

UNITEDHEALTH GROUP INC  
Form 8-K  
October 19, 2006

---

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

---

### FORM 8-K

---

Current Report Pursuant to

Section 13 or 15(d) of

the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): October 19, 2006

---

## UNITEDHEALTH GROUP INCORPORATED

(Exact name of registrant as specified in its charter)

---

Minnesota  
(State or other jurisdiction  
of incorporation)

0-10864  
(Commission File Number)

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)

Registrant's telephone number, including area code: (952) 936-1300

N/A

(Former name or former address, if changed since last report.)

---

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Edgar Filing: UNITEDHEALTH GROUP INC - Form 8-K

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

**Item 2.02 Results of Operations and Financial Condition.**

On October 19, 2006, UnitedHealth Group Incorporated (the Company) issued a press release discussing third quarter 2006 results. A copy of the press release is furnished herewith as Exhibit 99.1 and incorporated in this Item 2.02 by reference. The press release contains forward-looking statements regarding the Company.

To supplement our consolidated financial results as determined by generally accepted accounting principles (GAAP), the press release also discloses certain non-GAAP financial measures which management believes provides useful information to investors. The reconciliations of these non-GAAP measures to the most directly comparable GAAP financial measures are included below.

The Part D Normalized results have been presented to enhance comparability with 2005 quarterly results. The Part D Normalized results assume that full year Medicare Part D benefit costs are recognized based on actuarially projected utilization over the contract year. Accordingly, Part D Normalized results for the three and nine months ended September 30, 2006 include a pro rata share of management's estimate of full year 2006 Medicare Part D benefit costs relating to beneficiaries as of September 30, 2006. Part D Normalized results are not meant to be considered in isolation or as a substitute for net earnings or diluted net earnings per share prepared in accordance with GAAP.

**Reconciliation of Non-GAAP Measures****Part D Normalized Operating Results**

(in millions, except per share data)

(unaudited)

	Three Months Ended September 30, 2006			Nine Months Ended September 30, 2006		
	Consolidated GAAP Reporting	Non-GAAP Reconciling Items	Consolidated Part D Normalized	Consolidated GAAP Reporting	Non-GAAP Reconciling Items	Consolidated Part D Normalized
<b>REVENUES</b>						
Premiums	\$ 16,525	\$ 88(a)	\$ 16,613	\$ 49,241	\$ (335)(a)	\$ 48,906
Services	1,258		1,258	3,678		3,678
Investment and Other Income	225		225	592		592
<b>Total Revenues</b>	<b>18,008</b>	<b>88</b>	<b>18,096</b>	<b>53,511</b>	<b>(335)</b>	<b>53,176</b>
<b>COSTS</b>						
Medical Costs	13,401	68(b)	13,469	40,223	(529)(b)	39,694
Operating Costs	2,576		2,576	7,808		7,808
Depreciation and Amortization	168		168	493		493
<b>Total Costs</b>	<b>16,145</b>	<b>68</b>	<b>16,213</b>	<b>48,524</b>	<b>(529)</b>	<b>47,995</b>
<b>EARNINGS FROM OPERATIONS</b>						
Interest Expense	1,863	20	1,883	4,987	194	5,181
	(129)		(129)	(327)		(327)
<b>EARNINGS BEFORE INCOME TAXES</b>						
Provision for Income Taxes	1,734	20	1,754	4,660	194	4,854
	(633)	(7)	(640)	(1,686)	(70)	(1,756)
<b>NET EARNINGS</b>	<b>\$ 1,101</b>	<b>\$ 13</b>	<b>\$ 1,114</b>	<b>\$ 2,974</b>	<b>\$ 124</b>	<b>\$ 3,098</b>
<b>BASIC NET EARNINGS PER COMMON SHARE</b>						
	\$ 0.82	\$ 0.01	\$ 0.83	\$ 2.21	\$ 0.09	\$ 2.31
	\$ 0.79	\$ 0.01	\$ 0.80	\$ 2.12	\$ 0.09	\$ 2.20

**DILUTED NET EARNINGS PER  
COMMON SHARE**

Diluted Weighted-Average Common Shares Outstanding	1,398	1,398	1,398	1,405	1,405	1,405
<b>Medical Care Ratio</b>	81.1%		81.1%	81.7%		81.2%
<b>Operating Cost Ratio</b>	14.3%		14.2%	14.6%		14.7%
<b>Operating Margin</b>						%
	10.3%		10.4%	9.3%		9.7

- (a) Represents estimated CMS Medicare Part D risk-share premium adjustment that is recorded under GAAP as results fall within the provisions of the risk-sharing arrangement. This adjustment is not necessary under Part D Normalized as medical costs reflect a pro-rata share of estimated annual medical costs.
- (b) Represents actual medical costs incurred under the Medicare Part D contract less than (in excess of) a pro-rata share of estimated annual medical costs.

Certain account balances and financial measures have been presented in this earnings release excluding our AARP business. Management believes these disclosures are meaningful since underwriting gains or losses related to the AARP business are recorded as an increase or decrease to a rate stabilization fund (RSF) and the effects of changes in balance sheet amounts associated with the AARP program accrue to the overall benefit of the AARP policyholders through the RSF balance. Although the Company is at risk for underwriting losses to the extent cumulative net losses exceed the balance in the RSF, the Company has not been required to fund any underwriting deficits to date and management believes the RSF balance is sufficient to cover potential future underwriting or other risks associated with the contract.

**UNITEDHEALTH GROUP**

**Reconciliation of Non-GAAP Measures**

**Consolidated Reporting Excluding AARP**

(in millions)

(unaudited)

	September 30, 2006			December 31, 2005		
	Consolidated GAAP Reporting	AARP Program Balances	Consolidated Reporting Excluding AARP	Consolidated GAAP Reporting	AARP Program Balances	Consolidated Reporting Excluding AARP
Accounts Receivable, net	\$ 1,210	\$ 422	\$ 788	\$ 1,200	\$ 414	\$ 786
Other Current Assets	\$ 3,894	\$ 1,861	\$ 2,033	\$ 3,339	\$ 1,792	\$ 1,547
Other Current Liabilities	\$ 8,267	\$ 1,262	\$ 7,005	\$ 5,992	\$ 1,205	\$ 4,787
Medical Costs Payable	\$ 8,278	\$ 1,021	\$ 7,257	\$ 7,301	\$ 1,001	\$ 6,300

Adjusted Cash Flows from Operating Activities is presented to facilitate the comparison of cash flows from operating activities for periods in which the Company does not receive its monthly premium payments from the Centers for Medicare and Medicaid Services (CMS) in the applicable quarter. CMS generally pays their monthly premium on the first calendar day of the applicable month. If the first calendar day of the month falls on a weekend or a holiday, CMS has typically paid the Company on the last business day of the preceding calendar month. As such, GAAP operating cash flows may vary depending upon which payments are received by the Company from CMS during a particular period. Adjusted Cash Flows from Operating Activities presents operating cash flows assuming that each monthly CMS premium payment was received on the first calendar day of the applicable month.

**UNITEDHEALTH GROUP**

**Reconciliation of Non-GAAP Measures**

**Adjusted Cash Flows from Operating Activities**

(in millions)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
GAAP Cash Flows From Operating Activities	\$ 315	\$ 1,137	\$ 4,921	\$ 3,514
July 2006 CMS Premium Payment Received in June 2006	1,511			
October 2005 CMS Premium Payment Received in September 2005		(309)		(309)
January 2005 CMS Premium Payment Received in December 2004				275
Adjusted Cash Flows From Operating Activities	\$ 1,826	\$ 828	\$ 4,921	\$ 3,480

---

**CAUTIONARY STATEMENT FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

UnitedHealth Group and its representatives may from time to time make written and oral forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA), including statements in this report, in presentations, press releases (including the earnings release attached as Exhibit 99.1 to this report and the earnings conference call described in such earnings release), filings with the Securities and Exchange Commission, reports to shareholders and in meetings with analysts and investors. Generally the words believe, expect, intend, estimate, anticipate, project, will 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 unknown certainties. We caution that actual results could differ materially from those that management expects, depending on the outcome of certain factors. These forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the results discussed in the forward-looking statements. Some factors that could cause results to differ materially from the forward-looking statements include: the consequences of the findings announced on October 15, 2006 of the investigation by an Independent Committee of directors of our stock option practices (including assessing what accounting adjustments and disclosures may be required to our financial results and determining whether we need to restate previously filed financial statements, as to which no decision has been made), related governmental reviews by the SEC, IRS, U.S. Attorney for the Southern District of New York and Minnesota Attorney General, and related shareholder derivative actions, shareholder demands and purported securities class actions, a purported notice of default with respect to certain of the Company's debt securities based upon our not filing our quarterly report on Form 10-Q for the quarter ended June 30, 2006, the management and director changes and a likely delay in filing our quarterly report on Form 10-Q for the quarter ended September 30, 2006 announced on October 15, 2006, and the potential impact of each of these matters on our business, credit ratings and debt; increases in health care costs that are higher than we anticipated in establishing our premium rates, including increased consumption of or costs of medical services; heightened competition as a result of new entrants into our market, and consolidation of health care companies and suppliers; events that may negatively affect our contract with AARP; uncertainties regarding changes in Medicare, including coordination of information systems and accuracy of certain assumptions; funding risks with respect to revenues received from Medicare and Medicaid programs; increases in costs and other liabilities associated with increased litigation, legislative activity and government regulation and review of our industry; our ability to execute contracts on competitive terms with physicians, hospitals and other service providers;

regulatory and other risks associated with the pharmacy benefits management industry; failure to maintain effective and efficient information systems, which could result in the loss of existing customers, difficulties in attracting new customers, difficulties in determining medical costs estimates and appropriate pricing, customer and physician and health care provider disputes, regulatory violations, increases in operating costs, or other adverse consequences; 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; potential noncompliance by our business associates with patient privacy data; misappropriation of our proprietary technology; and anticipated benefits of acquiring PacifiCare that may not be realized.

This list of important factors is not intended to be exhaustive. A further list and description of some of these risks and uncertainties can be found in our reports filed with the Securities and Exchange Commission from time to time, including our annual reports on Form 10-K and quarterly reports on Form 10-Q. Any or all forward-looking statements we make may turn out to be wrong. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Except to the extent otherwise required by federal securities laws, we do not undertake to publicly update or revise any forward-looking statements.

**Item 9.01 Financial Statements and Exhibits.**

The following exhibit is being furnished herewith:

<b>Exhibit</b>	<b>Description</b>
99.1	Press Release, dated October 19, 2006, issued by UnitedHealth Group Incorporated



**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 hereunto duly authorized.

Date: October 19, 2006

UNITEDHEALTH GROUP INCORPORATED

By: /s/ Dannette L. Smith  
Dannette L. Smith  
Deputy General Counsel & Assistant Secretary

**EXHIBIT INDEX**

<b>Number</b>	<b>Description</b>
99.1	Press Release, dated October 19, 2006, issued by UnitedHealth Group Incorporated