

UNITEDHEALTH GROUP INC  
Form 10-Q  
August 06, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED JUNE 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)

41-1321939  
(I.R.S. Employer)

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incorporation or organization)

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 July 30, 2009, there were 1,162,420,963 shares of the registrant's Common Stock, \$.01 par value per share, issued and outstanding.

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**UNITEDHEALTH GROUP**

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****UnitedHealth Group****Condensed Consolidated Balance Sheets****(Unaudited)**

<b>(in millions, except per share data)</b>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,247	\$ 7,426
Short-term investments	908	783
Accounts receivable, net	2,705	1,929
Assets under management	2,224	2,199
Deferred income taxes	321	424
Other current receivables	1,521	1,715
Prepaid expenses and other current assets	758	514
Total current assets	15,684	14,990
Long-term investments	13,163	13,366
Property, equipment and capitalized software, net	2,080	2,181
Goodwill	20,358	20,088
Other intangible assets, net	2,397	2,329
Other assets	2,208	2,861
Total assets	\$ 55,890	\$ 55,815
<b>Liabilities and shareholders equity</b>		
Current liabilities:		
Medical costs payable	\$ 9,533	\$ 8,664
Accounts payable and accrued liabilities	5,277	5,685
Other policy liabilities	2,854	2,823
Commercial paper and current maturities of long-term debt	1,012	1,456
Unearned premiums	976	1,133
Total current liabilities	19,652	19,761
Long-term debt, less current maturities	10,707	11,338
Future policy benefits	2,296	2,286
Deferred income taxes and other liabilities	1,690	1,650
Total liabilities	34,345	35,035
Commitments and contingencies (Note 13)		
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; 1,151 and 1,201 issued and outstanding	11	12
Additional paid-in capital		38

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Retained earnings	21,440	20,782
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on investments, net of tax effects	113	(30)
Foreign currency translation loss	(19)	(22)
Total shareholders' equity	21,545	20,780
Total liabilities and shareholders' equity	\$ 55,890	\$ 55,815

See Notes to the Condensed Consolidated Financial Statements

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**UnitedHealth Group**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

(in millions, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Revenues:</b>				
Premiums	\$ 19,746	\$ 18,344	\$ 39,857	\$ 36,733
Services	1,307	1,297	2,603	2,570
Products	449	391	888	754
Investment and other income	153	240	311	519
<b>Total revenues</b>	<b>21,655</b>	<b>20,272</b>	<b>43,659</b>	<b>40,576</b>
<b>Operating costs:</b>				
Medical costs	16,507	15,257	33,077	30,401
Operating costs	3,037	3,746	6,165	6,643
Cost of products sold	422	353	826	678
Depreciation and amortization	249	243	483	468
<b>Total operating costs</b>	<b>20,215</b>	<b>19,599</b>	<b>40,551</b>	<b>38,190</b>
<b>Earnings from operations</b>	<b>1,440</b>	<b>673</b>	<b>3,108</b>	<b>2,386</b>
Interest expense	(139)	(164)	(270)	(318)
<b>Earnings before income taxes</b>	<b>1,301</b>	<b>509</b>	<b>2,838</b>	<b>2,068</b>
Provision for income taxes	(442)	(172)	(995)	(737)
<b>Net earnings</b>	<b>\$ 859</b>	<b>\$ 337</b>	<b>\$ 1,843</b>	<b>\$ 1,331</b>
<b>Basic net earnings per common share</b>	<b>\$ 0.73</b>	<b>\$ 0.28</b>	<b>\$ 1.56</b>	<b>\$ 1.08</b>
<b>Diluted net earnings per common share</b>	<b>\$ 0.73</b>	<b>\$ 0.27</b>	<b>\$ 1.54</b>	<b>\$ 1.05</b>
Basic weighted-average number of common shares outstanding	1,170	1,216	1,184	1,229
Dilutive effect of common stock equivalents	10	29	11	33
Diluted weighted-average number of common shares outstanding	1,180	1,245	1,195	1,262
Anti-dilutive shares excluded from the calculation of dilutive effect of common stock equivalents	117	89	117	74

See Notes to the Condensed Consolidated Financial Statements

**Table of Contents****UnitedHealth Group****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

(in millions)	Six Months Ended June 30,	
	2009	2008
<b>Operating activities</b>		
Net earnings	\$ 1,843	\$ 1,331
Noncash items:		
Depreciation and amortization	483	468
Deferred income taxes	114	(11)
Share-based compensation	180	147
Other	7	(234)
Net change in other operating items, net of effects from acquisitions and changes in AARP balances:		
Accounts receivable	(720)	(643)
Other assets	(407)	(532)
Medical costs payable	770	152
Accounts payable and other accrued liabilities	(276)	540
Other policy liabilities	(233)	(252)
Unearned premiums	(157)	(86)
Cash flows from operating activities	1,604	880
<b>Investing activities</b>		
Cash paid for acquisitions, net of cash assumed	(400)	(3,897)
Cash received from disposition		185
Purchases of property, equipment and capitalized software	(311)	(415)
Purchases of investments	(3,710)	(6,555)
Sales of investments	2,635	3,746
Maturities of investments	1,296	1,866
Cash flows used for investing activities	(490)	(5,070)
<b>Financing activities</b>		
Repayments of commercial paper, net	(39)	(419)
Proceeds from issuance of long-term debt		2,981
Payments for retirement of long-term debt	(900)	(500)
Proceeds from interest rate swap termination	513	
Common stock repurchases	(1,504)	(2,052)
Proceeds from common stock issuances	183	94
Share-based compensation excess tax benefit	27	14
Customer funds administered	674	650
Dividends paid	(36)	(37)
Checks outstanding	(189)	
Other	(22)	(133)
Cash flows (used for) from financing activities	(1,293)	598
Decrease in cash and cash equivalents	(179)	(3,592)
Cash and cash equivalents, beginning of period	7,426	8,865

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Cash and cash equivalents, end of period	\$ 7,247	\$ 5,273
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See Notes to the Condensed Consolidated Financial Statements