
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 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: 1-10864

UnitedHealth Group Incorporated

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

41-1321939
(I.R.S. Employer
Identification No.)

UnitedHealth Group Center
9900 Bren Road East
Minnetonka, Minnesota
(Address of principal executive offices)

55343
(Zip Code)

(952) 936-1300

(Registrant's telephone number, including area code)

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 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 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

As of October 27, 2009, there were 1,162,016,644 shares of the registrant's Common Stock, \$.01 par value per share, issued and outstanding.

UNITEDHEALTH GROUP

Table of Contents

	<u>Page</u>
Part I. Financial Information	
Item 1. Financial Statements	1
Condensed Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008	1
Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2009 and 2008	2
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2009 and 2008	3
Notes to the Condensed Consolidated Financial Statements	4
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3. Quantitative and Qualitative Disclosures about Market Risk	43
Item 4. Controls and Procedures	44
Part II. Other Information	
Item 1. Legal Proceedings	45
Item 1A. Risk Factors	45
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	45
Item 5. Other information	46
Item 6. Exhibits	47
Signatures	49

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**UnitedHealth Group
Condensed Consolidated Balance Sheets
(Unaudited)**

(in millions, except per share data)	September 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,535	\$ 7,426
Short-term investments	966	783
Accounts receivable, net	1,957	1,929
Assets under management	2,339	2,199
Deferred income taxes	415	424
Other current receivables	1,617	1,715
Prepaid expenses and other current assets	475	514
Total current assets	17,304	14,990
Long-term investments	13,231	13,366
Property, equipment and capitalized software, net	2,054	2,181
Goodwill	20,362	20,088
Other intangible assets, net	2,330	2,329
Other assets	2,168	2,861
Total assets	\$ 57,449	\$ 55,815
Liabilities and shareholders' equity		
Current liabilities:		
Medical costs payable	\$ 9,292	\$ 8,664
Accounts payable and accrued liabilities	6,057	5,685
Other policy liabilities	2,845	2,823
Commercial paper and current maturities of long-term debt	500	1,456
Unearned revenues	1,051	1,133
Total current liabilities	19,745	19,761
Long-term debt, less current maturities	10,690	11,338
Future policy benefits	2,307	2,286
Deferred income taxes and other liabilities	1,809	1,650
Total liabilities	34,551	35,035
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred stock, \$0.001 par value — 10 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.01 par value — 3,000 shares authorized; 1,153 and 1,201 issued and outstanding	12	12
Additional paid-in capital	81	38
Retained earnings	22,476	20,782
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on investments, net of tax effects	349	(30)
Foreign currency translation losses	(20)	(22)
Total shareholders' equity	22,898	20,780
Total liabilities and shareholders' equity	\$ 57,449	\$ 55,815

See Notes to the Condensed Consolidated Financial Statements

UnitedHealth Group
Condensed Consolidated Statements of Operations
(Unaudited)

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues:				
Premiums	\$ 19,729	\$ 18,294	\$ 59,586	\$ 55,027
Services	1,336	1,287	3,939	3,857
Products	490	432	1,378	1,186
Investment and other income	140	143	451	662
Total revenues	21,695	20,156	65,354	60,732
Operating costs:				
Medical costs	16,171	14,943	49,248	45,344
Operating costs	3,156	2,974	9,321	9,617
Cost of products sold	442	387	1,268	1,065
Depreciation and amortization	250	254	733	722
Total operating costs	20,019	18,558	60,570	56,748
Earnings from operations	1,676	1,598	4,784	3,984
Interest expense	(137)	(166)	(407)	(484)
Earnings before income taxes	1,539	1,432	4,377	3,500
Provision for income taxes	(504)	(512)	(1,499)	(1,249)
Net earnings	\$ 1,035	\$ 920	\$ 2,878	\$ 2,251
Basic net earnings per common share	\$ 0.90	\$ 0.76	\$ 2.45	\$ 1.85
Diluted net earnings per common share	\$ 0.89	\$ 0.75	\$ 2.43	\$ 1.80
Basic weighted-average number of common shares				
outstanding	1,153	1,204	1,173	1,220
Dilutive effect of common stock equivalents	11	23	11	30
Diluted weighted-average number of common shares				
outstanding	1,164	1,227	1,184	1,250
Anti-dilutive shares excluded from the calculation of dilutive effect of common stock equivalents	110	107	115	83

See Notes to the Condensed Consolidated Financial Statements

UnitedHealth Group
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Nine Months Ended September 30,	
	2009	2008
Operating activities		
Net earnings	\$ 2,878	\$ 2,251
Noncash items:		
Depreciation and amortization	733	722
Deferred income taxes	6	(82)
Share-based compensation	259	231
Other	14	(155)
Net change in other operating items, net of effects from acquisitions and changes in AARP balances:		
Accounts receivable	27	(167)
Other assets	(158)	(40)
Medical costs payable	514	70
Accounts payable and other liabilities	227	24
Other policy liabilities	(73)	(146)
Unearned revenues	(82)	(71)
Cash flows from operating activities	4,345	2,637
Investing activities		
Cash paid for acquisitions, net of cash assumed	(402)	(3,945)
Cash received from disposition	—	185
Purchases of property, equipment and capitalized software	(483)	(598)
Purchases of investments	(4,861)	(8,368)
Sales of investments	3,516	4,932
Maturities of investments	2,116	2,444
Cash flows used for investing activities	(114)	(5,350)
Financing activities		
Repayments of commercial paper, net	(99)	(860)
Proceeds from issuance of long-term debt	—	2,981
Payments for retirement of long-term debt	(1,350)	(500)
Proceeds from interest rate swap termination	513	—
Common stock repurchases	(1,568)	(2,505)
Proceeds from common stock issuances	247	176
Share-based compensation excess tax benefit	34	15
Customer funds administered	402	291
Dividends paid	(36)	(37)
Checks outstanding	(236)	—
Other	(29)	368
Cash flows used for financing activities	(2,122)	(71)
Increase (decrease) in cash and cash equivalents	2,109	(2,784)
Cash and cash equivalents, beginning of period	7,426	8,865
Cash and cash equivalents, end of period	\$ 9,535	\$ 6,081

See Notes to the Condensed Consolidated Financial Statements

UNITEDHEALTH GROUP
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation, Use of Estimates and Significant Accounting Policies

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements include the consolidated accounts of UnitedHealth Group Incorporated and its subsidiaries (the Company). The Company has eliminated intercompany balances and transactions. The year end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. Generally Accepted Accounting Principles (U.S. GAAP). In accordance with the rules and regulations of the U.S. Securities and Exchange Commission (SEC), the Company has omitted certain footnote disclosures that would substantially duplicate the disclosures contained in its annual audited Consolidated Financial Statements. However, these Condensed Consolidated Financial Statements should be read together with the Consolidated Financial Statements and the Notes included in the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 2008 as filed with the SEC (2008 10-K). The accompanying Condensed Consolidated Financial Statements include all normal recurring adjustments necessary to present the interim financial statements fairly.

The Company has evaluated subsequent events through November 3, 2009, the date this Form 10-Q was filed with the SEC. No material subsequent events have occurred since September 30, 2009 that required recognition or disclosure in these financial statements.

Use of Estimates

These Condensed Consolidated Financial Statements include certain amounts that are based on the Company's best estimates and judgments. These estimates require the application of complex assumptions and judgments, often because they involve matters that are inherently uncertain and will likely change in subsequent periods. The Company's most significant estimates relate to medical costs, medical costs payable, revenues, goodwill, other intangible assets, investments and contingent liabilities. The Company adjusts these estimates each period, as more current information becomes available. The impact of any changes in estimates is included in the determination of earnings in the period in which the estimate is adjusted.

Recent Accounting Standards

Recently Adopted Accounting Standards. In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (FAS) No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FAS 162." The new standard establishes only two levels of U.S. GAAP, authoritative and nonauthoritative. The FASB Accounting Standards Codification (ASC) became the single source of authoritative, nongovernmental U.S. GAAP, except for rules and interpretive releases of the SEC, which will continue to be sources of authoritative U.S. GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the ASC became nonauthoritative upon adoption. The new guidance became effective for the Company's third quarter of 2009. Since the new standard did not change U.S. GAAP, there was no change to the Company's Condensed Consolidated Financial Statements other than to update all references to U.S. GAAP to be in conformity with the ASC.

In April 2009, the FASB issued new investment impairment guidance now codified in ASC Topic No. 320, "Investments — Debt and Equity Securities." The guidance requires companies to evaluate investments in debt securities for impairment considering a company's intent to sell the security or the likelihood that it will be

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued) (Unaudited)

required to sell the security before recovery of the entire amortized cost basis or maturity of the security. If a company either intends to sell or determines it will more likely than not be required to sell a debt security before recovery of the entire amortized cost basis or maturity of the security, the entire impairment must be recognized in earnings. If a company does not intend to sell the security and determines it will not more likely than not be required to sell the security but does not expect to recover the entire amortized cost basis, the impairment must be bifurcated into the amount attributed to the credit loss, which must be recognized in earnings, and all other causes, which must be recognized in other comprehensive income. The Company adopted the provisions of the new guidance on April 1, 2009, and applied the provisions to all debt securities within the scope of the guidance. The Company's Condensed Consolidated Financial Statements were not impacted by this adoption as the Company did not have any previously realized impairments that were required to be reclassified to other comprehensive income upon adoption.

The Company adopted the provisions of ASC Topic No. 820, "Fair Value Measurements and Disclosures" (ASC 820) as of January 1, 2008 for fair value measurements of certain financial assets and liabilities and for non-financial assets and liabilities measured at fair value on at least an annual basis. The provisions were adopted for non-financial assets and liabilities not measured at fair value on at least an annual basis as of January 1, 2009. These provisions define fair value, establish a framework for measuring fair value, and expand disclosure requirements. In April 2009, the FASB issued additional guidance in ASC 820 establishing a two-step approach for determining whether a market is not active and, if so, whether a transaction is not orderly. The Company adopted these provisions on April 1, 2009, and applied them prospectively. The adoption of the two-step approach did not have a material impact on the Condensed Consolidated Financial Statements.

In April 2009, ASC Topic No. 825, "Financial Instruments" establishes additional disclosure requirements of fair values for certain financial instruments in interim financial statements. The Company adopted these provisions on April 1, 2009, and applied them prospectively. See Note 3 of Notes to the Condensed Consolidated Financial Statements for these interim fair value disclosures.

In December 2007, the FASB issued guidance codified into ASC Topic No. 805, "Business Combinations," which replaced previous business combination accounting guidance. The new guidance revises how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities, any noncontrolling interest in the acquiree and the goodwill acquired. The guidance as amended includes recognition provisions for assets acquired and liabilities assumed that arise from contingencies and the treatment of contingent purchase price. It also requires additional disclosure requirements intended to enable users to evaluate the nature and financial effects of the business combination. The Company adopted the new guidance on January 1, 2009, and applied the provisions prospectively to all new acquisitions closing on or after that date. The adoption did not have a material impact on the Condensed Consolidated Financial Statements.

Recently Issued Accounting Standards. In October 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-13, "Multiple-Deliverable Revenue Arrangements" (ASU 2009-13). This update removes the criterion that entities must use objective and reliable evidence of fair value in separately accounting for deliverables and provides entities with a hierarchy of evidence that must be considered when allocating arrangement consideration. The new guidance also requires entities to allocate arrangement consideration to the separate units of accounting based on the deliverables' relative selling price. The provisions will be effective for revenue arrangements entered into or materially modified in the Company's fiscal year 2011 and must be applied prospectively. The Company is currently evaluating the impact of the provisions of ASU 2009-13.

In June 2009, the FASB issued FAS No. 167, "Amendments to FASB Interpretation No. 46(R)" (FAS 167); the guidance in FAS 167 has not been codified as of the filing date of these Condensed Consolidated Financial

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Statements. The new guidance amends the consolidation guidance to require companies to perform a qualitative assessment to determine which variable interest holder in a variable interest entity (VIE) is the primary beneficiary and therefore required to consolidate the VIE. The new guidance also amends the reconsideration guidance to require companies to continually reconsider their conclusion regarding which variable interest holder is the primary beneficiary. The guidance is effective for the Company's fiscal year 2010. The Company is currently evaluating the impact of the provisions of FAS 167.

2. Cash, Cash Equivalents and Investments

The amortized cost, gross unrealized gains and losses, and fair value of cash, cash equivalents and investments, by type, were as follows:

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2009				
Cash and cash equivalents	\$ 9,535	\$ —	\$ —	\$ 9,535
Debt securities — available-for-sale:				
U.S. government and direct agency obligations	1,233	17	(3)	1,247
State and municipal obligations	6,093	321	(3)	6,411
Corporate obligations	3,048	155	(7)	3,196
U.S. agency mortgage-backed securities	1,933	79	—	2,012
Non-U.S. agency mortgage-backed securities	563	9	(11)	561
Total debt securities — available-for-sale	12,870	581	(24)	13,427
Equity securities — available-for-sale	571	12	(13)	570
Debt securities — held-to-maturity:				
U.S. government and direct agency obligations	158	5	—	163
State and municipal obligations	18	—	—	18
Corporate obligations	24	—	—	24
Total debt securities — held-to-maturity	200	5	—	205
Total cash, cash equivalents and investments	<u>\$ 23,176</u>	<u>\$ 598</u>	<u>\$ (37)</u>	<u>\$ 23,737</u>
December 31, 2008				
Cash and cash equivalents	\$ 7,426	\$ —	\$ —	\$ 7,426
Debt securities — available-for-sale:				
U.S. government and direct agency obligations	1,276	65	(2)	1,339
State and municipal obligations	6,440	134	(90)	6,484
Corporate obligations	2,802	33	(132)	2,703
U.S. agency mortgage-backed securities	2,245	62	—	2,307
Non-U.S. agency mortgage-backed securities	744	—	(105)	639
Total debt securities — available-for-sale	13,507	294	(329)	13,472
Equity securities — available-for-sale	489	8	(20)	477
Debt securities — held-to-maturity:				
U.S. government and direct agency obligations	157	10	—	167
State and municipal obligations	19	—	—	19
Corporate obligations	24	—	—	24
Total debt securities — held-to-maturity	200	10	—	210
Total cash, cash equivalents and investments	<u>\$ 21,622</u>	<u>\$ 312</u>	<u>\$ (349)</u>	<u>\$ 21,585</u>

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Included in the Company's investment portfolio were sub-prime home equity lines of credit with fair values of \$10 million and \$25 million as of September 30, 2009 and December 31, 2008, respectively. Also included were Alt-A securities with fair values of \$27 million and \$36 million as of September 30, 2009 and December 31, 2008, respectively.

The fair value of the Company's mortgage-backed securities by credit rating and non-U.S. agency mortgage-backed securities by origination as of September 30, 2009 were as follows:

(in millions)	AAA	AA	A	BBB	Non- Investment Grade	Total Fair Value
2007	\$ 70	\$ —	\$ 1	\$ 8	\$ 4	\$ 83
2006	122	1	5	—	24	152
2005	130	4	2	5	11	152
Pre-2005	171	—	1	1	1	174
U.S agency mortgage-backed securities	2,012	—	—	—	—	2,012
Total	<u>\$ 2,505</u>	<u>\$ 5</u>	<u>\$ 9</u>	<u>\$ 14</u>	<u>\$ 40</u>	<u>\$ 2,573</u>

The amortized cost and fair value of available-for-sale debt securities as of September 30, 2009, by contractual maturity, were as follows:

(in millions)	Amortized Cost	Fair Value
Due in one year or less	\$ 1,064	\$ 1,074
Due after one year through five years	4,250	4,451
Due after five years through ten years	2,778	2,926
Due after ten years	2,282	2,403
U.S. agency mortgage-backed securities	1,933	2,012
Non-U.S. agency mortgage-backed securities	563	561
Total debt securities — available-for-sale	<u>\$ 12,870</u>	<u>\$ 13,427</u>

The amortized cost and fair value of held-to-maturity debt securities as of September 30, 2009, by contractual maturity, were as follows:

(in millions)	Amortized Cost	Fair Value
Due in one year or less	\$ 75	\$ 76
Due after one year through five years	88	90
Due after five years through ten years	27	28
Due after ten years	10	11
Total debt securities — held-to-maturity	<u>\$ 200</u>	<u>\$ 205</u>

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The fair value of investments with gross unrealized losses by investment type and length of time that individual securities have been in a continuous unrealized loss position were as follows (a):

(in millions)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
September 30, 2009						
Debt securities — available-for-sale:						
U.S. government and direct agency obligations	\$ 209	\$ (3)	\$ —	\$ —	\$ 209	\$ (3)
State and municipal obligations	35	(1)	120	(2)	155	(3)
Corporate obligations	126	(1)	138	(6)	264	(7)
U.S. agency mortgage-backed securities	54	—	2	—	56	—
Non-U.S. agency mortgage-backed securities	76	(1)	221	(10)	297	(11)
Total debt securities — available-for-sale	<u>\$ 500</u>	<u>\$ (6)</u>	<u>\$ 481</u>	<u>\$ (18)</u>	<u>\$ 981</u>	<u>\$ (24)</u>
Equity securities — available-for-sale	<u>\$ 192</u>	<u>\$ (13)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 192</u>	<u>\$ (13)</u>
December 31, 2008						
Debt securities — available-for-sale:						
U.S. government and direct agency obligations	\$ 72	\$ (2)	\$ —	\$ —	\$ 72	\$ (2)
State and municipal obligations	1,414	(65)	113	(25)	1,527	(90)
Corporate obligations	1,543	(97)	179	(35)	1,722	(132)
U.S. agency mortgage-backed securities	17	—	5	—	22	—
Non-U.S. agency mortgage-backed securities	529	(83)	88	(22)	617	(105)
Total debt securities — available-for-sale	<u>\$ 3,575</u>	<u>\$ (247)</u>	<u>\$ 385</u>	<u>\$ (82)</u>	<u>\$ 3,960</u>	<u>\$ (329)</u>
Equity securities — available-for-sale	<u>\$ 195</u>	<u>\$ (20)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 195</u>	<u>\$ (20)</u>

(a) Debt securities classified as held-to-maturity investments have been excluded from this analysis. These investments are predominantly held in U.S. government or agency obligations. Additionally, the fair values of these investments approximate their amortized cost.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The Company's mortgage-backed securities in an unrealized loss position by credit rating distribution were as follows:

(in millions)	September 30, 2009		December 31, 2008	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AAA	\$ 331	\$ (11)	\$ 624	\$ (105)
AA	7	—	1	—
A	—	—	—	—
BBB	12	—	13	—
Non-investment grade	3	—	1	—
Total	<u>\$ 353</u>	<u>\$ (11)</u>	<u>\$ 639</u>	<u>\$ (105)</u>

The unrealized losses as of September 30, 2009 were generated from approximately 900 positions out of a total of approximately 12,000 positions. The Company believes that it will collect all principal and interest due on all investments that have an amortized cost in excess of fair value. The unrealized losses on investments in U.S. government and direct agency obligations, state and municipal obligations and corporate obligations as of September 30, 2009 were primarily caused by interest rate increases and not by unfavorable changes in the credit ratings associated with these securities. The Company evaluates impairment at each reporting period for securities where the fair value of the investment is less than its amortized cost. The contractual cash flows of the U.S. government and direct agency obligations are either guaranteed by the U.S. government or an agency of the U.S. government. The Company expects that the securities would not be settled at a price less than the amortized cost of the Company's investment. The Company evaluated the underlying credit quality of the issuers and the credit ratings of the state and municipal obligations and the corporate obligations, noting neither a significant deterioration since purchase nor other factors leading to an other-than-temporary impairment (OTTI). The unrealized losses on mortgage-backed securities as of September 30, 2009 were primarily caused by higher interest rates in the marketplace, reflecting the higher perceived risk assigned by fixed-income investors to commercial mortgage-backed securities (CMBS). These unrealized losses represented less than 1% of the total amortized cost of the Company's mortgage-backed security holdings as of September 30, 2009. The Company believes these losses to be temporary. Approximately 94% of the Company's mortgage-backed securities in an unrealized loss position as of September 30, 2009 were rated "AAA" with no known deterioration or other factors leading to an OTTI. As of September 30, 2009, the Company did not have the intent to sell any of the securities in an unrealized loss position.

As of September 30, 2009, the Company's holdings of non-U.S. agency mortgage-backed securities included \$11 million of commercial mortgage loans in default. These investments were acquired in the first quarter of 2008 pursuant to an acquisition and were recorded at fair value and represented less than 1% of the Company's total mortgage-backed security holdings as of September 30, 2009.

A portion of the Company's investments in equity securities and venture capital funds consists of investments held in various public and nonpublic companies concentrated in the areas of health care delivery and related information technologies. Market conditions that affect the value of health care and related technology stocks will likewise impact the value of the Company's equity portfolio. The equity securities and venture capital funds were evaluated for severity and duration of unrealized loss, overall market volatility and other market factors.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Net realized gains, before taxes, were from the following sources:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Total OTTI	\$ (18)	\$ (53)	\$ (56)	\$ (59)
Portion of loss recognized in other comprehensive income	—	n/a	—	n/a
Net OTTI recognized in earnings	(18)	(53)	(56)	(59)
Gross realized losses from sales	(9)	(26)	(38)	(35)
Gross realized gains from sales	27	34	100	152
Net realized (losses) gains	\$ —	\$ (45)	\$ 6	\$ 58

When evaluating a debt security for OTTI, the Company analyzes relevant factors including the length of time and extent to which fair value has been less than amortized cost, the financial condition and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer, and whether the Company has the intent to sell or if it is more likely than not it will be required to sell a security before there is sufficient time to recover the Company's amortized cost. When the Company intends to sell or it is more likely than not it will be required to sell a security before recovery of its entire amortized cost, it records the full difference between fair value and amortized cost in earnings. When the Company does not have the intent to sell or it is not more likely than not it will be required to sell a security, and it does not expect to receive all amounts due contractually, it bifurcates the loss between a credit component, which is recorded in earnings, and all other causes, which are recorded in other comprehensive income. The credit component is defined as the difference between the amortized cost basis of the debt security and the net present value of its projected future cash flows. For the three and nine months ended September 30, 2009, all of the recorded OTTI resulted from the Company's intent to sell certain impaired securities.

3. Fair Value

Fair values of available-for-sale debt and equity securities are based on quoted market prices, where available. The Company obtains one price for each security primarily from a third party pricing service (pricing service), which generally uses quoted or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, non-binding broker quotes, benchmark yields, credit spreads, default rates and prepayment speeds. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to prices reported by its custodian, its investment consultant, and third party investment advisors. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. Based on the Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services, the Company has not historically adjusted the prices obtained from the pricing service.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The fair value hierarchy is as follows:

Level 1 — Quoted (unadjusted) prices for identical assets in active markets.

Level 2 — Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in non-active markets (e.g., few transactions, limited information, non-current prices, high variability over time, etc.);
- Inputs other than quoted prices that are observable for the asset (e.g., interest rates, yield curves, volatilities, default rates, etc.); and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 — Unobservable inputs that cannot be corroborated by observable market data.

The following table presents information about the Company's financial assets, excluding AARP, that are measured at fair value on a recurring basis, according to the valuation techniques the Company used to determine their fair values. See Note 11 of Notes to the Condensed Consolidated Financial Statements for further detail on AARP.

(in millions)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
September 30, 2009				
Cash and cash equivalents	\$ 8,267	\$ 1,268	\$ —	\$ 9,535
Debt securities — available-for-sale:				
U.S. government and direct agency obligations	730	517	—	1,247
State and municipal obligations	—	6,411	—	6,411
Corporate obligations	13	3,140	43	3,196
U.S. agency mortgage-backed securities	—	2,012	—	2,012
Non-U.S. agency mortgage-backed securities	—	550	11	561
Total debt securities — available-for-sale	743	12,630	54	13,427
Equity securities — available-for-sale	259	2	309	570
Total cash, cash equivalents and investments at fair value	<u>\$ 9,269</u>	<u>\$ 13,900</u>	<u>\$ 363</u>	<u>\$ 23,532</u>
Percentage of total fair value	<u>39%</u>	<u>59%</u>	<u>2%</u>	<u>100%</u>
December 31, 2008				
Cash and cash equivalents	\$ 6,564	\$ 862	\$ —	\$ 7,426
Debt securities — available-for-sale:				
U.S. government and direct agency obligations	800	539	—	1,339
State and municipal obligations	—	6,484	—	6,484
Corporate obligations	7	2,650	46	2,703
U.S. agency mortgage-backed securities	—	2,307	—	2,307
Non-U.S. agency mortgage-backed securities	—	623	16	639
Total debt securities — available-for-sale	807	12,603	62	13,472
Equity securities — available-for-sale	170	3	304	477
Total cash, cash equivalents and investments at fair value	7,541	13,468	366	21,375
Interest rate swaps	—	622	—	622
Total assets at fair value	<u>\$ 7,541</u>	<u>\$ 14,090</u>	<u>\$ 366</u>	<u>\$ 21,997</u>
Percentage of total fair value	<u>34%</u>	<u>64%</u>	<u>2%</u>	<u>100%</u>

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Cash Equivalents. The carrying value of cash and cash equivalents approximates fair value as maturities are less than three months. Fair values of cash equivalent instruments that do not trade on a regular basis in active markets are classified as Level 2.

Debt Securities. The estimated fair values of debt securities held as available-for-sale are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Fair values of debt securities that do not trade on a regular basis in active markets are classified as Level 2.

Equity Securities. Equity securities are held as available-for-sale investments. Fair value estimates for Level 1 and Level 2 publicly traded equity securities are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. The fair values of Level 3 investments in venture capital portfolios are estimated using market modeling approaches that rely heavily on management assumptions and qualitative observations. These investments totaled \$284 million as of September 30, 2009. The fair values of the Company's various venture capital investments are computed using limited quantitative and qualitative observations of activity for similar companies in the current market. The key inputs utilized in the Company's market modeling include, as applicable: transactions for comparable companies in similar industries and having similar revenue and growth characteristics; similar preferences in the capital structure; discounted cash flows; liquidation values and milestones established at initial funding and the assumption that the values of the Company's venture capital investments can be inferred from these inputs. The Company's remaining Level 3 equity securities holdings of \$25 million consist of preferred stock for which there is no active market.

Interest Rate Swaps. Fair values of the Company's interest rate swaps were estimated using the terms of the swaps and publicly available market yield curves. Because the swaps were unique and were not actively traded, the fair values were classified as Level 2 estimates. As of September 30, 2009, the Company had no outstanding interest rate swap contracts.

A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level 3 inputs is as follows:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Balance at beginning of period	\$ 369	\$ 415	\$ 366	\$ 133
Purchases, net	1	14	4	221
Net unrealized gains in accumulated other comprehensive income	7	—	12	10
Net realized losses in investment and other income	(14)	(2)	(19)	(3)
Transfers into Level 3	—	3	—	69
Balance at end of period	\$ 363	\$ 430	\$ 363	\$ 430

There were no significant fair value adjustments recorded during the three and nine months ended September 30, 2009 for non-financial assets and liabilities or financial assets and liabilities that are measured at fair value on a nonrecurring basis. These assets and liabilities are subject to fair value adjustments only in certain circumstances, such as when the Company records impairments.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The table below includes fair values for certain financial instruments for which it is practicable to estimate fair value. The carrying values and fair values of these financial instruments were as follows:

(in millions)	September 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Debt securities — available-for-sale	\$ 13,427	\$ 13,427	\$ 13,472	\$ 13,472
Equity securities — available-for-sale	570	570	477	477
Debt securities — held-to-maturity	200	205	200	210
AARP Program-related investments	2,078	2,078	1,941	1,941
Interest rate swaps	—	—	622	622
Liabilities				
Senior unsecured notes	11,190	11,244	12,693	10,941

In addition to the previously described methods and assumptions for debt and equity securities and interest rate swaps, the following are the methods and assumptions used to estimate the fair value of the other financial instruments:

AARP Program-related Investments. AARP Program-related investments consist of debt and equity securities available-for sale. See the preceding discussion regarding the methods and assumptions used to estimate the fair value of debt and equity securities.

Senior Unsecured Notes. The fair values of the senior unsecured notes are estimated based on third-party quoted market prices for the same or similar issues.

The carrying amounts reported in the Condensed Consolidated Balance Sheets for cash and cash equivalents, accounts and other current receivables, unearned revenue, accounts payable and accrued liabilities approximate fair value because of their short-term nature. These assets and liabilities are not listed in the table above.

4. Medicare Part D Pharmacy Benefits Contract

The Condensed Consolidated Balance Sheets include the following amounts associated with the Medicare Part D program:

(in millions)	September 30, 2009		December 31, 2008	
	CMS Subsidies (a)	Risk-Share	CMS Subsidies (a)	Risk-Share
Other current receivables	\$ 61	\$ —	\$ 349	\$ 19
Other policy liabilities	—	62	—	—

(a) Includes the Catastrophic Reinsurance Subsidy and the Low-Income Member Cost Sharing Subsidy

The Catastrophic Reinsurance Subsidy and the Low-Income Member Cost Sharing Subsidy represent cost reimbursements under the Medicare Part D program. The Company is fully reimbursed by the Centers for Medicare and Medicaid Services (CMS) for costs incurred for these contract elements and, accordingly, there is no insurance risk to the Company. Amounts received for these subsidies are not reflected as premium revenues,

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

but rather are accounted for as deposits in Other Policy Liabilities in the Condensed Consolidated Balance Sheets. As of both September 30, 2009 and December 31, 2008, the amounts received for these subsidies were insufficient to cover the costs incurred for these contract elements, therefore; the Company recorded a receivable in Other Current Receivables in the Condensed Consolidated Balance Sheets.

Premiums from CMS are subject to risk-sharing provisions based on a comparison of the Company's original estimates of prescription drug costs and the actual costs incurred. Variances may result in CMS making additional payments to the Company or require the Company to remit funds to CMS subsequent to the end of the year. The Company records risk-share adjustments to premium revenue and Other Policy Liabilities or Other Current Receivables in the Condensed Consolidated Balance Sheets.

5. Goodwill

Changes in the carrying amount of goodwill, by reporting segment, were as follows:

<u>(in millions)</u>	<u>Health Care Services</u>	<u>OptumHealth</u>	<u>Ingenix</u>	<u>Prescription Solutions</u>	<u>Consolidated</u>
Balance at December 31, 2008	\$ 17,044	\$ 1,152	\$ 1,052	\$ 840	\$ 20,088
Acquisitions	—	—	259	—	259
Subsequent Payments and Adjustments, net (a)	52	(34)	(3)	—	15
Balance at September 30, 2009	<u>\$ 17,096</u>	<u>\$ 1,118</u>	<u>\$ 1,308</u>	<u>\$ 840</u>	<u>\$ 20,362</u>

(a) Includes transfers of business and related goodwill between reporting segments.

On June 1, 2009, all of the outstanding shares of AIM Healthcare Services, Inc. (AIM) were acquired for approximately \$440 million in cash. AIM is a leading provider of payment accuracy solutions for health care payer and hospital clients in all 50 states. On a preliminary basis, the total consideration paid exceeded the estimated fair value of the net tangible assets acquired by \$425 million, of which \$166 million has been allocated to finite-lived intangible assets and \$259 million to goodwill. The allocation is pending completion of a valuation analysis. The acquired goodwill is deductible for income tax purposes. The results of operations and financial condition of AIM have been included in the Company's consolidated results and the results of the Ingenix reporting segment since the acquisition date. The pro forma effects of this acquisition on the Company's Condensed Consolidated Financial Statements were not material.

6. Medical Costs and Medical Costs Payable

Medical costs and medical costs payable include estimates of the Company's obligations for medical care services that have been rendered on behalf of insured consumers, but for which claims have either not yet been received or processed, and for liabilities for physician, hospital and other medical cost disputes. The Company develops estimates for medical costs incurred but not reported using an actuarial process that is consistently applied, centrally controlled and automated. The actuarial models consider factors such as time from date of service to claim receipt, claim backlogs, care provider contract rate changes, medical care consumption and other medical cost trends. The Company estimates liabilities for physician, hospital and other medical cost disputes based upon an analysis of potential outcomes, assuming a combination of litigation and settlement strategies. Each period, the Company re-examines previously established medical costs payable estimates based on actual claim submissions and other changes in facts and circumstances. As the medical costs payable estimates recorded in prior periods develop, the Company adjusts the amount of the estimates and includes the changes in estimates in medical costs in the period in which the change is identified.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

For the three months ended September 30, 2009, there was \$100 million of net favorable medical cost development related to prior fiscal years and \$90 million of net favorable medical cost development related to the first half of 2009. For the three months ended September 30, 2008, there was \$10 million of net favorable medical cost development related to prior fiscal years and \$120 million related to the first half of 2008. For the nine months ended September 30, 2009 and 2008, medical costs included \$300 million and \$210 million, respectively, of net favorable medical cost development related to prior fiscal years. None of the factors discussed above were individually material to the net favorable medical cost development in the three and nine months ended September 30, 2009 and 2008.

7. Commercial Paper and Long-Term Debt

Commercial paper and long-term debt consisted of the following:

(in millions)	September 30, 2009		December 31, 2008	
	Carrying Value (a)	Fair Value (b)	Carrying Value (c)	Fair Value (b)
Commercial paper	\$ —	\$ —	\$ 101	\$ 101
\$250 million par, 3.8% senior unsecured notes due February 2009	—	—	250	250
\$650 million par, senior unsecured floating-rate notes due March 2009	—	—	650	644
\$450 million par, 4.1% senior unsecured notes due August 2009	—	—	455	442
\$500 million par, senior unsecured floating-rate notes due June 2010	500	498	500	450
\$250 million par, 5.1% senior unsecured notes due November 2010	258	258	263	245
\$250 million par, senior unsecured floating-rate notes due February 2011	250	250	250	219
\$750 million par, 5.3% senior unsecured notes due March 2011	788	779	806	705
\$450 million par, 5.5% senior unsecured notes due November 2012	483	482	493	410
\$550 million par, 4.9% senior unsecured notes due February 2013	549	572	549	513
\$450 million par, 4.9% senior unsecured notes due April 2013	465	468	473	419
\$250 million par, 4.8% senior unsecured notes due February 2014	269	256	280	221
\$500 million par, 5.0% senior unsecured notes due August 2014	542	518	567	460
\$500 million par, 4.9% senior unsecured notes due March 2015	546	515	567	429
\$750 million par, 5.4% senior unsecured notes due March 2016	850	761	883	661
\$95 million par, 5.4% senior unsecured notes due November 2016	95	93	95	84
\$500 million par, 6.0% senior unsecured notes due June 2017	589	522	620	450
\$250 million par, 6.0% senior unsecured notes due November 2017	286	261	297	223
\$1,100 million par, 6.0% senior unsecured notes due February 2018	1,099	1,156	1,098	1,015
\$1,095 million par, zero coupon senior unsecured notes due November 2022	551	600	530	522
\$850 million par, 5.8% senior unsecured notes due March 2036	844	824	844	648
\$500 million par, 6.5% senior unsecured notes due June 2037	495	520	495	420
\$650 million par, 6.6% senior unsecured notes due November 2037	645	695	645	548
\$1,100 million par, 6.9% senior unsecured notes due February 2038	1,086	1,216	1,083	963
Total commercial paper and long-term debt	11,190	11,244	12,794	11,042
Less commercial paper and current maturities of long-term debt	(500)	(498)	(1,456)	(1,437)
Long-term debt, less current maturities	\$ 10,690	\$ 10,746	\$ 11,338	\$ 9,605

- (a) The carrying value of the debt has been adjusted by the unamortized gain on related interest rate swaps which terminated in January 2009.
- (b) Estimated based on third-party quoted market prices for the same or similar issues.
- (c) The carrying value of debt had been adjusted based upon the applicable interest rate swap fair values in accordance with the fair value hedge short-cut method of accounting.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued) (Unaudited)

Bank Credit Facilities

In November 2008, the Company entered into a \$750 million 364-day revolving bank credit facility. The Company terminated this facility on July 31, 2009 in advance of its maturity.

In May 2007, the Company amended and restated its \$1.3 billion five-year revolving bank credit facility which included increasing the capacity. There is currently \$2.5 billion available under this facility, which matures in May 2012. The interest rate is variable based on term and amount and is calculated based on the London Interbank Offered Rate (LIBOR) plus a spread. As of September 30, 2009, the interest rate on this facility, had it been drawn, would have ranged from 0.4% to 0.9%. This facility supports the Company's commercial paper program and is available for general working capital purposes. As of September 30, 2009, the Company had no amounts outstanding under this facility.

Debt Covenants

The Company's bank credit facility contains various covenants, the most restrictive of which requires the Company to maintain a debt-to-total-capital ratio, calculated as the sum of commercial paper and debt divided by the sum of commercial paper, debt and shareholders' equity, below 50%. The Company was in compliance with the requirements of all debt covenants as of September 30, 2009.

Interest Rate Swap Contracts

In January 2009, the Company terminated interest rate swap contracts with \$4.9 billion in notional value to lock-in the benefit of low market interest rates. As of the swap contracts' termination date, the cumulative adjustment to the carrying value of the Company's debt was \$513 million, which is being amortized over a weighted-average period of 3.5 years as a reduction to interest expense. As of September 30, 2009, the Company had no outstanding interest rate swap contracts. As of December 31, 2008, the fair values of the interest rate swaps were \$622 million with \$7 million classified in Other Current Assets and \$615 million classified in Other Assets.

8. Income Taxes

For the three and nine months ended September 30, 2009, the Company released tax reserves of \$41 million and \$47 million, respectively, related to the favorable resolution of various historical state income tax matters. This along with a change to an insurance premium tax in lieu of an income tax in one of the states in which the Company operates resulted in a decreased effective income tax rate for both the three and nine months ended September 30, 2009.

9. Share Repurchase Program

Under its Board of Directors' authorization, the Company maintains a share repurchase program (Repurchase Program). The objectives of the Repurchase Program are to optimize the Company's capital structure and cost of capital thereby improving returns to shareholders, as well as to offset the dilutive impact of share-based awards. Repurchases may be made from time to time at prevailing prices in the open market. During the nine months ended September 30, 2009, the Company repurchased 66.4 million shares at an average price of approximately \$24 per share and an aggregate cost of \$1.6 billion. As of September 30, 2009, the Company had Board of Directors' authorization to purchase up to an additional 36.5 million shares of its common stock.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

10. Share-Based Compensation and Other Employee Benefit Plans

As of September 30, 2009, the Company had 47.6 million shares available for future grants of share-based awards under its share-based compensation plan, including, but not limited to, incentive or non-qualified stock options, stock-settled stock appreciation rights (SARs), and up to 15.3 million of awards in restricted stock and restricted stock units (collectively, restricted shares). The Company's outstanding share-based awards consist mainly of non-qualified stock options, SARs and restricted shares.

Stock Options and SARs

Stock options and SARs generally vest ratably over four to six years and may be exercised up to 10 years from the date of grant. Stock option and SAR activity for the nine months ended September 30, 2009 is summarized in the table below:

	Shares (in thousands)	Weighted- Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at beginning of period	150,752	\$ 36		
Granted	14,704	30		
Exercised	(16,783)	13		
Forfeited	(6,233)	47		
Outstanding at end of period	<u>142,440</u>	<u>\$ 37</u>	5.3	\$ 257
Exercisable at end of period	103,799	\$ 36	4.2	\$ 256

To determine compensation expense related to the Company's stock options and SARs, the fair value of each award is estimated on the date of grant using an option-pricing model. For purposes of estimating the fair value of the Company's employee stock option and SAR grants, the Company uses a binomial model. The principal assumptions the Company used in applying the option-pricing models were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Risk free interest rate	2.4%	1.7%-4.0%	1.7%-2.4%	1.7%-4.1%
Expected volatility	46.5%	34.1%	41.3%-46.5%	28.8%
Expected dividend yield	0.1%	0.1%	0.1%	0.1%
Forfeiture rate	5.0%	5.0%	5.0%	5.0%
Expected life in years	4.4	4.3	4.4 - 5.1	4.3

Risk-free interest rates are based on U.S. Treasury yields in effect at the time of grant. Expected volatilities are based on the historical volatility of the Company's common stock and the implied volatility from exchange-traded options on the Company's common stock. Beginning in 2009, the Company changed the weighting of historical and implied volatilities used in the calculation of expected volatility to 90% and 10%, respectively. Before the change the Company had weighted historical and implied volatility equally. Due to the significant economic turbulence and resulting instability of the exchange-traded options throughout 2008, the Company concluded that they were no longer as representative of the fair value of its common stock over the expected life of its options and SARs. The change had no impact on the Company's reported Net Earnings nor Earnings per Share. The Company uses historical data to estimate option and SAR exercises and forfeitures within the valuation model. The expected lives of options and SARs granted represents the period of time that the awards granted are expected to be outstanding based on historical exercise patterns.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The weighted-average grant date fair value of stock options and SARs granted during the three and nine months ended September 30, 2009 was approximately \$10 per share. The weighted-average grant date fair value of stock options and SARs granted during the three and nine months ended September 30, 2008 was approximately \$8 and \$9 per share, respectively. The total intrinsic value of stock options and SARs exercised during the three and nine months ended September 30, 2009 was \$32 million and \$247 million, respectively. The total intrinsic value of stock options and SARs exercised during the three and nine months ended September 30, 2008 was \$39 million and \$116 million, respectively.

Restricted Shares

Restricted shares generally vest ratably over two to five years. Compensation expense related to restricted shares is based on the share price on date of grant. Restricted share activity for the nine months ended September 30, 2009 is summarized in the table below:

<u>(shares in thousands)</u>	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Nonvested at beginning of period	6,282	\$ 36
Granted	6,401	29
Vested	(1,650)	29
Forfeited	(490)	34
Nonvested at end of period	<u>10,543</u>	<u>\$ 33</u>

The weighted-average grant date fair value of restricted shares granted during the three and nine months ended September 30, 2009 was approximately \$27 per share and \$29 per share, respectively. The weighted-average grant date fair value of restricted shares granted during the three and nine months ended September 30, 2008 was approximately \$27 per share and \$35 per share, respectively. The total fair value of restricted shares vested during the three and nine months ended September 30, 2009 was \$2 million and \$47 million, respectively. The total fair value of restricted shares vested during the three and nine months ended September 30, 2008 was \$1 million and \$5 million, respectively.

Share-Based Compensation Recognition

The Company recognizes compensation expense for share-based awards, including stock options, SARs and restricted shares, on a straight-line basis over the related service period (generally the vesting period) of the award, or to an employee's eligible retirement date under the award agreement, if earlier. Beginning in 2009, the Company's equity award program includes a retirement provision that treats all employees who are age 55 or older with at least ten years of recognized employment with the Company as retirement-eligible. For the three and nine months ended September 30, 2009, the Company recognized compensation expense related to its share-based compensation plans of \$79 million (\$53 million net of tax effects) and \$259 million (\$174 million net of tax effects), respectively. For the three and nine months ended September 30, 2008, the Company recognized compensation expense of \$85 million (\$55 million net of tax effects) and \$231 million (\$153 million net of tax effects), respectively. Share-based compensation expense is recognized in Operating Costs in the Company's Condensed Consolidated Statements of Operations. As of September 30, 2009, there was \$552 million of total unrecognized compensation cost related to share awards that is expected to be recognized over a weighted-average period of 1.4 years. For the three and nine months ended September 30, 2009, the income tax benefit

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued) (Unaudited)

realized from share-based award exercises was \$11 million and \$80 million, respectively. For the three and nine months ended September 30, 2008, the income tax benefit realized from share-based award exercises was \$12 million and \$39 million, respectively.

As further discussed in Note 9 of Notes to the Condensed Consolidated Financial Statements, the Company maintains a share repurchase program. The objectives of the share repurchase program are to optimize the Company's capital structure and cost of capital thereby improving returns to shareholders, as well as to offset the dilutive impact of shares issued for share-based award exercises.

Other Employee Benefit Plans

The total Supplemental Executive Retirement Plan (SERP) liability as of September 30, 2009 was \$20 million, which was recorded in Other Liabilities in the Condensed Consolidated Balance Sheets. The total SERP liability as of December 31, 2008 was \$159 million, of which \$51 million was recorded in Accounts Payable and Accrued Liabilities and \$108 million was recorded in Other Liabilities in the Condensed Consolidated Balance Sheets. In the first quarter of 2009, the SERP accrual of \$91 million relating to the Company's former CEO was released as a result of the resolution of the SEC settlement pertaining to the stock option matter. See "Legal Matters Relating to Historical Stock Option Practices" in Note 14 of Notes to the Condensed Consolidated Financial Statements for further discussion of stock option matters. In addition, \$48 million was paid during the first quarter of 2009 related to a change-in-control provision in a plan assumed from a previous acquisition.

11. AARP

The Company provides health insurance products and services to members of AARP under a Supplemental Health Insurance Program (the Program), and separate Medicare Advantage and Medicare Part D arrangements. The products and services under the Program include supplemental Medicare benefits (AARP Medicare Supplement Insurance), hospital indemnity insurance, including insurance for individuals between 50 to 64 years of age, and other related products.

Under the Program, the Company is compensated for transaction processing and other services, as well as for assuming underwriting risk. The Company is also engaged in product development activities to complement the insurance offerings. Premium revenues from the Company's portion of the Program were \$1.5 billion and \$4.5 billion for the three and nine months ended September 30, 2009, respectively, and \$1.4 billion and \$4.2 billion for the three and nine months ended September 30, 2008, respectively.

The Company's agreement with AARP on the Program provides for the maintenance of the Rate Stabilization Fund (RSF) that is held by the Company on behalf of policyholders. Underwriting gains or losses related to the AARP Medicare Supplement Insurance business are directly recorded as an increase or decrease to the RSF. The primary components of the underwriting results are premium revenue, medical costs, investment income, administrative expenses, member service expenses, marketing expenses and premium taxes. Underwriting gains and losses are recorded as an increase or decrease to the RSF and accrue to the overall benefit of the AARP policyholders, unless cumulative net losses were to exceed the balance in the RSF. To the extent underwriting losses exceed the balance in the RSF, losses would be borne by the Company. Deficits may be recovered by underwriting gains in future periods of the contract. To date, the Company has not been required to fund any underwriting deficits. The RSF balance is reported in Other Policy Liabilities in the Condensed Consolidated Balance Sheets and changes in the RSF are reported in Medical Costs in the Condensed Consolidated Statement of Operations. The Company believes the RSF balance as of September 30, 2009 is sufficient to cover potential future underwriting and other risks and liabilities associated with the contract.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The effects of changes in balance sheet amounts associated with the Program also accrue to the overall benefit of the AARP policyholders through the RSF balance. Accordingly, the Company does not include the effect of such changes in its Condensed Consolidated Statements of Cash Flows.

Under the Company's agreement with AARP, the Company separately manages the assets that support the Program. These assets are held at fair value in the Condensed Consolidated Balance Sheets as Assets Under Management. These assets are invested at the Company's discretion, within investment guidelines approved by the Program and are used to pay costs associated with the Program. The Company does not guarantee any rates of investment return on these investments and, upon any transfer of the Program to another entity, the Company would transfer cash in an amount equal to the fair value of these investments at the date of transfer. Interest earnings and realized investment gains and losses on these assets accrue to the overall benefit of the AARP policyholders through the RSF and, thus, are not included in the Company's earnings.

The Company elected to measure the entirety of the AARP Assets Under Management at fair value, pursuant to the fair value option.

The following AARP Program-related assets and liabilities were included in the Company's Condensed Consolidated Balance Sheets:

<u>(in millions)</u>	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Accounts receivable	\$ 504	\$ 482
Assets under management	2,339	2,199
Other assets	—	7
Medical costs payable	1,274	1,160
Accounts payable and accrued liabilities	9	52
Other policy liabilities	1,050	1,047
Future policy benefits	460	429
Other liabilities	50	—

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The fair value of cash, cash equivalents and investments associated with the Program, included in Assets Under Management, and the fair value of Other Assets and Other Liabilities were classified in accordance with the fair value hierarchy as discussed in Note 3 of Notes to the Condensed Consolidated Financial Statements and were as follows:

(in millions)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
September 30, 2009				
Cash and cash equivalents	\$ 252	\$ 9	\$ —	\$ 261
Debt securities:				
U.S. government and direct agency obligations	283	302	—	585
State and municipal obligations	—	9	—	9
Corporate obligations	—	957	—	957
U.S. agency mortgage-backed securities	—	367	—	367
Non-U.S. agency mortgage-backed securities	—	158	—	158
Total debt securities	<u>283</u>	<u>1,793</u>	<u>—</u>	<u>2,076</u>
Equity securities — available-for-sale	<u>—</u>	<u>2</u>	<u>—</u>	<u>2</u>
Total cash, cash equivalents and investments at fair value	<u>\$ 535</u>	<u>\$ 1,804</u>	<u>\$ —</u>	<u>\$ 2,339</u>
Other liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>	<u>\$ 50</u>
Total liabilities at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>	<u>\$ 50</u>
December 31, 2008				
Cash and cash equivalents	\$ 240	\$ 18	\$ —	\$ 258
Debt securities:				
U.S. government and direct agency obligations	291	293	—	584
State and municipal obligations	—	6	—	6
Corporate obligations	—	786	—	786
U.S. agency mortgage-backed securities	—	421	—	421
Non-U.S. agency mortgage-backed securities	—	142	—	142
Total debt securities	<u>291</u>	<u>1,648</u>	<u>—</u>	<u>1,939</u>
Equity securities — available-for-sale	<u>—</u>	<u>2</u>	<u>—</u>	<u>2</u>
Total cash, cash equivalents and investments at fair value	<u>531</u>	<u>1,668</u>	<u>—</u>	<u>2,199</u>
Other assets	<u>—</u>	<u>—</u>	<u>7</u>	<u>7</u>
Total assets at fair value	<u>\$ 531</u>	<u>\$ 1,668</u>	<u>\$ 7</u>	<u>\$ 2,206</u>

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

12. Comprehensive Income

The table below presents comprehensive income, defined as changes in the equity of the Company's business excluding changes resulting from investments by and distributions to its shareholders.

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net earnings	\$ 1,035	\$ 920	\$ 2,878	\$ 2,251
Unrealized holding gains (losses) on investment securities arising during the period, net of tax expense (benefit) of \$143, (\$98), \$226 and (\$136), respectively	236	(176)	383	(243)
Reclassification adjustment for net realized losses (gains) included in net earnings, net of tax benefit (expense) of \$0, \$16, (\$2) and (\$21), respectively	—	29	(4)	(37)
Foreign currency translation (losses) gains	(1)	—	2	—
Comprehensive income	\$ 1,270	\$ 773	\$ 3,259	\$ 1,971

There were no impairments recognized in other comprehensive income for the three and nine months ended September 30, 2009.

13. Segment Financial Information

The Company has four reporting segments:

- Health Care Services, which includes UnitedHealthcare, Ovations and AmeriChoice;
- OptumHealth;
- Ingenix; and
- Prescription Solutions.

The following is a description of the types of products and services from which each of the Company's reporting segments derives its revenues:

- *Health Care Services* includes the combined results of operations of UnitedHealthcare, Ovations and AmeriChoice because they have similar economic characteristics, products and services, types of customers, distribution methods and operational processes and operate in a similar regulatory environment. These businesses also share significant common assets, including a contracted network of physicians, health care professionals, hospitals and other facilities, information technology infrastructure and other resources. UnitedHealthcare offers a comprehensive array of consumer-oriented health benefit plans and services for large national employers, public sector employers, mid-sized employers, small businesses and individuals nationwide. Ovations provides health and well-being services to individuals age 50 and older, addressing their unique needs for preventive and acute health care services as well as services dealing with chronic disease and other specialized issues for older individuals. AmeriChoice provides network-based health and well-being services to beneficiaries of State Medicaid and Children's Health Insurance Programs (SCHIP) and other government-sponsored health care programs.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued) (Unaudited)

- *OptumHealth* provides behavioral benefit solutions, clinical care management, financial services and specialty benefit products such as dental and vision to help consumers navigate the health care system, finance their health care needs and achieve their health and well-being goals.
- *Ingenix* offers database and data management services, software products, publications, consulting services, outsourced services and pharmaceutical consulting and research services in conjunction with the development of pharmaceutical products on a national and an international basis.
- *Prescription Solutions* offers a comprehensive suite of integrated pharmacy benefit management services, including retail network pharmacy management, mail order pharmacy services, specialty pharmacy services, benefit design consultation, drug utilization review, formulary management programs, disease management and compliance and therapy management programs.

Transactions between reporting segments principally consist of sales of pharmacy benefit products and services to Health Care Services customers by Prescription Solutions, certain product offerings sold to Health Care Services customers by OptumHealth, and medical benefits cost, quality and utilization data and predictive modeling sold to Health Care Services by Ingenix. These transactions are recorded at management's estimate of fair value. Intersegment transactions are eliminated in consolidation.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The following table presents reporting segment financial information:

(in millions)	Health Care Services	OptumHealth	Ingenix	Prescription Solutions	Corporate and Intersegment Eliminations	Consolidated
Three Months Ended September 30, 2009						
Revenues — external customers:						
Premiums	\$ 19,090	\$ 639	\$ —	\$ —	\$ —	\$ 19,729
Services	976	71	277	12	—	1,336
Products	—	—	23	467	—	490
Total revenues — external customers	<u>20,066</u>	<u>710</u>	<u>300</u>	<u>479</u>	<u>—</u>	<u>21,555</u>
Total revenues — intersegment	—	690	181	3,095	(3,966)	—
Investment and other income	124	15	—	1	—	140
Total revenues	<u>\$ 20,190</u>	<u>\$ 1,415</u>	<u>\$ 481</u>	<u>\$ 3,575</u>	<u>\$ (3,966)</u>	<u>\$ 21,695</u>
Earnings from operations	\$ 1,244	\$ 172	\$ 64	\$ 196	\$ —	\$ 1,676
Three Months Ended September 30, 2008						
Revenues — external customers:						
Premiums	\$ 17,723	\$ 571	\$ —	\$ —	\$ —	\$ 18,294
Services	964	85	228	10	—	1,287
Products	—	—	24	408	—	432
Total revenues — external customers	<u>18,687</u>	<u>656</u>	<u>252</u>	<u>418</u>	<u>—</u>	<u>20,013</u>
Total revenues — intersegment	—	624	131	2,652	(3,407)	—
Investment and other income	128	14	—	1	—	143
Total revenues	<u>\$ 18,815</u>	<u>\$ 1,294</u>	<u>\$ 383</u>	<u>\$ 3,071</u>	<u>\$ (3,407)</u>	<u>\$ 20,156</u>
Earnings from operations	\$ 1,285	\$ 175	\$ 57	\$ 91	\$ (10)	\$ 1,598
Nine Months Ended September 30, 2009						
Revenues — external customers:						
Premiums	\$ 57,797	\$ 1,789	\$ —	\$ —	\$ —	\$ 59,586
Services	2,949	210	746	34	—	3,939
Products	—	—	44	1,334	—	1,378
Total revenues — external customers	<u>60,746</u>	<u>1,999</u>	<u>790</u>	<u>1,368</u>	<u>—</u>	<u>64,903</u>
Total revenues — intersegment	—	2,055	497	9,298	(11,850)	—
Investment and other income	398	49	—	4	—	451
Total revenues	<u>\$ 61,144</u>	<u>\$ 4,103</u>	<u>\$ 1,287</u>	<u>\$ 10,670</u>	<u>\$ (11,850)</u>	<u>\$ 65,354</u>
Earnings from operations	\$ 3,638	\$ 472	\$ 172	\$ 502	\$ —	\$ 4,784
Nine Months Ended September 30, 2008						
Revenues — external customers:						
Premiums	\$ 53,284	\$ 1,743	\$ —	\$ —	\$ —	\$ 55,027
Services	2,901	241	684	31	—	3,857
Products	—	—	46	1,140	—	1,186
Total revenues — external customers	<u>56,185</u>	<u>1,984</u>	<u>730</u>	<u>1,171</u>	<u>—</u>	<u>60,070</u>
Total revenues — intersegment	—	1,872	396	8,272	(10,540)	—
Investment and other income	592	63	—	7	—	662
Total revenues	<u>\$ 56,777</u>	<u>\$ 3,919</u>	<u>\$ 1,126</u>	<u>\$ 9,450</u>	<u>\$ (10,540)</u>	<u>\$ 60,732</u>
Earnings from operations	\$ 3,800	\$ 541	\$ 153	\$ 283	\$ (793)	\$ 3,984

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued) (Unaudited)

14. Commitments and Contingencies

Legal Matters

Legal Matters Relating to Historical Stock Option Practices

Regulatory Inquiries. On June 6, 2006, the Company received a Civil Investigative Demand from the Minnesota Attorney General requesting documents from January 1, 1997 to the date of the response concerning the Company's executive compensation and historical stock option practices. The Company filed an action in Ramsey County Court, State of Minnesota, captioned *UnitedHealth Group Incorporated vs. State of Minnesota, by Lori Swanson, Attorney General*, seeking a protective order, which was denied. The Company appealed the denial of the protective order to the Minnesota Court of Appeals. On December 4, 2007, the Minnesota Court of Appeals acknowledged limitations on the Minnesota Attorney General's authority to issue a Civil Investigative Demand, but affirmed the denial of a protective order. On February 27, 2008, the Minnesota Supreme Court declined to review the matter, and the Company has since produced relevant and responsive materials.

The Company also received requests for documents from U.S. Congressional committees relating to its historical stock option practices and compensation of executives.

At the conclusion of any unresolved regulatory inquiries, the Company could be subject to regulatory or criminal fines or penalties as well as other sanctions or other contingent liabilities, which could be material.

Litigation Matters. On March 29, 2006, the first of several shareholder derivative actions was filed against certain of the Company's current and former officers and directors in the United States District Court for the District of Minnesota. The action was consolidated with six other actions and captioned *In re UnitedHealth Group Incorporated Shareholder Derivative Litigation*. The consolidated amended complaint was brought on behalf of the Company by several pension funds and other shareholders and names certain of the Company's current and former officers and directors as defendants, as well as the Company as a nominal defendant. The consolidated amended complaint generally alleged that the defendants breached their fiduciary duties to the Company, were unjustly enriched, and violated the securities laws in connection with the Company's historical stock option practices. On June 26, 2006, the Company's Board of Directors created a Special Litigation Committee under Minnesota Statute 302A.241, consisting of two former Minnesota Supreme Court Justices, with the power to investigate the claims raised in the derivative actions and shareholder demands, and determine whether the Company's rights and remedies should be pursued.

A consolidated derivative action, captioned *In re UnitedHealth Group Incorporated Derivative Litigation*, was also filed in Hennepin County District Court, State of Minnesota. The action was brought by two individual shareholders and named certain of the Company's current and former officers and directors as defendants, as well as the Company as a nominal defendant.

On December 6, 2007, the Special Litigation Committee concluded its review of claims relating to the Company's historical stock option practices and published a report. The Special Litigation Committee reached settlement agreements on behalf of the Company with its former Chairman and Chief Executive Officer William W. McGuire, M.D., former General Counsel David J. Lubben, and former director William G. Spears. In addition, the Special Litigation Committee concluded that all claims against all named defendants in the derivative actions, including current and former Company officers and directors, should be dismissed. Each settlement agreement is conditioned upon dismissal of claims in the derivative actions and resolution of any

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued) (Unaudited)

appeals. Following notice to shareholders, the federal court granted the parties' motion for final approval of the proposed settlements on July 1, 2009, and entered final judgment dismissing the federal case with prejudice on July 2, 2009. The state court granted the parties' motion for final approval of the proposed settlements and dismissed the state case with prejudice on May 14, 2009, and entered final judgment on July 17, 2009. The federal and state courts also awarded plaintiffs' counsel fees and expenses of \$30 million and \$6 million, respectively, which have been paid by the Company. On July 24, 2009, a shareholder filed a notice of appeal with the U.S. Court of Appeals for the Eighth Circuit indicating his intent to challenge the federal plaintiffs' counsel's fee request and award. Federal plaintiffs' counsel is contesting the appeal.

On May 5, 2006, the first of seven putative class actions alleging a violation of the federal securities laws was brought by an individual shareholder against certain of the Company's current and former officers and directors in the United States District Court for the District of Minnesota. On December 8, 2006, a consolidated amended complaint was filed consolidating the actions into a single action. The action is captioned *In re UnitedHealth Group Incorporated PSLRA Litigation*. The action was brought by lead plaintiff California Public Employees Retirement System (CalPERS) against the Company and certain of its current and former officers and directors. The consolidated amended complaint alleged that the defendants, in connection with the same alleged course of conduct identified in the shareholder derivative actions described above, made misrepresentations and omissions during the period between January 20, 2005 and May 17, 2006, in press releases and public filings that artificially inflated the price of the Company's common stock. The consolidated amended complaint also asserted that, during the class period, certain defendants sold shares of the Company's common stock while in possession of material, non-public information concerning the matters set forth in the complaint. The consolidated amended complaint alleged claims under Sections 10(b), 14(a), 20(a) and 20A of the Securities Exchange Act of 1934 and Sections 11 and 15 of the 1933 Act. On March 18, 2008, the court granted plaintiffs' motion for class certification. On July 2, 2008, the Company announced that it had reached an agreement in principle with the lead plaintiff CalPERS and plaintiff class representative Alaska Plumbing and Pipefitting Industry Pension Trust, on behalf of themselves and members of the class, to settle the lawsuit, fully resolving all claims against the Company, all current officers and directors of the Company named in the lawsuit, and certain former officers and directors of the Company named in the lawsuit. No parties would admit any wrongdoing as part of the proposed settlement. Under its terms, the Company paid \$895 million into a settlement fund for the benefit of class members. In addition to the payment to the settlement fund, the Company also agreed to supplement the substantial changes it has already implemented in its corporate governance policies with additional changes and enhancements. On November 24, 2008, lead counsel for the plaintiffs filed with the court a stipulation of settlement entered into by all parties to the litigation. On August 11, 2009, following notice to class members, the court gave final approval to the settlement and awarded the plaintiffs' counsel a fee award of approximately \$65 million, to be paid out of the settlement fund. The court entered final judgment on September 23, 2009, and the settlement agreement became effective on October 23, 2009.

On June 6, 2006, a purported class action captioned *Zilhaber v. UnitedHealth Group Incorporated* was filed against the Company and certain of its current and former officers and directors in the United States District Court for the District of Minnesota. This action alleges that the fiduciaries to the Company-sponsored 401(k) plan violated the Employee Retirement Income Security Act (ERISA) by allowing the plan to continue to hold Company stock. The plaintiffs filed a motion to certify a class consisting of certain participants in the Company's 401(k) plan. The defendants moved to dismiss the action on June 22, 2007. The court denied the defendants' motion to dismiss and for partial summary judgment on September 30, 2008. On July 2, 2008, the Company announced it had reached an agreement in principle to resolve this lawsuit. Under the terms of the proposed settlement, the Company paid \$17 million into a settlement fund for the benefit of class members, most of which was covered by the Company's insurance carriers. The proposed settlement will fully resolve all claims

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued) (Unaudited)

against the Company and all of the individual defendants in the action. No parties admit any wrongdoing as part of the proposed settlement. The proposed settlement is subject to final court approval. On January 8, 2009, the court granted preliminary approval of the proposed settlement. A final approval hearing took place on May 8, 2009. On August 20, 2009, the court issued an order granting final approval of the settlement and closed the case.

In addition, the Company may be subject to additional litigation or other proceedings or actions arising out of the Company's historical stock option practices and the related restatement of its historical Consolidated Financial Statements. Litigation and any potential regulatory proceeding or action may be time consuming, expensive and distracting from the conduct of the Company's business. The adverse resolution of any specific lawsuit or any potential regulatory proceeding or action could have a material adverse effect on the Company's business, financial condition and results of operations.

Other Legal Matters

Because of the nature of its businesses, the Company is frequently made party to a variety of legal actions related to the design and management of its service offerings. The Company records liabilities for its estimates of probable costs resulting from these matters. These matters include, but are not limited to, claims relating to health care benefits coverage, medical malpractice actions, contract disputes and claims related to disclosure of certain business practices.

MDL Litigation. Beginning in 1999, a series of class action lawsuits were filed against the Company by health care providers alleging various claims relating to the Company's reimbursement practices, including alleged violations of the Racketeer Influenced Corrupt Organization Act (RICO) and state prompt payment laws and breach of contract claims. Many of these lawsuits were consolidated in a multi-district litigation in the United States District Court for the Southern District of Florida (MDL). In the lead MDL lawsuit, the court certified a class of health care providers for certain of the RICO claims. In 2006, the trial court dismissed all of the claims against the Company in the lead MDL lawsuit, and the Eleventh Circuit Court of Appeals later affirmed that dismissal, leaving eleven related lawsuits that had been stayed during the litigation of the lead MDL lawsuit. In August 2008, the trial court, applying its rulings in the lead MDL lawsuit, dismissed seven of the 11 related lawsuits, and all but one claim in an eighth lawsuit. The plaintiffs have appealed these dismissals to the Eleventh Circuit. The trial court ordered the final claim in the eighth lawsuit to arbitration. In December 2008, at the plaintiffs' request, the trial court dismissed without prejudice one of the three remaining lawsuits. The court also denied the plaintiffs' request to remand the remaining two lawsuits to state court and a federal magistrate judge recommended dismissal of those suits. On April 16, 2009, the plaintiffs in these last two suits filed amended class action complaints alleging breach of contract. In addition, the Company is party to a number of arbitrations in various jurisdictions involving similar claims. The Company is vigorously defending against the remaining claims in these cases.

AMA Litigation. On March 15, 2000, a group of plaintiffs including the American Medical Association (AMA) filed a lawsuit against the Company in state court in New York, which was removed to federal court. The complaint and subsequent amended complaints asserted antitrust claims and claims based on ERISA, as well as breach of contract and the implied covenant of good faith and fair dealing, deceptive acts and practices, and trade libel in connection with the calculation of reasonable and customary reimbursement rates for non-network health care providers by the Company's affiliates. On January 14, 2009, after almost nine years of litigation and many rulings from the court on various motions, the parties announced an agreement to settle the lawsuit, along with a similar case filed in 2008 in federal court in New Jersey. Under the terms of the proposed settlement, the Company and its affiliated entities will be released from claims relating to their out-of-network reimbursement policies from March 15, 1994 through the date of final court approval of the settlement. The Company will pay a

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued) (Unaudited)

total of \$350 million to fund the settlement for health plan members and out-of-network providers in connection with out-of-network procedures performed since March 15, 1994. The agreement contains no admission of wrongdoing. The proposed settlement is subject to preliminary and final court approval. In addition, the Company has the right to terminate the settlement if a certain number of class members elect to opt-out of the settlement. The parties have filed a motion for preliminary approval of the proposed settlement which remains under consideration by the court. Other lawsuits in various jurisdictions relating to the calculation of reasonable and customary reimbursement rates for non-network health care providers remain pending against a number of health insurers, including the Company.

NYAG Investigation. On February 13, 2008, the Office of the Attorney General of the State of New York (NYAG) announced that it was conducting an industry-wide investigation into out-of-network provider reimbursement practices of health insurers, including the Company, and served the Company with a notice of intent to initiate litigation. On January 13, 2009, the Company announced it had reached an agreement with the NYAG regarding the investigation. Under the terms of the agreement, the Company agreed to pay \$50 million to fund a not-for-profit entity to develop and own a new, independent database product to replace the Prevailing Health Charges System (PHCS) and Medical Data Research (MDR) database products owned by Ingenix, Inc. Both products are used by a number of health plans and employers as tools that help determine the amount to reimburse members who receive physician services outside their managed care networks. When the new database product is ready, the Company will cease using the PHCS and MDR databases and will use the new database for a period of at least five years in connection with out-of-network reimbursement in those benefit plans that employ a reasonable and customary standard for out-of-network reimbursements. On October 2, 2009, the Company paid the \$50 million required under the settlement agreement into an account designated by the NYAG.

Following the announcement of the NYAG settlement, the U.S. Senate Commerce Committee initiated an investigation of out-of-network reimbursement practices of health insurers, requesting information from the Company and other health insurers relating to, among other things, out-of-network benefit determinations for federal employees. The committee convened a hearing in March 2009, after which certain committee members requested additional information. The Company has responded to these requests. A number of state regulators have also issued subpoenas and requests to the Company and other health insurers relating to the NYAG settlement and the PHCS and MDR databases.

California Claims Processing Matter. As previously disclosed, in 2007, the California Department of Insurance examined the Company's PacifiCare health insurance plan in California. The examination findings related to claims processing accuracy and timeliness; accurate and timely interest payments; timely implementation of provider contracts; timely, accurate provider dispute resolution; and other related matters. On January 25, 2008, the California Department of Insurance (CDI) issued an Order to Show Cause to PacifiCare Life and Health Insurance Company, a subsidiary of the Company, alleging violations of certain insurance statutes and regulations in connection with claims processing and implementation of provider contracts, and other related activity. On June 3, 2009, the Company filed a Notice of Defense to the Order to Show Cause denying all material allegations and asserting certain defenses. The matter is now the subject of an administrative proceeding before an administrative law judge and the parties are engaged in discovery. On June 9, 2009, the Company filed a separate civil action against the CDI in the Los Angeles Superior Court challenging the interpretation and application of certain insurance regulations implicated by the Order to Show Cause.

UNITEDHEALTH GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued) (Unaudited)

Government Regulation

The Company's business is regulated at federal, state, local and international levels. The laws and rules governing the Company's business and interpretations of those laws and rules are subject to frequent change. Broad latitude is given to the agencies administering those regulations. State legislatures and Congress continue to focus on health care issues as the subject of proposed legislation. In connection with these activities, the Company periodically receives inquiries and requests for information from state or federal legislative bodies. For instance, during the third quarter of 2009, the Company received requests for information and testimony from Congressional committees in connection with health care reform legislative proposals. The Company is cooperating with these requests. Existing or future laws and rules could force us to change how the Company does business, restrict revenue and enrollment growth, increase the Company's health care and administrative costs and capital requirements, and increase the Company's liability in federal and state courts for coverage determinations, contract interpretation and other actions. Further, the Company must obtain and maintain regulatory approvals to market and sell many of its products.

The Company has been and is currently involved in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments, state attorneys general, the Office of the Inspector General, the Office of Personnel Management, the Office of Civil Rights, U.S. Congressional committees, the U.S. Department of Justice, U.S. Attorneys, the SEC, the IRS, the U.S. Department of Labor and other governmental authorities.

For example, in 2008, CMS conducted an inquiry of the Ovations Medicare Advantage and Prescription Drug Plan broker oversight program. In March 2009, CMS asserted certain deficiencies in that program and conducted a follow-up review in July 2009. CMS was satisfied that the Company had adequately addressed their concerns. In the first quarter of 2008, the Office of Inspector General (OIG) completed two concurrent audits of Medicare Part D plan bids. In 2009, the OIG notified the Company that no financial remedies would be recommended. Other examples of audits include a review by the U.S. Department of Labor of the Company's administration of applicable customer employee benefit plans with respect to ERISA compliance and audits of the Company's Medicare health plans to validate the coding practices of and supporting documentation maintained by its care providers.

Such government actions can result in assessment of damages, civil or criminal fines or penalties, or other sanctions, including loss of licensure or exclusion from participation in government programs and could have a material adverse effect on the Company's financial results. The coding audits may result in retrospective or prospective adjustments to payments made to health plans pursuant to CMS Medicare contracts.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the accompanying Condensed Consolidated Financial Statements and Notes. References to the terms “we”, “our” or “us” used throughout this Management’s Discussion and Analysis of Financial Condition and Results of Operations refer to UnitedHealth Group Incorporated and its subsidiaries.

EXECUTIVE OVERVIEW

General

We are a diversified health and well-being company, serving more than 70 million Americans. Our focus is on enhancing the performance of the health system and improving the overall health and well-being of the people we serve and their communities. We work with health care professionals and other key partners to expand access to high quality health care. We help people get the care they need at an affordable cost, support the physician/patient relationship, and empower people with the information, guidance and tools they need to make personal health choices and decisions.

Through our diversified family of businesses, we leverage core competencies in advanced technology-based transactional capabilities; health care data, knowledge and information; and health care resource organization and care facilitation to make health care work better. These core competencies are focused in two market areas, health benefits and health services. Health benefits are offered in the individual and employer markets and the public and senior markets through our UnitedHealthcare, Ovations and AmeriChoice businesses. Health services are provided to the participants in the health system itself, ranging from employers and health plans to physicians and life sciences companies through our OptumHealth, Ingenix and Prescription Solutions businesses. In aggregate, these businesses have more than two dozen distinct business units that address specific end markets. Each of these business units focuses on the key goals in health and well-being: access, affordability, quality and simplicity as they apply to their specific market.

Revenues

Our revenues are primarily comprised of premiums derived from risk-based health insurance arrangements in which the premium is fixed, typically for a one-year period, and we assume the economic risk of funding our customers’ health care benefits and related administrative costs. We also generate revenues from services performed for customers that self-insure the medical costs of their employees and employees’ dependants. For both risk-based and fee-based health care benefit arrangements, we provide coordination and facilitation of medical services; transaction processing; health care professional services; and access to contracted networks of physicians, hospitals and other health care professionals. We also generate service revenues from Ingenix health intelligence and contract research businesses. Product revenues are mainly comprised of products sold by our Prescription Solutions pharmacy benefit management business and sales of Ingenix publishing and software products. We derive investment income primarily from interest earned on our investments in fixed income and debt securities. Our investment income also includes gains or losses when the securities are sold, or other-than-temporarily impaired.

Operating Costs

Medical Costs. Our operating results depend in large part on our ability to effectively estimate, price for and manage our medical costs through underwriting criteria, product design, negotiation of favorable provider contracts and medical management programs. Controlling medical costs requires a comprehensive and integrated approach to organize and advance the full range of interrelationships among patients/consumers, health professionals, hospitals, pharmaceutical/technology manufacturers and other key stakeholders.

Medical costs include estimates of our obligations for medical care services rendered on behalf of insured consumers for which we neither have received nor processed claims, and for liabilities for physician, hospital and other medical cost disputes. In every reporting period, our operating results include the effects of more completely developed medical costs payable estimates associated with previously reported periods.

Our medical care ratio, calculated as medical costs as a percentage of premium revenues, reflects the combination of pricing, benefit designs, consumer health care utilization and comprehensive care facilitation efforts. We seek to sustain a stable medical care ratio for an equivalent mix of business, however, changes in business mix, such as expanding participation in comparatively higher medical care ratio government-sponsored public sector programs, will change the dynamics of our results.

Operating Costs. Operating costs are primarily comprised of costs related to employee compensation and benefits, agent and broker commissions, premium taxes and assessments, professional fees, advertising and occupancy costs.

Cash Flows

We generate cash primarily from premiums and investment income, as well as proceeds from the sale or maturity of our investments. Our primary uses of cash are for payments of medical claims, purchases of investments and common stock repurchases. For more information on our cash flows, see “Liquidity and Financial Condition” below.

Business Trends

Our businesses participate in the U.S. health economy, which comprises approximately 16% of U.S. gross domestic product and which has grown consistently for many years. We expect overall spending on health care in the U.S. to continue to rise in the future, based on inflation, demographic trends in the U.S. population and national interest in health and well-being. The rate of market growth may be affected by a variety of factors, including macro-economic conditions and proposed health care reforms, which could also impact our results of operations.

Adverse Economic Conditions. The current U.S. recessionary economic environment has impacted demand for certain of our products and services. For example, decreases in employment have reduced the number of workers and dependants offered health care benefits by our employer customers, putting pressure on top line growth for our UnitedHealthcare and OptumHealth businesses. This workplace attrition contributed nearly 50% of the 6% decrease in UnitedHealthcare’s commercial membership in the first nine months of 2009, and this attrition trend is expected to continue at a generally elevated level until national employment stabilizes. In contrast, our AmeriChoice business is experiencing increased participation in its state Medicaid offerings as employment rates fall. If the recessionary economic environment continues for a prolonged period, federal and state governments may decrease funding for various health care government programs in which we participate and/or impose new or higher levels of taxes or assessments. Our revenues are also impacted by U.S. monetary and fiscal policy. In response to recessionary conditions, the U.S. Federal Reserve has maintained the target federal funds rate at a range of zero to 25 basis points. As of September 30, 2009, our \$23.7 billion portfolio of cash and investments is generally composed of high quality securities and cash, and has a relatively short aggregate duration. Changes in federal monetary policy have reduced the level of investment income received from this portfolio on a year-over-year basis.

In total, we believe that economic recessions will slow our revenue growth rate and could impact our operating profitability. We also believe that government funding pressure, coupled with recessionary economic conditions, will impact the financial positions of hospitals, physicians and other care providers and could therefore increase medical cost trends experienced by our businesses. For additional discussions regarding how a prolonged economic downturn could affect our business, see “Item 1A. Risk Factors” in Part I of our 2008 10-K, as amended, for the year ended December 31, 2008 as filed with the U.S. Securities and Exchange Commission (SEC) (2008 10-K).

American Recovery and Reinvestment Act. Our businesses may benefit from elements of the federal economic stimulus package that was enacted in response to the current recession. These elements include expansion of funding to state programs, which could mitigate funding pressure for AmeriChoice Medicaid offerings at the state level, and funding for health care information technology, which could expand market opportunities for Ingenix.

Proposed Health Care Reforms and Reimbursement Changes. There is regular discussion of health care reforms at both state and national levels, due to the size of and national interest in the health economy. Currently, the administration and numerous members of the U.S. Congress have proposed substantive changes to the U.S. health care system and expressed their intention to pass health care reform in 2009. Examples of health care reform proposals include policy changes that would change the dynamics of the health care industry, including having the federal or one or more state governments assume a larger role in the health care system such as competing with private health insurers, imposing new and potentially significant taxes on health insurers and health care benefits, guaranteed coverage requirements combined with restrictions on our ability to price products based on our underwriting standards, or restructuring the Medicare or Medicaid programs. It is not yet clear what the final proposed legislative changes will be or whether a bill will ultimately pass both houses of Congress and be signed into law. Any health care reforms enacted may be phased in over a number of years, but, if enacted, could increase our costs, expose us to expanded liability and require us to revise the ways in which we conduct business or put us at risk for loss of business. In addition, our operating results, financial position and cash flows could be materially adversely affected by such changes.

The administration and various congressional leaders have advanced proposals to reduce payments to private plans offering Medicare Advantage over the intermediate term. Further, Centers for Medicare and Medicaid Services (CMS) implemented a reduction in Medicare Advantage reimbursements of approximately 5% for 2010. We have made a number of operating adjustments in response to these rate reductions. For 2010, we have adjusted members' benefits and premiums on a selective basis, terminated benefit plans in certain counties, and intensified both our medical and operating cost management. There can be no assurance that we will be able to execute successfully on these or other strategies to address changes in the Medicare Advantage program. The reduction of payments to private plans may also cause declines in the number of seniors participating in Medicare Advantage and the industry-wide revenues and earnings derived from these plans. Our operating results, financial position and cash flows could be materially adversely affected by such declines. If industry-wide Medicare Advantage membership declines, there is likely to be increased demand for Medicare Supplemental insurance and Part D prescription drug coverage, and in both categories Ovation is a market leader.

We operate a diversified set of health care focused businesses; this business model has been intentionally designed to address a multitude of market sectors. Therefore, we could see simultaneous increases and decreases in demand for our various products and services, depending on the scope, shape and timing of health care reforms. It is difficult to predict the outcome of reform discussions with precision over the mid- to long-term time horizon. For additional discussions regarding our risks related to health care reforms and Medicare Advantage reimbursement changes, see "Item 1A. Risk Factors" in Part I of our 2008 10-K.

RESULTS SUMMARY

(in millions, except percentages and per share data)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009	2008	Increase (Decrease) 2009 vs. 2008		2009	2008	Increase (Decrease) 2009 vs. 2008	
Revenues:								
Premiums	\$ 19,729	\$ 18,294	\$ 1,435	8%	\$ 59,586	\$ 55,027	\$ 4,559	8%
Services	1,336	1,287	49	4	3,939	3,857	82	2
Products	490	432	58	13	1,378	1,186	192	16
Investment and other income	140	143	(3)	(2)	451	662	(211)	(32)
Total revenues	21,695	20,156	1,539	8	65,354	60,732	4,622	8
Operating costs:								
Medical costs	16,171	14,943	1,228	8	49,248	45,344	3,904	9
Medical care ratio	82.0%	81.7%		0.3	82.7%	82.4%		0.3
Operating costs	3,156	2,974	182	6	9,321	9,617	(296)	(3)
Operating cost ratio	14.5%	14.8%		(0.3)	14.3%	15.8%		(1.5)
Cost of products sold	442	387	55	14	1,268	1,065	203	19
Depreciation and amortization	250	254	(4)	(2)	733	722	11	2
Total operating costs	20,019	18,558	1,461	8	60,570	56,748	3,822	7
Earnings from operations	1,676	1,598	78	5	4,784	3,984	800	20
Operating margin	7.7%	7.9%		(0.2)	7.3%	6.6%		0.7
Interest expense	(137)	(166)	(29)	(17)	(407)	(484)	(77)	(16)
Earnings before income taxes								
	1,539	1,432	107	7	4,377	3,500	877	25
Provision for income taxes	(504)	(512)	(8)	(2)	(1,499)	(1,249)	250	20
Tax rate	32.7%	35.8%		(3.1)	34.2%	35.7%		(1.5)
Net earnings	\$ 1,035	\$ 920	\$ 115	13%	\$ 2,878	\$ 2,251	\$ 627	28%
Diluted net earnings per common share								
	\$ 0.89	\$ 0.75	\$ 0.14	19%	\$ 2.43	\$ 1.80	\$ 0.63	35%
Return on equity	18.6%	18.7%		(0.1)%	17.7%	15.2%		2.5%
Total people served	70	73	(3)	(4)%				

2009 RESULTS OF OPERATIONS COMPARED TO 2008 RESULTS

Consolidated Financial Results

Revenues

Consolidated revenues for the three and nine months ended September 30, 2009 increased primarily due to the increase in premium revenues in the Health Care Services reporting segment.

Premium Revenues. The increases in premium revenues for both the three and nine months ended September 30, 2009 were primarily due to strong organic growth in risk-based offerings in our public and senior markets businesses and premium rate increases in response to growth in underlying medical costs. The effect of 2008 Health Care Services acquisitions also contributed to the increase in premium revenues in the nine months ended September 30, 2009.

Investment and Other Income. The decrease in investment and other income for the nine months ended September 30, 2009 was primarily due to capital market conditions causing lower investment yields and a decrease in net realized gains.

Medical Costs

Medical costs for the three and nine months ended September 30, 2009 increased primarily due to growth in public and senior markets risk-based businesses, elevated medical costs due to the H1N1 influenza virus, medical cost inflation and increased utilization of medical services, which was partially offset by net favorable development in prior period medical costs.

For each period, our operating results include the effects of revisions in medical cost estimates related to all prior periods. Changes in medical cost estimates related to prior periods, resulting from more complete claim information identified in the current period, are included in total medical costs reported for the current period. For the three months ended September 30, 2009, there was \$100 million of net favorable medical cost development related to prior fiscal years and \$90 million of net favorable medical cost development related to the first half of 2009. For the three months ended September 30, 2008, there was \$10 million of net favorable medical cost development related to prior fiscal years and \$120 million related to the first half of 2008. For the nine months ended September 30, 2009 and 2008, medical costs included \$300 and \$210 million, respectively, of net favorable medical cost development related to prior fiscal years.

Operating Costs

Operating costs increased for the three months ended September 30, 2009 primarily due to acquired and organic business growth and the increased costs from state insurance assessments levied against premiums, a portion of which is in lieu of state income taxes in one of the states in which we operate. These costs were partially offset by productivity improvements in our underlying cost structure. Operating costs decreased for the nine months ended September 30, 2009 due to certain expenses incurred in 2008 as discussed below, partially offset by the aforementioned items that increased third quarter operating costs and the impact of 2008 acquisitions.

Operating costs for the nine months ended September 30, 2008 included \$882 million for settlement of two class action lawsuits related to our historical stock option practices and related legal costs, \$50 million related to estimated costs to conclude a legal matter and \$46 million for employee severance related to operating cost reduction initiatives and other items, partially offset by a \$185 million reduction in operating costs for proceeds from the sale of certain assets and membership in the individual Medicare Advantage business in Nevada in May 2008.

Interest Expense

Interest expense for the three and nine months ended September 30, 2009 decreased primarily due to reduced levels in our debt outstanding and lower market interest rates on our floating-rate debt.

Income Tax Rate

Our income tax rates for the three and nine months ended September 30, 2009 decreased primarily due to the favorable resolution of various historical state income tax matters and the change to a premium tax in lieu of an income tax in one of the states in which we operate, which increased operating costs and decreased income taxes.

Reporting Segments

We have four reporting segments:

- Health Care Services, which includes UnitedHealthcare, Ovations and AmeriChoice;
- OptumHealth;

- Ingenix; and
- Prescription Solutions.

See Note 13 of Notes to the Condensed Consolidated Financial Statements for a description of the types and services from which each of these reporting segments derives its revenues.

Transactions between reporting segments principally consist of sales of pharmacy benefit products and services to Health Care Services customers by Prescription Solutions, certain product offerings sold to Health Care Services customers by OptumHealth, and consulting and other services sold to Health Care Services by Ingenix. These transactions are recorded at management's estimate of fair value. Intersegment transactions are eliminated in consolidation.

The following summarizes the operating results of our reporting segments:

(in millions, except percentages)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009	2008	Increase (Decrease) 2009 vs. 2008		2009	2008	Increase (Decrease) 2009 vs. 2008	
Revenues								
Health Care Services	\$ 20,190	\$ 18,815	\$ 1,375	7%	\$ 61,144	\$ 56,777	\$ 4,367	8%
OptumHealth	1,415	1,294	121	9	4,103	3,919	184	5
Ingenix	481	383	98	26	1,287	1,126	161	14
Prescription Solutions	3,575	3,071	504	16	10,670	9,450	1,220	13
Eliminations	(3,966)	(3,407)	(559)	nm	(11,850)	(10,540)	(1,310)	nm
Consolidated revenues	<u>\$ 21,695</u>	<u>\$ 20,156</u>	<u>\$ 1,539</u>	<u>8%</u>	<u>\$ 65,354</u>	<u>\$ 60,732</u>	<u>\$ 4,622</u>	<u>8%</u>
Earnings from operations								
Health Care Services	\$ 1,244	\$ 1,285	\$ (41)	(3)%	\$ 3,638	\$ 3,800	\$ (162)	(4)%
OptumHealth	172	175	(3)	(2)	472	541	(69)	(13)
Ingenix	64	57	7	12	172	153	19	12
Prescription Solutions	196	91	105	115	502	283	219	77
Corporate	—	(10)	10	nm	—	(793)	793	nm
Consolidated earnings from operations	<u>\$ 1,676</u>	<u>\$ 1,598</u>	<u>\$ 78</u>	<u>5%</u>	<u>\$ 4,784</u>	<u>\$ 3,984</u>	<u>\$ 800</u>	<u>20%</u>
Operating margin								
Health Care Services	6.2%	6.8%	(0.6)%		5.9%	6.7%	(0.8)%	
OptumHealth	12.2	13.5	(1.3)		11.5	13.8	(2.3)	
Ingenix	13.3	14.9	(1.6)		13.4	13.6	(0.2)	
Prescription Solutions	5.5	3.0	2.5		4.7	3.0	1.7	
Consolidated operating margin	<u>7.7%</u>	<u>7.9%</u>	<u>(0.2)%</u>		<u>7.3%</u>	<u>6.6%</u>	<u>0.7%</u>	

nm = not meaningful

The following summarizes the number of individuals served, by major market segment and funding arrangement, as of September 30, 2009 and 2008:

<u>(in thousands, except percentages)</u>	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease) 2009 vs. 2008</u>	
Commercial risk-based	9,460	10,495	(1,035)	(10)%
Commercial fee-based	15,295	15,975	(680)	(4)
Total commercial	<u>24,755</u>	<u>26,470</u>	<u>(1,715)</u>	<u>(6)</u>
Medicare Advantage	1,770	1,480	290	20
Medicaid	2,795	2,340	455	19
Standardized Medicare supplement	2,660	2,510	150	6
Total Public and Senior	<u>7,225</u>	<u>6,330</u>	<u>895</u>	<u>14</u>
Total Health Care Services medical benefits	<u>31,980</u>	<u>32,800</u>	<u>(820)</u>	<u>(3)%</u>

Health Care Services

The revenue growth in Health Care Services for the three and nine months ended September 30, 2009 was primarily due to premium rate increases and growth in the number of individuals served by our public and senior markets businesses, partially offset by a decline in individuals served through commercial products and a decrease in investment and other income. UnitedHealthcare revenues of \$10.1 billion and \$30.7 billion for the three and nine months ended September 30, 2009, respectively, were slightly lower than the comparable 2008 periods as the reduction in individuals served was partially offset by premium rate increases. Ovation revenues of \$7.9 billion and \$24.4 billion for the three and nine months ended September 30, 2009, respectively, increased by \$1.2 billion, or 19%, and \$3.1 billion, or 15%, respectively. The increases were primarily due to an increase in individuals served through Medicare Part D, Medicare Advantage and standardized Medicare Supplement offerings, as well as premium rate increases. AmeriChoice generated revenues of \$2.1 billion and \$6.1 billion for the three and nine months ended September 30, 2009, respectively, an increase of \$475 million, or 29%, and \$1.8 billion, or 43%, respectively over the comparable 2008 periods, primarily due to an increase in the number of individuals served by Medicaid plans and premium rate increases. The year-over-year increase in revenue also includes the full nine-month impact from the Unison acquisition.

The decreases in Health Care Services earnings from operations for the three and nine months ended September 30, 2009 were primarily due to a decrease in commercial business partially offset by the growth in lower margin public and senior markets businesses. The year-over-year decrease in the nine-month earnings from operations was also impacted by the \$194 million reduction in investment and other income for this reporting segment. The UnitedHealthcare medical care ratio increased to 84.6% from 83.8% for the three months ended September 30, 2009 and 2008, respectively, largely due to elevated medical costs related to the H1N1 influenza virus and changes in business mix, including a higher proportion of participants receiving care under unemployment-related benefit continuation programs. The UnitedHealthcare medical care ratio for both the nine months ended September 30, 2009 and 2008 was 83.4%. Health Care Services' operating margins for the three and nine months ended September 30, 2009 decreased due to the factors that decreased earnings from operations as described previously.

OptumHealth

Increased revenues in OptumHealth for the three and nine months ended September 30, 2009 were driven by new business development in large scale care and behavioral health programs for state clients and increased sales of benefits and services to existing clients, offset by a decline in individuals served through commercial products. As of September 30, 2009 and 2008, OptumHealth provided services to approximately 58 million and 60 million consumers, respectively.

Earnings from operations and operating margins for the three and nine months ended September 30, 2009 decreased due to the decrease in membership described above, the cost of an increase in the usage of dental services, and a higher mix of lower margin public sector business. The nine month decreases also resulted from a reduction of investment and other income.

Ingenix

Improvements in Ingenix revenues and earnings from operations for the three and nine months ended September 30, 2009 were primarily due to the impact of improved performance in the payer business, new internal service offerings and the effect of 2009 acquisitions. The decreases in operating margins for the three and nine months ended September 30, 2009 were primarily due to increases in the mix of lower margin business and increased operating costs related to investments in new product development in international offerings.

Prescription Solutions

The increased Prescription Solutions revenues for the three and nine months ended September 30, 2009 were primarily due to growth in customers served through Medicare Part D prescription drug plans by our Ovations business. Intersegment revenues eliminated in consolidation were \$3.1 billion and \$9.3 billion for the three and nine months ended September 30, 2009, respectively. The comparable eliminations for the three and nine months ended September 30, 2008 were \$2.7 billion and \$8.3 billion, respectively.

Prescription Solutions earnings from operations for the three and nine months ended September 30, 2009 increased primarily due to prescription volume growth, improved drug purchasing, gains in mail service drug fulfillment and a continuing favorable mix shift to generic pharmaceuticals.

LIQUIDITY, FINANCIAL CONDITION AND CAPITAL RESOURCES

Liquidity and Financial Condition

We manage our liquidity and financial position in the context of our overall business strategy. We continually forecast and manage our cash, investments and capital structure to meet the short- and long-term obligations of our business while maintaining liquidity and financial flexibility.

Our regulated subsidiaries generate significant cash flows from operations. A majority of the assets held by our regulated subsidiaries are in the form of cash, cash equivalents and investments. After considering expected cash flows from operating activities, we generally invest cash of regulated subsidiaries that exceeds our expected short-term obligations in longer term, investment-grade, marketable debt securities to improve our overall investment return. These investments are made pursuant to our Board of Directors' approved investment policy, which focuses on preservation of capital, diversification and portfolio duration. It also generally governs return objectives, regulatory limitations, tax implications and risk tolerances. Our regulated entities pay cash in excess of their capital needs to their non-regulated parent companies, typically in the form of dividends, when and as permitted by applicable regulations.

Our non-regulated businesses also generate significant cash flows from operations for general corporate use. Cash flows generated by these entities, combined with dividends from our regulated entities and financing through the issuance of commercial paper and long-term debt, as well as the availability of our committed credit facility, further strengthen our operating and financial flexibility. We generally use these cash flows to reinvest in our businesses by making capital expenditures, expanding our services through business acquisitions, repaying debt and/or repurchasing shares of our common stock, depending on market conditions.

Cash flows generated from operating activities are principally from net earnings, before depreciation and amortization and other non-cash expenses. As a result, any future decline in our profitability may have a negative

impact on our liquidity. The level of profitability of our risk-based business depends in large part on our ability to accurately predict and price for health care and operating cost increases. This risk is partially mitigated by the diversity of our other businesses, the geographic and customer diversity of our risk-based business and our disciplined underwriting and pricing processes, which seek to match premium rate increases with future expected health care costs.

A summary of our major sources and uses of cash is reflected in the table below:

(in millions)	Nine Months Ended September 30,	
	2009	2008
Sources of cash:		
Cash provided by operating activities	\$ 4,345	\$ 2,637
Sales of investments	3,516	4,932
Maturities of investments	2,116	2,444
Issuance of long-term debt	—	2,981
Interest rate swap termination	513	—
Other	683	1,035
Total sources of cash	<u>11,173</u>	<u>14,029</u>
Uses of cash:		
Purchases of investments	(4,861)	(8,368)
Cash paid for acquisitions, net of cash assumed	(402)	(3,945)
Retirement of long-term debt	(1,350)	(500)
Common stock repurchases	(1,568)	(2,505)
Repayments of commercial paper, net	(99)	(860)
Other	(784)	(635)
Total uses of cash	<u>(9,064)</u>	<u>(16,813)</u>
Net increase (decrease) in cash	<u>\$ 2,109</u>	<u>\$ (2,784)</u>

Cash flows from operating activities increased \$1.7 billion, or 65%, year-over-year for the nine months ended September 30, 2009, primarily due to the payment in 2008 of \$619 million, net of taxes, for the settlement of two class action lawsuits related to our historical stock option practices, the 2009 increase in medical payables driven by membership growth in risk-based products in the public and senior markets businesses and the increase in net earnings. Additionally, we paid less taxes in 2009 due to tax law changes that took effect in 2008. The first nine months of 2008 included 2007 taxes due under the prior tax law, while the 2009 payment did not include prior year amounts.

Cash flows used for investing activities decreased \$5.2 billion, or 98%, year-over-year for the nine months ended September 30, 2009 primarily due to acquisitions completed in the first nine months of 2008 and decreases in the usage of cash in 2009 for purchases of investments which more than offset the 2009 decreases in sales and maturities of investments.

Cash flows used for financing activities increased \$2.1 billion year-over-year for the nine months ended September 30, 2009 primarily due to the issuance of long-term debt in 2008, which was partially offset by decreases in common stock repurchases in 2009 and the 2009 proceeds from our terminated interest rate swap contracts.

As of September 30, 2009, our cash, cash equivalent and available-for-sale investment balances of \$23.5 billion included \$9.5 billion of cash and cash equivalents, \$13.4 billion of debt securities and \$570 million of equity securities and venture capital funds. Given the significant portion of our portfolio held in cash equivalents, we do not anticipate fluctuations in the aggregate fair value of our financial assets to have a material impact on our

liquidity. The use of different market assumptions or valuation methodologies, primarily used in valuing our Level 3 equity securities, may have an effect on the estimated fair value amounts of our investments. Due to the subjective nature of these assumptions, the estimates may not be indicative of the actual exit price if the investment was sold at the measurement date. Other sources of liquidity, primarily from operating cash flows, reduce the need to sell investments in adverse markets. See Note 3 of Notes to the Condensed Consolidated Financial Statements for further detail of our fair value measurements.

Our investment portfolio has a relatively short average duration and a weighted average credit rating of “AA” as of September 30, 2009. Included in the debt securities balance were \$3.1 billion of state and municipal obligations that are guaranteed by third parties. The securities are guaranteed by a number of different guarantors, and we do not have any significant exposure to any single guarantor (neither indirect through the guarantees, nor direct through investment in the guarantor). Further, due to the high underlying credit rating of the issuers, the weighted average credit rating of these securities both with and without the guarantee is “AA” as of September 30, 2009.

Share Repurchases. Under our Board of Directors’ authorization, we maintain a common share repurchase program. Repurchases may be made from time to time at prevailing prices in the open market. For the nine months ended September 30, 2009, we repurchased 66.4 million shares at an average price of approximately \$24 per share and an aggregate cost of \$1.6 billion. As of September 30, 2009, we had Board of Directors’ authorization to purchase up to an additional 36.5 million shares of our common stock.

Capital Resources

As of September 30, 2009 and December 31, 2008, we had total commercial paper and long-term debt outstanding of \$11.2 billion and \$12.8 billion, respectively.

The availability of financing in the form of debt or equity is influenced by many factors, including our profitability, operating cash flows, debt levels, credit ratings, debt covenant compliance and other contractual restrictions, regulatory requirements and economic and market conditions. For example, a significant downgrade in our credit ratings or conditions in the capital markets may increase the cost of borrowing for us or limit our access to capital. We have adopted strategies and actions toward maintaining financial flexibility to mitigate the impact of such factors on our ability to raise capital.

Shelf Registration. In February 2008, we filed a universal S-3 shelf registration statement with the SEC registering an unlimited amount of debt securities.

Credit Ratings. Our credit ratings as of September 30, 2009 were as follows:

	Moody's		Standard & Poor's		Fitch	
	Ratings	Outlook	Ratings	Outlook	Ratings	Outlook
Senior unsecured debt	Baa1	Stable	A-	Negative	A-	Negative
Commercial paper	P-2	n/a	A-2	n/a	F1	n/a

Debt Covenants. Our bank credit facility contains various covenants, the most restrictive of which requires us to maintain a debt-to-total-capital ratio below 50%. Our debt-to-total-capital ratio, calculated as the sum of commercial paper and debt divided by the sum of commercial paper, debt and shareholders’ equity, was 32.8% and 38.1% as of September 30, 2009 and December 31, 2008, respectively. We were in compliance with the requirements of all debt covenants as of September 30, 2009.

Bank Credit Facilities. In November 2008, we entered into a \$750 million 364-day revolving bank credit facility. Based upon expected liquidity and cash flows, we terminated this facility on July 31, 2009 in advance of its maturity.

In May 2007, we amended and restated our \$1.3 billion five-year revolving bank credit facility which included increasing the capacity. There is currently \$2.5 billion available under this facility, which matures in May 2012. The interest rate is variable based on term and amount and is calculated based on the London Interbank Offered Rate (LIBOR) plus a spread. As of September 30, 2009, the interest rate on this facility, had it been drawn, would have ranged from 0.4% to 0.9%. This facility supports our commercial paper program and is available for general working capital purposes. As of September 30, 2009, we had no amounts outstanding under this facility.

Dividend Restrictions. We conduct a significant portion of our operations through subsidiaries that are subject to regulations and standards established by their respective states of domicile. Most of these regulations and standards conform to those established by the National Association of Insurance Commissioners. These standards require these subsidiaries to maintain specified levels of statutory capital, as defined by each state, and restrict the timing and amount of dividends and other distributions that may be paid to their parent companies. Generally, the amount of dividend distributions that may be paid by a regulated subsidiary, without prior approval by state regulatory authorities, is limited based on the entity's level of statutory net income and statutory capital and surplus.

The inability of our regulated subsidiaries to pay dividends to their parent companies could impact our level of reinvestment in our business through capital expenditures, business acquisitions and the repurchase of shares of our common stock. In addition, the inability to pay regulated dividends could impact our ability to repay our debt; however, our cash flows from operations of our unregulated businesses, as well as liquidity at the parent level in the form of cash and cash equivalent balances and commercial paper or bank funding, mitigate this risk. As of September 30, 2009, \$965 million of cash was held by non-regulated subsidiaries and was available for general corporate use. See "Item 1A. Risk Factors" in Part I of our 2008 10-K, for a discussion of our risks related to dividend restrictions on our regulated subsidiaries.

In 2009, based on the 2008 statutory net income and statutory capital and surplus levels, the maximum amount of dividends that could be paid without prior regulatory approval is \$3.1 billion. Our regulated subsidiaries have paid their parent companies dividends of \$2.1 billion through September 30, 2009. In 2008, the maximum amount of dividends that could be paid without prior regulatory approval was \$3.0 billion. For the year ended December 31, 2008, our regulated subsidiaries paid their parent companies dividends of \$4.2 billion, including \$1.2 billion of extraordinary dividends approved by state insurance regulators.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

A summary of future obligations under our various contractual obligations and commitments as of December 31, 2008 was disclosed in our 2008 10-K. During the nine months ended September 30, 2009, there were no material changes outside the ordinary course of business. However, we continually evaluate opportunities to expand our operations, including internal development of new products, programs and technology applications and acquisitions.

OFF-BALANCE SHEET ARRANGEMENTS

We do not participate or seek to participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (SPEs), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of September 30, 2009, we did not have ownership interests in or structure off-balance sheet arrangements with SPEs.

RECENTLY ISSUED ACCOUNTING STANDARDS

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-13, "Multiple-Deliverable Revenue Arrangements" (ASU 2009-13). This update removes the criterion

that entities must use objective and reliable evidence of fair value in separately accounting for deliverables and provides entities with a hierarchy of evidence that must be considered when allocating arrangement consideration. The new guidance also requires entities to allocate arrangement consideration to the separate units of accounting based on the deliverables' relative selling price. The provisions will be effective for revenue arrangements entered into or materially modified in our fiscal year 2011 and must be applied prospectively. We are currently evaluating the impact of the provisions of ASU 2009-13.

In June 2009, the FASB issued Statement of Financial Accounting Standards (FAS) No. 167, "Amendments to FASB Interpretation No. 46(R)" (FAS 167); the guidance in FAS 167 has not been codified as of the filing date of these Condensed Consolidated Financial Statements. The new guidance amends the consolidation guidance to require companies to perform a qualitative assessment to determine which variable interest holder in a variable interest entity (VIE) is the primary beneficiary and therefore required to consolidate the VIE. The new guidance also amends the reconsideration guidance to require companies to reconsider continually their conclusion regarding which variable interest holder is the primary beneficiary. The guidance is effective for our fiscal year 2010. We are currently evaluating the impact of the provisions of FAS 167.

CRITICAL ACCOUNTING ESTIMATES

We prepared our Condensed Consolidated Financial Statements in conformity with U.S. Generally Accepted Accounting Principles. In preparing these Condensed Consolidated Financial Statements, we are required to make judgments, assumptions and estimates, which we believe are reasonable and prudent based on the available facts and circumstances. These judgments, assumptions and estimates affect certain of our revenues and expenses and their related balance sheet accounts and disclosure of our contingent liabilities. We base our assumptions and estimates primarily on historical experience and trends and factor in known and projected trends. On an on-going basis, we re-evaluate our selection of assumptions and the method of calculating our estimates. Actual results, however, may materially differ from our calculated estimates and this difference would be reported in our current operations.

For a detailed description of our critical accounting estimates, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our 2008 10-K. As of September 30, 2009, our critical accounting policies have not changed from those described in our 2008 10-K except as disclosed in Note 2 of Notes to the Condensed Consolidated Financial Statements relating to recently adopted accounting standards. For a detailed discussion of our significant accounting policies, see Note 2 of Notes to the Consolidated Financial Statements in our 2008 10-K.

CONCENTRATIONS OF CREDIT RISK

Investments in financial instruments such as marketable securities and accounts receivable may subject us to concentrations of credit risk. Our investments in marketable securities are managed under an investment policy authorized by our Board of Directors. This policy limits the amounts that may be invested in any one issuer and generally limits our investments to U.S. Government and Agency securities, state and municipal securities and corporate debt obligations that are investment grade. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of employer groups that constitute our customer base. As of September 30, 2009, we had an aggregate \$2.0 billion reinsurance receivable resulting from the sale of our Golden Rule Financial Corporation life and annuity business in 2005. We regularly evaluate the financial condition of the reinsurer and only record the reinsurance receivable to the extent that the amounts are deemed probable of recovery. Currently, the reinsurer is rated by A.M. Best as "A." As of September 30, 2009, there were no other significant concentrations of credit risk.

FORWARD-LOOKING STATEMENTS

The statements, estimates, projections, guidance or outlook contained in this report include "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA). These

statements are intended to take advantage of the “safe harbor” provisions of the PSLRA. Generally the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “plan,” “project,” “should” and similar expressions, identify forward-looking statements, which generally are not historical in nature. These statements may contain information about financial prospects, economic conditions, trends and uncertainties and involve risks and uncertainties. We caution that actual results could differ materially from those that management expects, depending on the outcome of certain factors.

Some factors that could cause results to differ materially from the forward-looking statements include: our ability to effectively estimate, price for and manage our health care costs; our ability to respond quickly and appropriately to health care reforms; failure to comply with federal and state regulations affecting the health care industry; the potential impact of the adverse conditions in the global economy and extreme disruption of financial markets on our revenues, sources of liquidity, investment portfolio, and our results of operations; regulatory and other risks associated with the pharmacy benefits management industry; competitive pressures, which could affect our ability to maintain or increase our market share; uncertainties regarding changes in Medicare; potential reductions in revenue received from Medicare and Medicaid programs, including as a result of reduced payments to private plans offering Medicare Advantage; our ability to execute contracts on competitive terms with physicians, hospitals and other service professionals; our ability to attract, retain and provide support to a network of independent third party brokers, consultants and agents; failure to comply with restrictions on patient privacy and information security; events that may negatively affect our contracts with AARP; increases in costs and other liabilities associated with increased litigation; the potential consequences of various governmental reviews and litigation matters related to our historical stock option practices; possible impairment of the value of our intangible assets if future results do not adequately support goodwill and intangible assets recorded for businesses that we acquire; increases in health care costs resulting from large-scale medical emergencies; failure to maintain effective and efficient information systems; misappropriation of our proprietary technology; our ability to obtain sufficient funds from our regulated subsidiaries to fund our obligations; failure to complete or receive anticipated benefits of acquisitions; and potential downgrades in our debt ratings.

This list of important factors is not intended to be exhaustive. We discuss certain of these matters more fully, as well as certain risk factors that may affect our business operations, financial condition and results of operations, in Part II, Item 1A, of this report and in our other periodic and current filings with the SEC, including our 2008 10-K. Any or all forward-looking statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. By their nature, forward-looking statements are not guarantees of future performance or results and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Actual future results may vary materially from expectations expressed in this report or any of our prior communications. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. We do not undertake to update or revise any forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risks are exposures to (a) changes in interest rates that impact our investment income and interest expense and the fair value of certain of our fixed-rate financial investments and debt and (b) changes in equity prices that impact the value of our equity investments.

As of September 30, 2009, \$9.5 billion of our financial investments were classified as cash and cash equivalents on which interest rates received vary with market interest rates, which may materially impact our investment income. Also, \$750 million of our debt as of September 30, 2009 was at interest rates that vary with market rates.

The fair value of certain of our fixed-rate financial investments and debt also varies with market interest rates. As of September 30, 2009, \$13.6 billion of our investments were fixed-rate debt securities and \$10.4 billion of our debt was fixed-rate term debt. An increase in market interest rates decreases the market value of fixed-rate investments and fixed-rate debt. Conversely, a decrease in market interest rates increases the market value of fixed-rate investments and fixed-rate debt.

We manage exposure to market interest rates by diversifying investments across different fixed income market sectors and debt across maturities and interest rate indices, as well as endeavoring to match our floating rate assets and liabilities over time in normal markets, either directly or through the use of interest rate swap contracts. As part of our risk management strategy, we may enter into interest rate swap agreements with financial institutions to manage the impact of market interest rates on interest expense. The differential between the fixed rates received and the variable rates paid is accrued and recognized over the life of the agreements as an adjustment to interest expense in the Condensed Consolidated Statements of Operations. In January 2009, we terminated interest rate swap contracts with \$4.9 billion in notional value to lock-in the benefit of low market interest rates.

The following table summarizes the impact of a hypothetical change in market interest rates by 1% or 2% as of September 30, 2009 on our investment income and interest expense per annum and the fair value of our financial investments and debt (in millions):

Increase (Decrease) in Market Interest Rate	Investment Income Per Annum (a)	Interest Expense Per Annum (a)	Fair Value of Financial Investments	Fair Value of Debt
2%	\$ 191	\$ 15	\$ (1,067)	\$ (1,269)
1%	95	8	(539)	(680)
(1)%	(19)	(7)	528	790
(2)%	nm	nm	1,053	1,716

nm = not meaningful

- (a) Given the low absolute level of short-term market rates on our floating rate assets and liabilities as of September 30, 2009, the assumed hypothetical change in interest rates has been floored at zero and does not reflect the full 1% point reduction in interest income or interest expense.

As of September 30, 2009, we had \$570 million of equity securities and venture capital funds, a portion of which were held in various public and non-public companies concentrated in the areas of health care delivery and related information technologies. Market conditions that affect the value of health care or technology stocks will likewise impact the value of our equity investments.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the filing of this Form 10-Q, management evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2009. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2009.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A description of our legal proceedings is included in Note 14 of Notes to the Condensed Consolidated Financial Statements contained in Part I, Item 1 of this report and is incorporated by reference herein.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" of our Annual Report on Form 10-K, as amended, for the year ended December 31, 2008 as filed with the SEC (2008 10-K), which could materially affect our business, financial condition or future results. The risks described in our 2008 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

There have been no material changes to the risk factors disclosed in our 2008 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities (a) Third Quarter 2009

<u>For the Month Ended</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares That May Yet Be Purchased Under The Plans or Programs</u>
July 31, 2009	876,913 (b)	\$ 25.40	866,931	37,957,714
August 31, 2009	755,020 (c)	\$ 27.92	751,550	37,206,164
September 30, 2009	745,257 (d)	\$ 28.16	744,726	36,461,438
Total	<u>2,377,190</u>	\$ 27.07	<u>2,363,207</u>	

- (a) In November 1997, our Board of Directors adopted a share repurchase program, which the Board evaluates periodically. In October 2007, the Board renewed and increased our share repurchase program and authorized us to repurchase up to 210 million shares of our common stock at prevailing market prices. There is no established expiration date for the program.
- (b) Represents 866,931 shares of our common stock repurchased during the period, and 9,982 shares of our common stock withheld by us, as permitted by the applicable equity award certificates, to satisfy tax withholding obligations upon vesting of shares of restricted stock.
- (c) Represents 751,550 shares of our common stock repurchased during the period, and 3,470 shares of our common stock withheld by us, as permitted by the applicable equity award certificates, to satisfy tax withholding obligations upon vesting of shares of restricted stock.
- (d) Represents 744,726 shares of our common stock repurchased during the period, and 531 shares of our common stock withheld by us, as permitted by the applicable equity award certificates, to satisfy tax withholding obligations upon vesting of shares of restricted stock.

ITEM 5. OTHER INFORMATION

Effective October 23, 2009, our Board of Directors amended our Bylaws to, among other things, expand the information required to be provided to us by a shareholder making a director nomination at an annual or special meeting of shareholders. The required information includes the shareholder's and any associated person's (i) name and address and certain information about the director nominee, (ii) direct and indirect interests in our stock, (iii) direct and indirect voting interests and (iv) other interests in the nomination. We may also require the shareholder to furnish such information as may be required to determine whether the director nominee qualifies as an independent director or an audit committee financial expert and such other information that could be material to a shareholder's understanding of the nominee's independence and qualifications to serve on our Board of Directors.

ITEM 6. EXHIBITS*

The following exhibits are filed in response to Item 601 of Regulation S-K.

- 3.1 Third Restated Articles of Incorporation of UnitedHealth Group Incorporated (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 29, 2007)
- 3.2 Fourth Amended and Restated Bylaws of UnitedHealth Group Incorporated (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 4.1 Senior Indenture, dated as of November 15, 1998, between United HealthCare Corporation and The Bank of New York (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3/A, SEC File Number 333-66013, filed on January 11, 1999)
- 4.2 Amendment, dated as of November 6, 2000, to Senior Indenture, dated as of November 15, 1998, between the UnitedHealth Group Incorporated and The Bank of New York (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001)
- 4.3 Instrument of Resignation, Appointment and Acceptance of Trustee, dated January 8, 2007, pursuant to the Senior Indenture, dated November 15, 1988, amended November 6, 2000, among UnitedHealth Group Incorporated, The Bank of New York and Wilmington Trust Company (incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007)
- 4.4 Indenture, dated as of February 4, 2008, between UnitedHealth Group Incorporated and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, SEC File Number 333-149031, filed on February 4, 2008)
- 10.1 Summary of Non-Management Director Compensation, effective as of July 1, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009)
- 10.2 Form of Agreement for Stock Option Award to Executives under the Company's 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 10.3 Form of Agreement for Restricted Stock Award to Executives under the Company's 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 10.4 Form of Agreement for Restricted Stock Unit Award to Executives under the Company's 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 10.5 Form of Agreement for Stock Appreciation Rights Award to Executives under the Company's 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 10.6 Form of Agreement for Performance-based Restricted Stock Unit Award to Executives under the Company's 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 12.1 Ratio of Earnings to Fixed Charges
- 31.1 Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 The following materials from UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, filed on November 3, 2009, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Cash Flows, and (iv) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.

* Pursuant to Item 601(b)(4)(iii) of Regulation S-K, copies of instruments defining the rights of certain holders of long-term debt are not filed. The Company will furnish copies thereof to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITEDHEALTH GROUP INCORPORATED

<u>/s/ STEPHEN J. HEMSLEY</u> Stephen J. Hemsley	President and Chief Executive Officer (principal executive officer)	Dated: November 3, 2009
<u>/s/ GEORGE L. MIKAN III</u> George L. Mikan III	Executive Vice President and Chief Financial Officer (principal financial officer)	Dated: November 3, 2009
<u>/s/ ERIC S. RANGEN</u> Eric S. Rangen	Senior Vice President and Chief Accounting Officer (principal accounting officer)	Dated: November 3, 2009

EXHIBIT INDEX*

- 3.1 Third Restated Articles of Incorporation of UnitedHealth Group Incorporated (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 29, 2007)
- 3.2 Fourth Amended and Restated Bylaws of UnitedHealth Group Incorporated (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 4.1 Senior Indenture, dated as of November 15, 1998, between United HealthCare Corporation and The Bank of New York (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3/A, SEC File Number 333-66013, filed on January 11, 1999)
- 4.2 Amendment, dated as of November 6, 2000, to Senior Indenture, dated as of November 15, 1998, between the UnitedHealth Group Incorporated and The Bank of New York (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001)
- 4.3 Instrument of Resignation, Appointment and Acceptance of Trustee, dated January 8, 2007, pursuant to the Senior Indenture, dated November 15, 1988, amended November 6, 2000, among UnitedHealth Group Incorporated, The Bank of New York and Wilmington Trust Company (incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007)
- 4.4 Indenture, dated as of February 4, 2008, between UnitedHealth Group Incorporated and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, SEC File Number 333-149031, filed on February 4, 2008)
- 10.1 Summary of Non-Management Director Compensation, effective as of July 1, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009)
- 10.2 Form of Agreement for Stock Option Award to Executives under the Company's 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 10.3 Form of Agreement for Restricted Stock Award to Executives under the Company's 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 10.4 Form of Agreement for Restricted Stock Unit Award to Executives under the Company's 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 10.5 Form of Agreement for Stock Appreciation Rights Award to Executives under the Company's 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 10.6 Form of Agreement for Performance-based Restricted Stock Unit Award to Executives under the Company's 2002 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated October 26, 2009)
- 12.1 Ratio of Earnings to Fixed Charges
- 31.1 Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101 The following materials from UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, filed on November 3, 2009, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Cash Flows, and (iv) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.

* Pursuant to Item 601(b)(4)(iii) of Regulation S-K, copies of instruments defining the rights of certain holders of long-term debt are not filed. The Company will furnish copies thereof to the SEC upon request.

Exhibit 12.1

Computation of Ratio of Earnings to Fixed Charges

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Earnings before income taxes	\$ 1,539	\$ 1,432	\$ 4,377	\$ 3,500
Fixed charges	160	187	476	544
Total earnings available for fixed charges	<u>\$ 1,699</u>	<u>\$ 1,619</u>	<u>\$ 4,853</u>	<u>\$ 4,044</u>
Fixed Charges:				
Interest expense	\$ 137	\$ 166	\$ 407	\$ 484
Interest component of rental payments	23	21	69	60
Total fixed charges	<u>\$ 160</u>	<u>\$ 187</u>	<u>\$ 476</u>	<u>\$ 544</u>
Ratio of earnings to fixed charges	<u>10.6</u>	<u>8.7</u>	<u>10.2</u>	<u>7.4</u>

The ratio of earnings to fixed charges is computed by dividing total earnings available for fixed charges by the fixed charges. For purposes of computing this ratio, fixed charges consist of interest expense plus the interest factor in rental expense.

**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

Certification of Principal Executive Officer

I, Stephen J. Hemsley, certify that:

1. I have reviewed this report on Form 10-Q of UnitedHealth Group Incorporated (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 3, 2009

/s/ STEPHEN J. HEMSLEY

Stephen J. Hemsley
President and Chief Executive Officer

Certification of Principal Financial Officer

I, George L. Mikan III, certify that:

1. I have reviewed this report on Form 10-Q of UnitedHealth Group Incorporated (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 3, 2009

/s/ GEORGE L. MIKAN III

George L. Mikan III
Executive Vice President and
Chief Financial Officer

**CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Certification of Principal Executive Officer

In connection with the Quarterly Report of UnitedHealth Group Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen J. Hemsley, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 3, 2009

/s/ STEPHEN J. HEMSLEY

Stephen J. Hemsley
President and Chief Executive Officer

Certification of Principal Financial Officer

In connection with the Quarterly Report of UnitedHealth Group Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George L. Mikan III, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 3, 2009

/s/ GEORGE L. MIKAN III

George L. Mikan III
Executive Vice President and
Chief Financial Officer