

UNITEDHEALTH GROUP INC  
Form 424B3  
January 16, 2008  
Table of Contents

Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-148337

PROSPECTUS

**\$1,500,000,000**

**Offer to Exchange**

**\$500,000,000 Floating Rate Notes due June 21, 2010 in exchange for**

**\$500,000,000 Floating Rate Notes due June 21, 2010**

**that have been registered under the Securities Act of 1933**

**And**

**\$500,000,000 6.00% Notes due June 15, 2017 in exchange for**

**\$500,000,000 6.00% Notes due June 15, 2017**

**that have been registered under the Securities Act of 1933**

**And**

**\$500,000,000 6.50% Notes due June 15, 2037 in exchange for**

**\$500,000,000 6.50% Notes due June 15, 2037**

**that have been registered under the Securities Act of 1933**

*This exchange offer will expire at 5:00 p.m., New York City time,*

*on February 15, 2008, unless extended.*

---

**The Exchange Notes:**

We are offering to exchange all of our outstanding unregistered \$500,000,000 floating rate notes due June 21, 2010, \$500,000,000, 6.00% notes due June 15, 2017, and \$500,000,000 6.50% notes due June 15, 2037, which we refer to collectively as the outstanding notes, for registered \$500,000,000 floating rate notes due June 21, 2010, \$500,000,000 6.00% notes due June 15, 2017, and \$500,000,000 6.50% notes due June 15, 2037, which we refer to collectively as the exchange notes. We refer to the outstanding notes and the exchange notes together as the notes.

## Edgar Filing: UNITEDHEALTH GROUP INC - Form 424B3

We are offering the exchange notes pursuant to a registration rights agreement that we entered into in connection with the issuance of the outstanding notes.

### **Material Terms of the Exchange Offer:**

Upon expiration of the exchange offer, all outstanding notes that are validly tendered and not withdrawn will be exchanged for an equal principal amount of the applicable corresponding series of exchange notes.

You may withdraw tendered outstanding notes at any time prior to the expiration of the exchange offer.

The terms of the exchange notes are substantially identical to the terms of the outstanding notes, except that the transfer restrictions, registration rights and additional interest provisions relating to the outstanding notes will not apply to the exchange notes.

The exchange offer is not subject to any minimum tender condition, but is subject to customary conditions.

The exchange of the exchange notes for outstanding notes will not be a taxable exchange for U.S. Federal income tax purposes.

There is no existing public market for the outstanding notes or the exchange notes. We do not intend to list the exchange notes on any securities exchange or quotation system.

See **Risk Factors** beginning on page 9 for a discussion of risks that you should consider in connection with the exchange offer.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is January 16, 2008.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Forward-Looking Statements</u>	iii
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	9
<u>Use of Proceeds</u>	17
<u>Ratio of Earnings to Fixed Charges</u>	17
<u>The Exchange Offer</u>	18
<u>Description of the Exchange Notes</u>	26
<u>Book-Entry Issuance</u>	37
<u>Material U.S. Federal Income Tax Consequences</u>	38
<u>Plan of Distribution</u>	43
<u>Legal Matters</u>	43
<u>Experts</u>	43
<u>Where You Can Find More Information</u>	44
<u>Incorporation of Certain Documents by Reference</u>	44

---

In this prospectus, except as otherwise noted, the terms UnitedHealth Group, we, our, us or the Company refer to UnitedHealth Group Incorporated and its subsidiaries.

**We have not authorized anyone to give any information or make any representation about us or the exchange notes that is different from or in addition to that contained in this prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it as authorized by us. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this prospectus are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus does not extend to you. You should assume that the information contained in this prospectus is accurate only as of the date on the front of this prospectus, regardless of the date of delivery of this prospectus or the sale of the securities made hereunder.**

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This prospectus contains or incorporates by reference forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, or PSLRA. The words or phrases believes, anticipates, expects, plans, seeks, intends, will likely result, estimates, pro expressions are intended to identify such forward-looking statements. 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.

The text under the heading Risk Factors contains certain cautionary statements regarding our business that potential investors and others should consider. These statements discuss matters which may in part be contained elsewhere in this prospectus and which may have been contained in other documents prepared by us under federal or state securities laws. This discussion is intended to take advantage of the safe harbor provisions of the PSLRA. Except to the extent otherwise required by federal securities laws, we do not undertake to address or update forward-looking statements in future filings or communications regarding our business or operating results, and do not undertake to address how any of these factors may have caused results to differ from discussions or information contained in previous filings or communications. In addition, any of the matters discussed below may have affected past, as well as current, forward-looking statements about future results. Any or all forward-looking statements in this prospectus and in any other public filings or 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. Many factors discussed below or incorporated by reference herein will be important in determining future results. 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 our prior communications.

**Table of Contents**

**PROSPECTUS SUMMARY**

*The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in, and incorporated by reference into, this prospectus.*

**The Company**

We are a diversified health and well-being company, serving approximately 70 million Americans. We are focused on improving the American health care system and how it works for multiple, distinct constituencies. We provide individuals with access to quality, cost-effective health care services and resources through approximately 550,000 physicians and other care providers and approximately 4,800 hospitals across the United States as of September 30, 2007. During 2006, we managed approximately \$92 billion in aggregate annual health care spending on behalf of the constituents and consumers we served. Our primary focus is on improving health care systems by simplifying the administrative components of health care delivery, promoting evidence-based medicine as the standard for care, and providing relevant, actionable data that physicians, health care providers, consumers, employers and other participants in health care can use to make better, more informed 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 improve access to health and well-being services, simplify the health care experience, promote quality and make health care more affordable.

Our revenues are derived from premium revenues on risk-based products; fees from management, administrative, technology and consulting services; sales of a wide variety of products and services related to the broad health and well-being industry; and investment and other income. As we disclosed in our Current Report on Form 8-K filed December 4, 2007, during the fourth quarter of 2007, we completed the transition to our new segment reporting structure and will begin reporting on this basis in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The reporting structure will have four segments: Health Care Services (which will include Uniprise), Prescription Solutions (formerly in the Health Care Services segment), OptumHealth and Ingenix. Until the fourth quarter of 2007, we conducted our business primarily through operating divisions in the following business segments:

Uniprise;

Health Care Services, which includes our UnitedHealthcare, Ovations and AmeriChoice businesses;

OptumHealth; and

Ingenix.

Uniprise delivers health care and well-being services nationwide to large national employers, individual consumers and other health care organizations through three related business units: Uniprise Strategic Solutions, or USS, Definity Health and Exante Financial Services, or Exante. Each business unit works with other UnitedHealth Group businesses to deliver a complementary and integrated array of services. USS delivers strategic health and well-being solutions to large national employers. Definity Health provides consumer-driven health plans and services to employers and their employees. Exante delivers health care-focused financial services for consumers, employers and providers. Uniprise also offers transactional processing services to various intermediaries and health care entities. Most Uniprise products and services are delivered through its affiliates. Uniprise provides administrative and customer care services for certain other businesses of UnitedHealth Group. As of September 30, 2007, Uniprise served approximately 11.1 million individuals.

Our Health Care Services segment consists of our UnitedHealthcare, Ovations and AmeriChoice businesses. UnitedHealthcare offers a comprehensive array of consumer-oriented health benefit plans and services for small

## **Table of Contents**

and mid-sized employers, and individuals nationwide. Ovation provides health and well-being services for individuals age 50 and older, addressing their unique needs for preventative and acute health care services as well as for services dealing with chronic disease and other specialized issues for older individuals. Ovation, through its affiliates, is one of few enterprises fully dedicated to this market segment, providing products and services in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and the Northern Mariana Islands. Ovation's wide array of products and services includes Medicare Supplement and Medicare Advantage health benefit coverage, and stand-alone prescription drug coverage and prescription drug discount cards, as well as disease management and chronic care programs. AmeriChoice, through its affiliates, provides network-based health and well-being services to beneficiaries of state Medicaid, Children's Health Insurance Programs, and other government-sponsored health care programs.

OptumHealth offers a comprehensive platform of specialty health and wellness and ancillary benefits, services and resources to specific customer markets nationwide. These products and services include employee benefit offerings, provider networks and related resources focusing on behavioral health and substance abuse, dental, vision, disease management, complex and chronic illness and care facilitation. OptumHealth also offers solutions in the areas of complementary and alternative care, employee assistance, short-term and long-term disability, life insurance, work/life balance and health-related information. These services are designed to simplify the consumer health care experience and facilitate efficient health care delivery.

Ingenix offers database and data management services, software products, publications, consulting services, outsourced services and pharmaceutical development and consulting services on a nationwide and international basis. Ingenix is engaged in the simplification of health care administration with information and technology that helps customers accurately and efficiently document, code and bill for the delivery of care services. Ingenix is also a leader in contract research services, medical education services, publications, and pharmacoeconomics, outcomes, safety and epidemiology research through its i3 businesses. As of September 30, 2007, Ingenix's customers include more than 5,000 hospitals, 240,000 physicians, 1,500 payers and intermediaries, more than 240 Fortune 500 companies, and more than 250 life sciences companies, as well as other UnitedHealth Group businesses.

## **Corporate Information**

UnitedHealth Group Incorporated was incorporated in January 1977 in Minnesota, and our executive offices are located at UnitedHealth Group Center, 9900 Bren Road East, Minnetonka, Minnesota 55343. Our telephone number is (952) 936-1300, and our web site is located at [www.unitedhealthgroup.com](http://www.unitedhealthgroup.com). The information on our web site is not part of this prospectus.

**Table of Contents**

**Summary of the Exchange Offer**

*With respect to the discussion of the terms of the exchange notes on the cover page, in this prospectus summary section and in the section entitled Description of the Exchange Notes, the words UnitedHealth Group, we, our, us and the Company refer only to UnitedHealth Group Incorporated and not to any of its subsidiaries.*

The Exchange Offer

We are offering to exchange \$1,000 principal amount of each series of our outstanding unregistered:

\$500,000,000 floating rate notes due June 21, 2010;

\$500,000,000 6.00% notes due June 15, 2017; and

\$500,000,000 6.50% notes due June 15, 2037;

which we issued in a private placement in June 2007, for each \$1,000 principal amount of the corresponding series of our exchange notes:

\$500,000,000 floating rate notes due June 21, 2010;

\$500,000,000 6.00% notes due June 15, 2017; and

\$500,000,000 6.50% notes due June 15, 2037;

which have been registered under the Securities Act.

The terms of each series of the exchange notes are substantially identical to the terms of the corresponding series of outstanding notes, except that the transfer restrictions, registration rights and rights to increased interest in addition to the stated interest rate on the outstanding notes ( Additional Interest ) provisions relating to the outstanding notes will not apply to the exchange notes.

In order to exchange your outstanding notes for exchange notes, you must properly tender them before the expiration of the exchange offer.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on February 15, 2008, unless the exchange offer is extended, in which case the expiration date will be the latest date and time to which the exchange offer is extended. See The Exchange Offer Terms of the Exchange Offer; Expiration Date.

## Edgar Filing: UNITEDHEALTH GROUP INC - Form 424B3

### Conditions to the Exchange Offer

The exchange offer is subject to customary conditions, see The Exchange Offer Conditions to the Exchange Offer, some of which we may waive in our sole discretion. The exchange offer is not conditioned upon any minimum principal amount of outstanding notes being tendered.

### Procedures for Tendering Outstanding Notes

If you wish to tender your outstanding notes, then, except as described in The Exchange Offer Guaranteed Delivery Procedures, you must, on or prior to the expiration date:

complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, in accordance with the



**Table of Contents**

instructions contained in the letter of transmittal, and mail or otherwise deliver the letter of transmittal, together with your outstanding notes, to the exchange agent at the address set forth under "The Exchange Offer - The Exchange Agent;" or

arrange for The Depository Trust Company, or DTC, to transmit to the exchange agent certain required information, including an agent's message forming part of a book-entry transfer in which you agree to be bound by the terms of the letter of transmittal, and transfer the outstanding notes being tendered into the exchange agent's account at DTC through the Automated Tender Offer Program, known as ATOP.

See "The Exchange Offer - How to Tender Outstanding Notes for Exchange."

**Guaranteed Delivery Procedures** If you wish to tender your outstanding notes and time will not permit your required documents to reach the exchange agent by the expiration date, or the procedures for book-entry transfer cannot be completed by the expiration date, you may tender your outstanding notes according to the guaranteed delivery procedures described in "The Exchange Offer - Guaranteed Delivery Procedures."

**Special Procedures for Beneficial Owners** If you beneficially own outstanding notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your outstanding notes in the exchange offer, you should contact the registered holder promptly and instruct that person to tender on your behalf. See "The Exchange Offer - How to Tender Outstanding Notes for Exchange."

**Withdrawal of Tenders** You may withdraw your tender of outstanding notes at any time on or prior to 5:00 p.m., New York City time, on the expiration date by delivering a written notice of withdrawal to the exchange agent in conformity with the procedures discussed under "The Exchange Offer - Withdrawal Rights."

**Acceptance of Outstanding Notes and Delivery of Exchange Notes** Upon consummation of the exchange offer, we will accept any and all outstanding notes that are properly tendered in the exchange offer and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date. The exchange notes issued pursuant to the exchange offer will be delivered promptly after acceptance of the tendered outstanding notes. See "The Exchange Offer - Terms of the Exchange Offer; Expiration Date."

**Registration Rights Agreement** We are making the exchange offer pursuant to the registration rights agreement that we entered into in June 2007 with the initial purchasers of the outstanding notes.

**Resales of Exchange Notes** We believe that the exchange notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without

**Table of Contents**

compliance with the registration and prospectus delivery requirements of the Securities Act, provided that:

you are not an affiliate of ours;

the exchange notes you receive pursuant to the exchange offer are being acquired in the ordinary course of your business;

you have no arrangement or understanding with any person to participate in the distribution of the exchange notes issued to you in the exchange offer; and

if you are a broker-dealer, you will receive the exchange notes for your own account, the outstanding notes were acquired by you as a result of market-making or other trading activities, and you will deliver a prospectus when you resell or transfer any exchange notes issued in the exchange offer. See Plan of Distribution for a description of the prospectus delivery obligations of broker-dealers in the exchange offer.

By executing the letter of transmittal relating to this exchange offer, or by agreeing to the terms of the letter of transmittal, you represent to us that you satisfy each of the requirements. If you do not meet these requirements, your resale of the exchange notes must comply with the registration and prospectus delivery requirements of the Securities Act.

Our belief is based on interpretations by the staff of the SEC, as set forth in no-action letters issued to third parties. The staff of the SEC has not considered this exchange offer in the context of a no-action letter, and we cannot assure you that the staff of the SEC would make a similar determination with respect to this exchange offer.

If our belief is not accurate and you transfer an exchange note without delivering a prospectus meeting the requirements of the federal securities laws or without an exemption from these laws, you may incur liability under the federal securities laws. We do not and will not assume, or indemnify you against, this liability.

See The Exchange Offer Consequences of Exchanging Outstanding Notes.

**Consequences of Failure to Exchange Your Outstanding Notes**

If you do not exchange your outstanding notes in the exchange offer, your outstanding notes will continue to be subject to the restrictions on transfer provided in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold unless registered or sold in a transaction exempt from registration under the Securities Act and applicable state securities laws. If a substantial amount of the outstanding notes is exchanged for a like-amount of the exchange notes the liquidity and the trading market for your untendered outstanding notes could be adversely affected.

**Table of Contents**

See The Exchange Offer Consequences of Failure to Exchange Outstanding Notes.

Exchange Agent

The exchange agent for the exchange offer is Wilmington Trust Company. For additional information, see The Exchange Offer Exchange Agent and the accompanying letter of transmittal.

Material U.S. Federal Income Tax Consequences

The exchange of your outstanding notes for exchange notes will not be a taxable exchange for U.S. federal income tax purposes. You should consult your own tax advisor as to the tax consequences to you of the exchange offer, as well as tax consequences of the ownership and disposition of the exchange notes. For additional information, see Material U.S. Federal Income Tax Considerations.

**Table of Contents**

**Summary of the Terms of the Exchange Notes**

*The terms of the exchange notes are substantially the same as the outstanding notes, except that the transfer restrictions, registration rights and Additional Interest provisions relating to the outstanding notes will not apply to the exchange notes. The following is a summary of the principal terms of the exchange notes. A more detailed description is contained in the section "Description of the Exchange Notes" in this prospectus.*

Issuer	UnitedHealth Group Incorporated
Notes Offered	<p>\$1,500,000,000 in aggregate principal amount of the following notes:</p> <p style="padding-left: 40px;">\$500,000,000 Floating Rate Notes due June 21, 2010;</p> <p style="padding-left: 40px;">\$500,000,000 6.00% Notes due June 15, 2017; and</p> <p style="padding-left: 40px;">\$500,000,000 6.50% Notes due June 15, 2037.</p>
Maturity Date	The 2010 notes will mature June 21, 2010. The 2017 notes will mature June 15, 2017, and the 2037 notes will mature June 15, 2037.
Interest	The interest rate on the 2010 notes will be a floating rate, subject to adjustment on a quarterly basis, equal to LIBOR for three-month U.S. dollar deposits plus 0.18%. Interest on the 2010 notes is payable on March 21, June 21, September 21, and December 21 of each year, beginning on September 21, 2007. Interest on the fixed rate notes is payable semi-annually on June 15 and December 15, beginning on December 15, 2007, at the applicable rates set forth above.
Ranking	The exchange notes will be our unsecured obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding.
Optional Redemption	At our option, we may redeem the 2010 notes, in whole or in part, on any interest payment date beginning on December 21, 2008, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to the date of redemption on not less than 30 nor more than 60 days notice by mail. See Description of the Exchange Notes-Optional Redemption.

At our option, we may redeem the 2017 notes or the 2037 notes in whole or in part at any time before their maturity date on not less than 30 nor more than 60 days notice by mail. If we redeem either series of fixed rate notes before their maturity date, the redemption price will be equal to the greater of:

- (1) 100% of the principal amount of the notes to be redeemed, and
- (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (calculated in accordance with the terms set forth in Description of the Exchange Notes Optional Redemption ), plus 20 basis points for the 2017 notes and 25 basis points for the 2037 notes, plus accrued and unpaid interest to the redemption date. See Description of the Exchange Notes-Optional Redemption.

**Table of Contents**

Use of Proceeds	We will not receive any proceeds from the exchange of the outstanding notes for the exchange notes. See Use of Proceeds.
Further Issuances	We may at any time and from time to time, without the consent of the existing holders of the applicable series of notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as any series of notes being offered under this prospectus. Any such additional notes, together with the notes having the same terms offered by this prospectus, will constitute a single series of securities under the senior indenture. No additional notes may be issued if an event of default under the senior indenture has occurred with respect to the applicable series of notes. There is no limitation on the amount of other senior debt securities that we may issue under the senior indenture.
Risk Factors	You should carefully read and consider, in addition to the matters set forth elsewhere in this prospectus, the information in the Risk Factors section beginning on page 9.
Governing Law	The senior indenture is, and the exchange notes will be, governed by, and construed in accordance with, the laws of the State of New York.

---

**Table of Contents**

**RISK FACTORS**

*You should carefully consider the risks described below as well as other information contained in or incorporated by reference in this prospectus before purchasing the notes.*

**Risks Related to Our Historical Stock Option Practices**

***Matters relating to or arising out of our historical stock option practices, including regulatory inquiries, litigation matters, and potential additional cash and noncash charges could have a material adverse effect on the Company.***

In early 2006, our Board of Directors initiated an independent review of the Company's stock option practices from 1994 to 2005. The independent review was conducted by an independent committee comprised of three independent directors of the Company (the Independent Committee) with the assistance of independent counsel and independent accounting advisors. On October 15, 2006, we announced that the Independent Committee had completed their review of the Company's stock option practices and reported the findings to the non-management directors of the Company. As a result of our historical stock option practices, we restated our previously filed financial statements, we are subject to various regulatory inquiries and litigation matters, and we may be subject to further cash and noncash charges, any or all of which could have a material adverse effect on us.

*Regulatory Inquiries*

As previously disclosed, the SEC and the U.S. Attorney for the Southern District of New York are conducting investigations into the Company's historical stock option practices and the Company has received requests for documents from the Internal Revenue Service (IRS), the Minnesota Attorney General and various Congressional committees in connection with these issues and the Company's executive compensation practices. We have not resolved these matters. We cannot provide assurance that the Company will not be subject to adverse publicity, regulatory or criminal fines, penalties, or other sanctions or contingent liabilities or adverse customer reactions in connection with these matters. See Note 13 to our unaudited Condensed Consolidated Financial Statements contained in Part I, Item 1 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, for a more detailed description of these inquiries and document requests.

*Litigation Matters*

We and certain of our current and former directors and officers are defendants in a consolidated federal securities class action, an Employee Retirement Income Security Act (ERISA) class action, and state and federal shareholder derivative actions relating to our historical stock option practices. We also have received shareholder demands relating to those practices.

Our Board of Directors designated an independent Special Litigation Committee, consisting of two former Minnesota Supreme Court Justices, to investigate and decide whether to pursue the claims raised in the derivative actions and shareholder demands. On December 6, 2007, the Special Litigation Committee concluded its review of claims relating to the Company's historical stock option practices and reached settlement agreements on behalf of the Company with William W. McGuire, M.D., our former Chairman and Chief Executive Officer, 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 final approval by the federal court and the state court and dismissal of claims in the derivative actions. If either condition is not satisfied, then that individual's settlement agreement will become null and void in its entirety and will have no force or effect. The settlement agreements and the dismissal of the derivative actions are subject to notice to the Company's shareholders.

## **Table of Contents**

In connection with the departure of Dr. McGuire, the U.S. District Court for the District of Minnesota issued an Order on November 29, 2006, preliminarily enjoining Dr. McGuire from exercising any Company stock options and preliminarily enjoining the Company and Dr. McGuire from taking any action with respect to Dr. McGuire's employment agreement and related agreements. The original Order has been extended numerous times and on December 26, 2007, the court denied a motion to dissolve the Order and the Order remains in effect.

In addition, following our announcement that we would delay filing our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, we received a purported notice of default from persons claiming to hold our 5.8% Senior Unsecured Notes due March 15, 2036, alleging a violation of the indenture governing those debt securities. Subsequently, we filed an action in the U.S. District Court for the District of Minnesota, seeking a declaratory judgment that the Company was not in default. The Company subsequently received a purported notice of acceleration from the same holders purporting to declare an acceleration of the Company's 5.80% Senior Unsecured Notes due March 15, 2036, of which an aggregate of \$850 million principal amount is outstanding.

We cannot provide assurance that the ultimate outcome of these actions will not have a material adverse effect on our business, financial condition or results of operations. See Note 13 to our unaudited Condensed Consolidated Financial Statements contained in Part I, Item 1 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, for a more detailed description of these proceedings and shareholder demands.

In addition, we may be subject to additional litigation or other proceedings or actions arising out of the Independent Committee's review, the Special Litigation Committee's review and the related restatement of our historical financial statements. Litigation and any potential regulatory proceeding or action may be time consuming, expensive and distracting from the conduct of our business. The adverse resolution of any specific lawsuit or any potential regulatory proceeding or action could have a material adverse effect on our business, financial condition and results of operations.

### *Potential Additional Cash and Noncash Charges*

While we believe we have made appropriate judgments in our restated financial statements in determining the financial and tax impacts of our historic stock option practices, we cannot provide assurance that the SEC or the IRS will agree with the manner in which we have accounted for and reported, or not reported, the financial and tax impacts. If the SEC or the IRS disagrees with our financial or tax adjustments and such disagreement results in material changes to our historical financial statements, we may have to further restate our prior financial statements, amend prior filings with the SEC, or take other actions not currently contemplated.

In addition, other adjustments for non-operating cash charges may be required in connection with the resolution of stock option-related matters arising under litigation and the above-referenced regulatory reviews, the amount and timing of which are uncertain but which could be material.

### **Risks Related to Our Business**

#### *We must effectively manage our health care costs.*

Under our risk-based product arrangements, we assume the risk of both medical and administrative costs for our customers in return for monthly premiums. Premium revenues from risk-based products comprise approximately 90% of our total consolidated revenues. We generally use approximately 80% to 85% of our premium revenues to pay the costs of health care services delivered to these customers. The profitability of our risk-based products depends in large part on our ability to predict, price for, and effectively manage health care costs. Total health care costs are affected by the number of individual services rendered and the cost of each service. Our premium revenue on commercial policies is typically fixed for a 12-month period and is generally priced one to four months before the contract commences. Our revenue on Medicare policies is based on bids



---

**Table of Contents**

submitted in June the year before the contract year. We base the premiums we charge and our Medicare bids on our estimate of future health care costs over the fixed contract period; however, medical cost inflation, regulations and other factors may cause actual costs to exceed what was estimated and reflected in premiums or bids. These factors may include increased use of services, increased cost of individual services, catastrophes, epidemics, the introduction of new or costly treatments and technology, new mandated benefits or other regulatory changes, insured population characteristics and seasonal changes in the level of health care use. As a measure of the impact of medical cost on our financial results, relatively small differences between predicted and actual medical costs or utilization rates as a percentage of revenues can result in significant changes in our financial results. For example, if medical costs increased by 1% without a proportional change in related revenues for UnitedHealthcare's commercial insured products, our annual net earnings for 2006 would have been reduced by approximately \$170 million. In addition, the financial results we report for any particular period include estimates of costs that have been incurred for which claims are still outstanding. If these estimates prove too low, they will have a negative impact on our future results.

***We face competition in many of our markets and customers have flexibility in moving between competitors.***

Our businesses compete throughout the United States and face competition in all of the geographic markets in which they operate. For our Uniprise and Health Care Services segments, competitors include Aetna Inc., Cigna Corporation, Coventry Health Care, Inc., Humana Inc., Kaiser Permanente and WellPoint, Inc., numerous for-profit organizations and not-for-profit organizations operating under licenses from the Blue Cross and Blue Shield Association and enterprises that serve more limited geographic areas. Our OptumHealth and Ingenix segments also compete with a number of businesses. The addition of new competitors can occur relatively easily, and customers enjoy significant flexibility in moving between competitors. In particular markets, competitors may have capabilities or resources that give them a competitive advantage. Greater market share, established reputation, superior supplier or provider arrangements, existing business relationships, and other factors all can provide a competitive advantage to our businesses or to their competitors. In addition, significant merger and acquisition activity has occurred in the industries in which we operate, both as to our competitors and suppliers in these industries. Consolidation may make it more difficult for us to retain or increase customers, to improve the terms on which we do business with our suppliers, or to maintain or advance profitability.

***We are subject to funding and other risks with respect to revenue received from participation in Medicare and Medicaid programs.***

We participate as a payer in Medicare Advantage, Medicare Part D, and various Medicaid programs and receive revenues from the Medicare and Medicaid programs to provide benefits under these programs. Our participation in these programs is through bids that are submitted periodically. Revenues for these programs are dependent upon periodic funding from the federal government or applicable state governments and allocation of the funding through various payment mechanisms. Funding for these programs is dependent upon many factors outside of our control including general economic conditions at the federal or applicable state level and general political issues and priorities. A reduction or less than expected increase in government funding for these programs or change in allocation methodologies may adversely affect our revenues and financial results. Our ability to retain and acquire Medicare enrollees is impacted by bids and plan designs submitted by us and our competitors. Under the Medicare Part D program, to qualify for automatic enrollment of low income members, our bids must result in an enrollee premium below a threshold, which is set by the government after our bids are submitted. If the enrollee premium is not below the government threshold, we risk loss of the members who were auto-assigned to us and will not have additional members auto-assigned to us. Our bids are based upon certain assumptions regarding enrollment, utilization, medical costs, and other factors. In the event any of these assumptions are materially incorrect or our competitors' bids and positioning are different than anticipated, either as a result of unforeseen changes to the Medicare program or otherwise, our financial results could be materially affected.

## **Table of Contents**

***Our business is subject to routine government scrutiny, and we must respond quickly and appropriately to frequent changes in government regulations.***

Our business is regulated at the federal, state, local and international levels. The laws and rules governing our business and interpretations of those laws and rules are subject to frequent change. The broad latitude that is given to the agencies administering those regulations, as well as future laws and rules could force us to change how we do business, restrict revenue and enrollment growth, increase our health care and administrative costs and capital requirements, and increase our liability in federal and state courts for coverage determinations, contract interpretation and other actions. We must obtain and maintain regulatory approvals to market many of our products, to increase prices for certain regulated products and to complete certain acquisitions and dispositions, including integration of acquisitions. Delays in obtaining approvals or our failure to obtain or maintain these approvals could reduce our revenue or increase our costs.

We participate in federal, state and local government health care coverage programs. These programs generally are subject to frequent change, including changes that may reduce the number of persons enrolled or eligible, reduce the amount of reimbursement or payment levels, or increase our administrative or health care costs under such programs. Such changes have adversely affected our financial results and willingness to participate in such programs in the past, and may do so in the future.

State legislatures and Congress continue to focus on health care issues. Legislative and regulatory proposals at state and federal levels may affect certain aspects of our business, including contracting with physicians, hospitals and other health care professionals; physician reimbursement methods and payment rates; coverage determinations; mandated benefits and minimum medical expenditures; claim payments and processing; drug utilization and patient safety efforts; use and maintenance of individually identifiable health information; medical malpractice litigation; and government-sponsored programs. We cannot predict if any of these initiatives will ultimately become law, or, if enacted, what their terms or the regulations promulgated pursuant to such laws will be, but their enactment could increase our costs, expose us to expanded liability, require us to revise the ways in which we conduct business or put us at risk for loss of business.

We are 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 and state attorneys general, the Office of the Inspector General, the Office of Personnel Management, the Office of Civil Rights, the U.S. Department of Justice and U.S. Attorneys. Reviews and investigations of this sort can lead to government actions, which can result in the assessment of damages, civil or criminal fines or penalties, or other sanctions, including restrictions or changes in the way we conduct business, loss of licensure or exclusion from participation in government programs. In addition, public perception or publicity surrounding routine governmental investigations may adversely affect our stock price, damage our reputation in various markets or make it more difficult for us to sell products and services.

***Relationships with physicians, hospitals and other health care providers are important to our business.***

We contract with physicians, hospitals, pharmaceutical benefit service providers, pharmaceutical manufacturers, and other health care providers for competitive prices. Our results of operations and prospects are substantially dependent on our continued ability to maintain these competitive prices. In any particular market, these physicians and health care professionals could refuse to contract, demand higher payments, or take other actions that could result in higher health care costs, less desirable products for customers or difficulty meeting regulatory or accreditation requirements. In some markets, certain health care providers, particularly hospitals, physician/hospital organizations or multi-specialty physician groups, may have significant market positions or near monopolies that could result in diminished bargaining power on our part.

In addition, we have capitation arrangements with some physicians, hospitals and other health care providers. Under the typical arrangement, the provider receives a fixed percentage of premium to cover all the medical costs provided to the capitated member. Under some capitated arrangements, the provider may also

## **Table of Contents**

receive additional compensation from risk sharing and other incentive arrangements. Capitation arrangements limit our exposure to the risk of increasing medical costs, but expose us to risk related to the adequacy of the financial and medical care resources of the provider. To the extent that a capitated provider organization faces financial difficulties or otherwise is unable to perform its obligations under the capitation arrangement, we may be held responsible for unpaid health care claims that should have been the responsibility of the capitated provider and for which we have already paid the provider under the capitation arrangement.

### ***Our relationship with AARP is important.***

Under our agreements with AARP, we provide AARP-branded Medicare Supplement insurance, hospital indemnity insurance and other products to AARP members and Medicare Part D prescription drug plans to AARP members and non-members. One of our renewed agreements with AARP expands the relationship to include AARP-branded Medicare Advantage plans for AARP members and non-members. Our renewed agreements with AARP contain commitments regarding corporate governance, corporate social responsibility, diversity and measures intended to improve and simplify the health care experience for consumers. The AARP agreements may be terminated early under certain circumstances, including, depending on the agreement, a material breach by either party, insolvency of either party, a material adverse change in the financial condition of the Company, material changes in the Medicare programs, material harm to AARP caused by the Company, and by mutual agreement. The success of our AARP arrangements depends, in part, on our ability to service AARP and its members, develop additional products and services, price the products and services competitively, meet our corporate governance, corporate social responsibility, and diversity commitments, and respond effectively to federal and state regulatory changes. The loss of our AARP relationship could have an adverse effect on our revenues.

### ***The nature of our business exposes us to litigation risks.***

Periodically, we become a party to the types of legal actions that can affect any business, such as employment and employment discrimination-related suits, employee benefit claims, breach of contract actions, tort claims, shareholder suits, and intellectual property-related litigation. In addition, because of the nature of our business, we are routinely made party to a variety of legal actions related to the design and management of our service offerings. These matters include, among others, claims related to health care benefits coverage, medical malpractice actions, contract disputes and claims related to disclosure of certain business practices. We are also party to certain class action lawsuits brought by provider groups. See Note 13 to our unaudited Condensed Consolidated Financial Statements contained in Part I, Item 1 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, for a more detailed description of our pending litigation matters.

The Company is largely self-insured with regard to litigation risks; however, we maintain excess liability insurance with outside insurance carriers to minimize risks associated with catastrophic claims. Although we believe that we are adequately insured for claims in excess of our self-insurance, certain types of damages, such as punitive damages in some circumstances, are not covered by insurance. We record liabilities for our estimates of the probable costs resulting from self-insured matters. Although we believe the liabilities established for these risks are adequate, it is possible that the level of actual losses may exceed the liabilities recorded.

### ***Our businesses providing pharmacy benefit management (PBM) services face regulatory and other risks associated with the pharmacy benefits management industry that may differ from the risks of providing managed care and health insurance products.***

In connection with the PacifiCare merger, we acquired a PBM business, Prescription Solutions. We also provide PBM services through UnitedHealth Pharmaceutical Solutions. Prescription Solutions and UnitedHealth Pharmaceutical Solutions are subject to federal and state anti-kickback and other laws that govern their relationships with pharmaceutical manufacturers, customers and consumers. In addition, federal and state legislatures regularly consider new regulations for the industry that could adversely affect current industry

## **Table of Contents**

practices, including the receipt or required disclosure of rebates from pharmaceutical companies. In the event a court were to determine that our PBM business acts as a fiduciary under ERISA, we could be subject to claims for alleged breaches of fiduciary obligations in implementation of formularies, preferred drug listings and drug management programs, contracting network practices, specialty drug distribution and other transactions. Our PBM also conducts business as a mail order pharmacy, which subjects it to extensive federal, state and local laws and regulations. The failure to adhere to these laws and regulations could expose our PBM subsidiary to civil and criminal penalties. We also face potential claims in connection with purported errors by our mail order pharmacy, including in connection with the risks inherent in the packaging and distribution of pharmaceuticals and other health care products.

### ***Our businesses depend on effective information systems and the integrity of the data in our information systems.***

Our ability to adequately price our products and services, to provide effective and efficient service to our customers, and to accurately report our financial results depends on the integrity of the data in our information systems. As a result of technology initiatives, changes in our system platforms and integration of new business acquisitions, we have been taking steps to consolidate the number of systems we operate and have upgraded and expanded our information systems capabilities. If the information we rely upon to run our businesses were found to be inaccurate or unreliable or if we fail to maintain our information systems and data integrity effectively, we could lose existing customers, have difficulty attracting new customers, have problems in determining medical cost estimates and establishing appropriate pricing, have disputes with customers, physicians and other health care providers, have regulatory problems, have increases in operating expenses or suffer other adverse consequences. In addition, failure to consolidate our systems successfully could result in higher than expected costs and diversion of management's time and energy, which could materially impact our business, financial condition and operating results.

### ***The value of our intangible assets may become impaired.***

Due largely to our recent acquisitions, goodwill and other intangible assets represent a substantial portion of our assets. Goodwill and other intangible assets were approximately \$18.7 billion as of September 30, 2007, representing approximately 37% of our total assets. If we make additional acquisitions, it is likely that we will record additional intangible assets on our books. We periodically evaluate our goodwill and other intangible assets to determine whether all or a portion of their carrying values may no longer be recoverable, in which case a charge to earnings may be necessary. Any future evaluations requiring an asset impairment of our goodwill and other intangible assets could materially affect our results of operations and shareholders' equity in the period in which the impairment occurs. A material decrease in shareholders' equity could, in turn, negatively impact our debt ratings or potentially impact our compliance with existing debt covenants.

### ***Our knowledge and information-related businesses depend on our ability to maintain proprietary rights to our databases and related products.***

We rely on our agreements with customers, confidentiality agreements with employees, and our trademarks, trade secrets, copyrights and patents to protect our proprietary rights. These legal protections and precautions may not prevent misappropriation of our proprietary information. In addition, substantial litigation regarding intellectual property rights exists in the software industry, and we expect software products to be increasingly subject to third-party infringement claims as the number of products and competitors in this industry segment grows. Such litigation and misappropriation of our proprietary information could hinder our ability to market and sell products and services.

### ***We must comply with restrictions on patient privacy and information security, including taking steps to ensure that our business associates who obtain access to sensitive patient information maintain its confidentiality.***

The use of individually identifiable data by our businesses is regulated at the international, federal and state levels. These laws and rules are subject to change by legislation or administrative interpretation. Various state

## **Table of Contents**

laws address the use and disclosure of individually identifiable health data to the extent they are more restrictive than those contained in the privacy and security provisions in the federal Gramm-Leach-Bliley Act and the Health Insurance Portability and Accountability Act of 1996 (HIPAA). HIPAA also requires that we impose privacy and security requirements on our business associates (as this term is defined in the HIPAA regulations). Even though we provide for appropriate protections through our contracts with our business associates, we still have limited control over their actions and practices. Compliance with any privacy proposals, requirements, and new regulations may result in cost increases due to necessary systems changes, the development of new administrative processes, and the effects of potential noncompliance by our business associates. They also may impose further restrictions on our use of patient identifiable data that is housed in one or more of our administrative databases.

### **Risk Factors Related to the Exchange Offer**

*Holders of outstanding notes who fail to exchange their outstanding notes in the exchange offer will continue to be subject to restrictions on transfer.*

If you do not exchange your outstanding notes for exchange notes in the exchange offer, you will continue to be subject to the restrictions on transfer applicable to the outstanding notes. The restrictions on transfer of your outstanding notes arise because we issued the outstanding notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the outstanding notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold under an exemption from these requirements. We do not plan to register the outstanding notes under the Securities Act. For further information regarding the consequences of tendering your outstanding notes in the exchange offer, see the discussion below under the captions *The Exchange Offer Consequences of Failure to Exchange Outstanding Notes* and *The Exchange Offer Consequences of Exchanging Outstanding Notes*.

*You must comply with the exchange offer procedures in order to receive new, freely tradable exchange notes.*

Delivery of exchange notes in exchange for outstanding notes tendered and accepted for exchange pursuant to the exchange offer will be made only after timely receipt by the exchange agent of book-entry transfer of outstanding notes into the exchange agent's account at DTC, as depositary, including an agent's message (as defined herein). We are not required to notify you of defects or irregularities in tenders of outstanding notes for exchange. Outstanding notes that are not tendered or that are tendered but we do not accept for exchange will, following consummation of the exchange offer, continue to be subject to the existing transfer restrictions under the Securities Act and, upon consummation of the exchange offer, certain registration and other rights under the registration rights agreement will terminate. See *The Exchange Offer How to Tender Outstanding Notes for Exchange, Procedures for Tendering*, *The Exchange Offer Consequences of Failure to Exchange Outstanding Notes* and *The Exchange Offer Consequences of Exchanging Outstanding Notes*.

*Some holders who exchange their outstanding notes may be deemed to be underwriters, and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.*

If you exchange your outstanding notes in the exchange offer for the purpose of participating in a distribution of the exchange notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

## **Table of Contents**

### **Risk Factors Related to the Exchange Notes**

*Our ability to generate the cash needed to service our lease and debt obligations depends on certain factors beyond our control.*

The future success of our operations will, in large part, dictate our ability to make scheduled payments on, and satisfy our obligations under, our leases and debt, including our debt incurred under the notes. Our future operating performance will be affected by general economic, competitive, market, business and other conditions, many of which are beyond our control. To the extent we are not able to meet our obligations under our leases and debt, we will be required to restructure or refinance them, seek additional equity financing or sell assets. We may not be able to restructure or refinance our leases or debt, obtain additional financing or sell assets on satisfactory terms or at all.

*We have made only limited covenants in the senior indenture for the exchange notes, and these limited covenants may not protect your investment.*

The senior indenture for the exchange notes does not:

require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows or liquidity and, accordingly, does not protect holders of the notes in the event that we experience significant adverse changes in our financial condition or results of operations;

limit our subsidiaries' ability to incur indebtedness which would effectively rank senior to the exchange notes;

limit our ability to incur secured indebtedness or indebtedness that is equal in right of payment to the exchange notes;

restrict our subsidiaries' ability to issue securities that would be senior to the common stock of our subsidiaries held by us;

restrict our ability to repurchase our securities;

restrict our ability to pledge our assets or those of our subsidiaries; or

restrict our ability to make investments or to pay dividends or make other payments in respect of our common stock or other securities.

Furthermore, the senior indenture for the exchange notes contains only limited protections in the event of a change in control and similar transactions. We can engage in many types of transactions, such as acquisitions, refinancings or recapitalizations, that could substantially affect our capital structure and the value of the exchange notes. Such changes may constitute a fundamental change but would not require us to repurchase the exchange notes. For these reasons, you should consider the lack of covenants in the senior indenture and the lack of a repurchase feature of the exchange notes as a significant factor in evaluating whether to invest in the exchange notes.

*An adverse rating of the exchange notes may cause their trading price to fall.*

If a rating agency rates the exchange notes, it may assign a rating that is lower than the ratings assigned to our other debt. Rating agencies also may lower ratings on the exchange notes in the future. If rating agencies assign a lower-than-expected rating or reduce, or indicate that they may reduce, their ratings in the future, the trading price of the exchange notes could significantly decline.

*We cannot assure you that an active trading market will develop for the exchange notes.*

## Edgar Filing: UNITEDHEALTH GROUP INC - Form 424B3

There is currently no public market for the exchange notes. We do not know if an active market will develop for the exchange notes, or if developed, whether such a market will continue. If an active market is not developed or maintained, the market price and the liquidity of the exchange notes may be adversely affected.

**Table of Contents****USE OF PROCEEDS**

We will not receive any proceeds from the exchange offer. Any outstanding notes that are properly tendered and exchanged pursuant to the exchange offer will be retired and cancelled. Accordingly, the issuance of the exchange notes will not result in any change in our indebtedness.

**RATIO OF EARNINGS TO FIXED CHARGES**

The ratio of earnings to fixed charges for each of the periods indicated is set forth below. For purposes of computing these ratios, earnings represent income from continuing operations before extraordinary items. Fixed charges represent interest expense, including amounts capitalized, the interest factor in rental expenses, plus the amortization of debt discount and debt expense.

	<b>Nine Months</b>					
	<b>Ended Sept. 30, 2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>Year Ended December 31,</b>	
					<b>2003</b>	<b>2002</b>
Ratio of Earnings to Fixed Charges	13.7x	14.1x	18.3x	24.0x	20.5x	16.0x



**Table of Contents**

**THE EXCHANGE OFFER**

**Purpose of the Exchange Offer**

This exchange offer is being made pursuant to the registration rights agreement we entered into with the initial purchasers of the outstanding notes on June 21, 2007. The summary of the registration rights agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the registration rights agreement. A copy of the registration rights agreement is filed as an exhibit to the registration statement of which this prospectus is a part.

**Terms of the Exchange Offer; Expiration Date**

This prospectus and the accompanying letter of transmittal together constitute the exchange offer. Subject to the terms and conditions in this prospectus and the letter of transmittal, we will accept for exchange outstanding notes that are validly tendered on or before the expiration date and are not validly withdrawn as permitted below. The expiration date for the exchange offer is 5:00 p.m., New York City time, on February 15, 2008, or such later date and time to which we, in our sole discretion, extend the exchange offer.

We expressly reserve the right, in our sole discretion:

to extend the expiration date;

if any of the conditions set forth below under **Conditions to the Exchange Offer** has not been satisfied, to terminate the exchange offer and not accept any outstanding notes for exchange; and

to amend the exchange offer in any manner.

We will give oral or written notice of any extension, delay, non-acceptance, termination or amendment as promptly as practicable by a public announcement, and in the case of an extension, no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

During an extension, all outstanding notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us, upon expiration of the exchange offer, unless validly withdrawn.

Each broker-dealer that receives exchange notes for its own account in exchan