://www.coventryhealthcare.com)