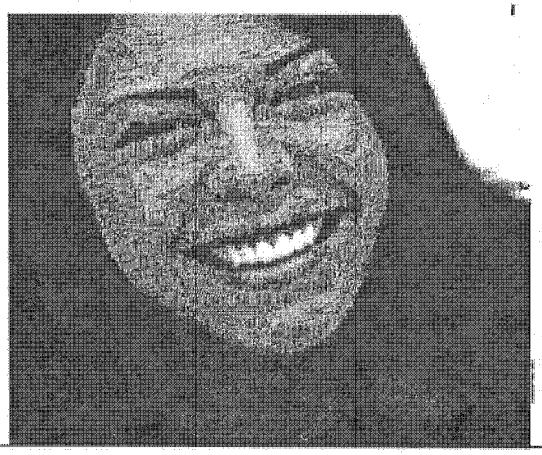
UnitedHealth Group

UnitedHealth Group
Board Meeting

PacifiCare Service & Operations Update

DRAFT 7/12

July 2007



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Discussion Outline

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- **Current State of Integration**
  - Summary Assessment
  - Select Operating Metrics
  - Integration Program Summary – *Revisited*
  - Financial Synergies - *Revisited*
- **Key Strategies and Impacts to Service**
  - Accelerated Operational Integration & Synergy Focus
  - Network Build Out & Integration
  - Technical Direction, Execution Complexity and Timing
- **Cumulative Effect – Integration, Execution, Service Impact**
- **Our Response to the Challenge**
  - Operational Integration Leadership
  - PHS Service Recovery Program
  - Revised Technical Direction
- **Conclusions**

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Summary Assessment - Overview

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The integrated Pacific Region is currently challenged with:

- Service & Network Disruption
- Employee & Organization Instability
- Regulatory Pressures
- Slow Growth

Overall, the complexity and degree of difficulty of the integration was under-estimated. Key integration plans, coupled with external factors and execution challenges impact where we are today. These key strategies include:

- Accelerated Operational Integration & Synergy Focus
- Network Build Out & Integration
- Technical Direction, Execution Complexity & Timing

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Select Operating Metrics

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Performance Metric	2007 Goal	Q1	June	Q2
ACME Core Operations				
DSO	2.7	2.0	2.0	2.3
Rework Adjustments/1000 Claims	TBD	26.9	25.2	30.6
% Auto Processed	83%	79%	84%	81%
% EDI	79%	76%	76%	76%
Claim Quality DAR	99%	98.9%	99%	99.2%
Overturn Rate	TBD	44.9%	45.9%	45.8%
Appeals/1000 Members	TBD	.94	1.4	1.23
Pacificare				
DSO	6	8.6	7.2	6.8
Rework Adjustments/1000 Claims	TBD	44.0	68.9	52.8
% Auto Processed	58%	61%	60%	63%
% EDI	66%	71%	70%	73%
Claim Quality DAR	99%	98%	99%	98.7%
Overturn Rate	TBD	61%	50.8%	53.9%
Appeals/1000 Members	TBD	2.2	2.34	2.35

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Integration Program Summary - *Revisited*

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Presented to Board January 2006

Top Integration Initiatives

1. Identify and execute against growth opportunities (Primarily SW & Pacific Regions) for Commercial, Specialty/Ancillary and Seniors markets
2. Create "Optimal Network" while preserving access and economics for USS customer base
3. Integrate products, branding, and marketing – Migrate brand value where necessary
4. Specialty business integration for Behavioral, Dental/Vision and Group Insurance Businesses
5. Integration of Secure Horizons, Part D, PBM into Ovations
6. System platform and infrastructure migrations needed to meet Segment requirements
7. Optimize operations for case installation, call, and claim payment
8. AMS/GRI/Pac Life integration – Improve and migrate small business, leverage networks for better Individual market performance
9. Migration of shared services – Human Capital, Finance and Accounting, Tax, Treasury, Real Estate and Procurement and Legal to UHG
10. Established a consolidated Clinical/Medical Management Strategy

Summary Progress Update

- Financial synergies far exceeded original estimates and wall street expectations – (Market expectations $300 Million – run rate as of 6/30/07 $950 Million).
- Day 1 PHS moved from shared service model (i.e. central Finance supports commercial and government) to be aligned with UHG segments.
- CA Network 2006 results included 16 additional hospitals (5% increase) and 4,200 physicians (9%) increase.
- UHC Products available in CA, OR, NV, TX, OK, AZ, CO.
- Dual Option products available leveraging UHC PPO and PHS HMO.
- Leveraging PHS clinical and medical management capabilities.
- Vendor programs consolidated for Behavioral Health, Cancer, Neonatal, Transplant and Disease Management.

Highlighted items include some of key strategies to be addressed in this presentation.

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Integration Run Rate Synergy Estimates – *Revisited*

As of Q2 2007

	Diligence Targets	Market Expectations	Internal First Pass Targets	As of June 30th 2007
Network Access	$45 to $65 million	$75 to $100 million	$75 to $90 million	$95 million
Operating Efficiencies	$70 to $100 million	$165 to $200 million	$200 to $210 million	$365 million
Senior and Specialty	$5 to $15 million	$35 to $50 million	$25 to $40 million	$490 million
Total	**$120 to $180 million**	**$275 to $350 million**	**$300 to $340 million**	**$950 million**

Per share*

By 2007	$0.37
By 2008	$0.40
Total Opportunity	$0.44

Note: Synergy details located in the Appendix.

* Based on weighted average common shares outstanding as of June 30th 2007, which is 1.377 billion shares.

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Accelerated Operational Integration & Synergy Focus

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Strategy Overview / Goals

- Day 1 move from PHS shared service model to align to UHC lines of businesses. Day 1 Functional Operations aligned to Uniprise Operations leadership
- Implement Standard Staffing and management ratios based on UHC historical performance
- Centralize functions and gain economies of scale as soon as possible; Leverage United experience, standards, systems and tools
- Leverage UHG contracts and vendors

Challenges & Obstacles

- Enterprise wide organizational realignment occurred prior to system migration and/or any joint planning sessions after close.
- UHG retention program focused on VPs and above with very little retention at middle manger/detailed knowledge holder level.
- Standard staffing ratios assume use of UHG consistent systems and policies.
- All benefit changes were takeaways – PTO, 401 (k) contributions, incentive compensation, grades/titles. Also, competitive CA job market.
- Broker commission agreement conforming to UHC's 30 day notice was not market competitive.
- Vendor and tool changes negatively impacted service (mail room vendor change, EDI, hardware change, blackberry/cell phones, Hercules).

Business Impact / Service Results

- Retention of skilled workers resulted in lost institutional knowledge. For the 10,905 Pacificare employees at close, 39% of the workforce terminated as of 5/2007. Of the 4,284 who departed, 37.8% were eliminated by business decision, 6.1% were managed turnover and 55.8% terminated voluntarily, which translates into annual turnover rate 20.2% (vs. UHG enterprise typical range of 19%).
- Organization is understaffed in several critical areas (estimated gaps include Broker Service 20 FTEs; KA Dedicated Service Model, Quality, Training 15-20 FTEs).
- Broker commission change to 30 day notice resulted in 6 months bad publicity before compromising on 12 month notice.
- Vendor and tool changes led to downtime for workers (Hercules, hardware changes) and customer errors (EDI).

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Network Build Out & Integration

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Strategy Overview / Goals

Immediate term

- Provide access to PacifiCare's proprietary fee for service network in California for new business sales for 4/1/06
- Replace Care Trust Network (CTN) for **all** business by May/June 2006

End state

- Achieve best-in-class network for access and cost by geography
- Continue the capitated, delegated medical group model

Challenges & Obstacles

- DOJ mandated completion of CTN transition by 7/1/06. CTN contract termination caused this date to be moved up to 6/22/06.
- Repricing technical solution not yet available for PPO access due to timing of PHCS termination and hook up of repricing engine. Revised target 1/1/08.
- Gaps and data discrepancies between CTN and PHS CA network were significant. (7,000 with Pay to Indicator issues; 1,000 with FTIN clean up).
- PHS fee schedules not maintained (1,641 providers out of 50,200 were impacted).
- Providers with existing CTN revenue stream have no economic incentive to agree to reduced rates.

Business Impact / Service Results

- Service level disruptions based on data issues, retroactive contracts, as well as providers unwilling to sign up with PHS in CA (6/23/07 retroload estimated at 1300 providers).
- PPO member have not yet been granted access to UHC national network.
- Disruption for USS accounts was 4.5-5% of claimants on 6/23 (claims paid at non-par vs. historic par payments). Disruption today for the same USS accounts is 2.1% of claimants.
- Multi-site customer contracts using CA network were negatively impacted.
- Network retroloads for 1/1/07 increased rework and service disruption (550 retroloads with effective dates between 8/1 & 3/1).

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Technical Direction, Execution Complexity & Timing

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Strategy Overview / Goals

PHS System Migration

- Transition Commercial Platform to UHC Standard platform (Unet); externally communicated to start migration Q1 2007
- Consolidate Employer Reporting, Data Warehouse and Capitation
- Leverage Technology build from MAMSI (Gatekeeper product functionality, Capitation, Data Warehouse)

IT Technical Infrastructure

- Consolidate IT Infrastructure
- Minimal investment in PHS systems due to accelerated system migration plans

Challenges & Obstacles

- MAMSI technical solutions were not delivered in planned timeline
  - Gatekeeper product functionality
  - Capitation
  - Data Warehouse
- MAMSI Gatekeeper product not consistent with PHS product.
- PHS systems (4 separate platforms to support all LOBs) more complex than anticipated making Integration more costly and timely than planned.
- Over aggressive planning, timelines and multiple false starts for system migration.

Business Impact / Service Results

- New focused "modular" approach and plan started 6/2007.
- Dual Platform (UHC PPO products with PHS HMO) continue to be sold and manually serviced. Market anticipated this manual solution to be for short time period (until migration).
- Reinvestment in IT infrastructure and maintenance efforts is required to support business.

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Cumulative Effect

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Key Integration Strategies

- ✓ Accelerated Operational Alignment & Synergy Focus
- ✓ Technical Direction, Execution Complexity and Timing
- ✓ Network Build Out & Integration

Execution Issues

- MAMSI technical solutions in place and unable to be leveraged for PacifiCare
- Repricing Technical Solution for HMO and PPO members
- EDI
- System Migration

External Contributing Factors

- Regulatory Commitments and increasing scrutiny
- Network Disruption (CTN, HCA, CMA publicity)
- Competitive Marketplace (for employers and health plans)

Business Impact / Service Results

- Service & network disruptions
- Inadequate service operations (organization, process, technology)
- Increased regulatory pressures
- Organizational shortages and challenges

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Our Response to the Challenge

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- ✓ **Assigned Senior Leadership for overall oversight of PHS migration, integration and service results**
  - Established coordinated oversight
  - Drafted regulatory scorecard
  - Strengthened enterprise wide governance
- ✓ **Revised Technical Direction**
  - Implemented revised system migration plan
  - Reviewing IT infrastructure and maintenance plan
- ✓ **Implemented focused PHS Service Recovery Effort**
  - Augmented service staff (20 FTEs)
  - Strengthened production and escalation management
  - Coordinated issue tracking and improved SLA performance
  - Completed root cause of key service challenges (examples: issue resolution turnaround time, claims rework, etc.)

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PHS Service Recovery – Approach (Tools)

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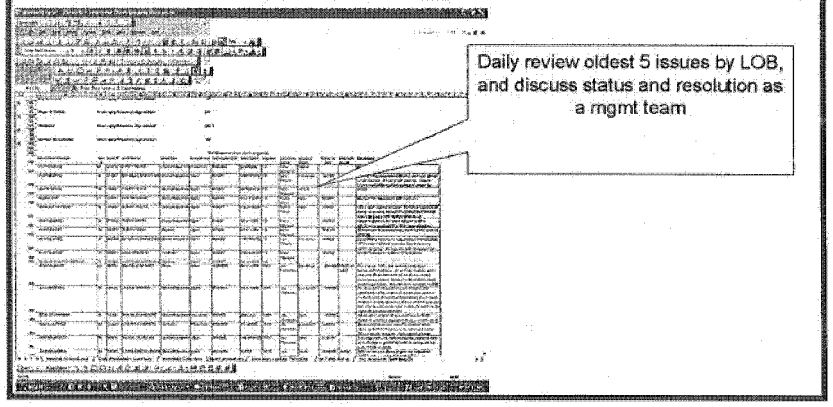
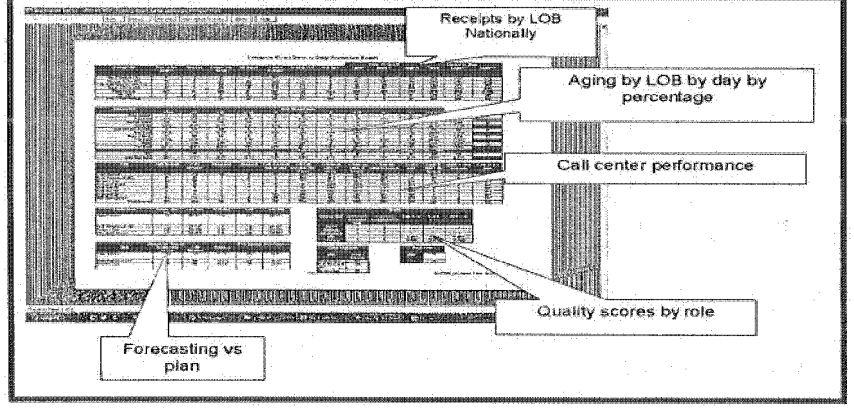
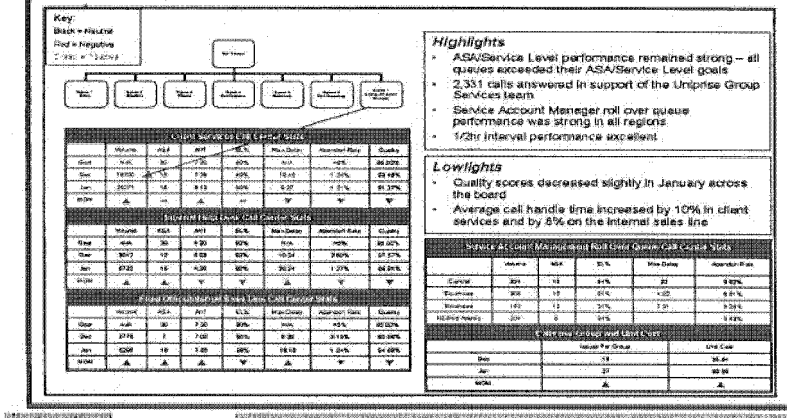
Daily Production Review



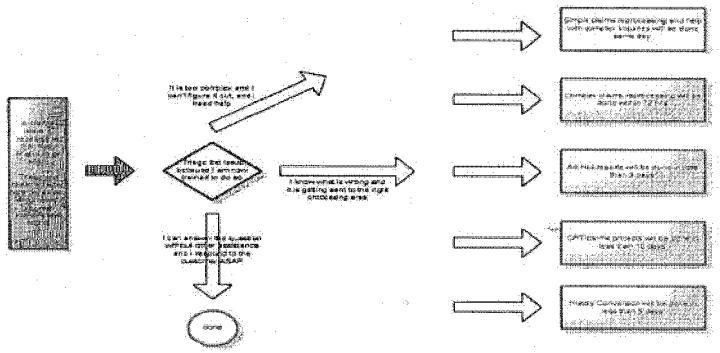
Reporting



Scorecard and Metrics



Rapid Resolution Expert (RRE)



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PHS Service Recovery Program

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Start Date: 5/16/07

Phase 0 & 1 – Organize & Stabilize

Today… *Immediate Action Plan*

Implement Employer/Broker Coordinated Production Management Model

- Daily Coordinated Production Meeting ✓ 5/30
- Redefined War Room/ Escalation Meeting- 7/2007
- Issue Tracking tools & processes ✓ 6/22
- Escalation processes- ✓ 5/30
- Communication-✓ 6/14
- Issue Inventory Validation ✓ 6/14

Develop and Implement Organization/Human Capital Quick Hits

- Post and Hire West Region Director of Service- Starting ✓ 8/6
- Hire a West Coast Service Assurance consultant, dedicated to PHS- Posted - 6/8
- Assign a dedicated Project Coordinator ✓ 5/14
- Assign dedicated Business Partner Managers- one hired/one - posted 6/10
- Design, fund and plan OT incentive plan ✓ 6/1
- Find necessary trainers for immediate needs ✓ 6/21
- Assign local health plan leader/partner ✓ 5/14
- Transition Sue Edberg's team to Employer/Broker Services ✓ 6/22

Improve Tools usage and availability (short term)

- Train and rollout E-track ✓ 7/2007
- Develop plan for 1-800 Employer/Broker central triage line- Interna plan complete, External line still in planning

30 Days .....

- Data Gathering- Black Belt analysis underway – 7/15
- Gap Analysis- Black Belt analysis underway - 7/15
- Define Organizational Model ✓ Short term organizational model established – 6/22
- Define and Implement Short Term Plan ✓ 6/14
- Establish Approach and SLAs with Transaction Areas- ✓ 7/6
- Develop Infrastructure Plan and Recommendations - Strategic Plan underway- need to confirm options - 7/9
- Transitioned Medical Group Outreach to Network Operations-✓ 6/18
- Integrated San Antonio BSU to assist Cypress BSU-✓ 6/25
- Developed IS Support plan for PHS Systems-✓ 6/22
- Created Inventory Reduction Plans-✓ 6/21

Phase 2 – Improve

60 Days and beyond .....

- Dual Platform Operational and Capacity Planning
- Centralized Employer/Broker 800 # and Triage Approach
- Implement Consolidated Issue Tracking Tools and Reporting
- Implement Quality Assessment and Remediation Program
- Rollout Employer/Broker RRE
- Implement Sales Model Office – Pacific Region
- Develop and Implement systems maintenance program

Planning in Process – Dates TBD

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PHS Service Recovery – Initial Results

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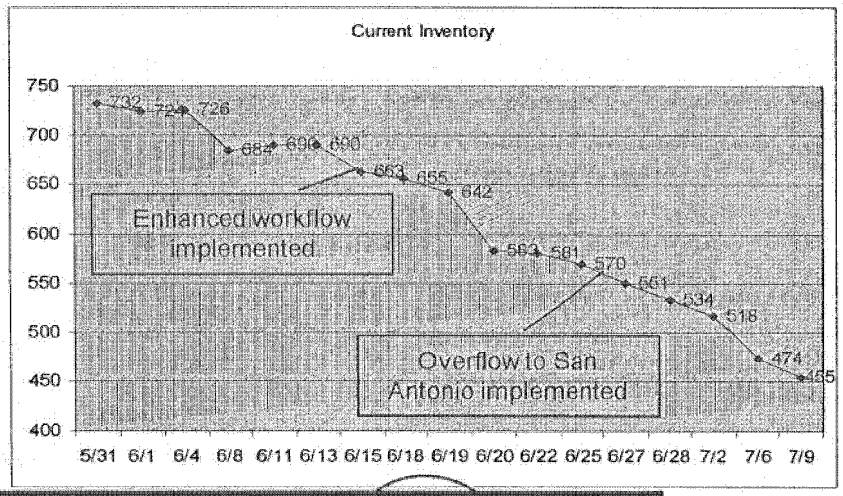
Progress

- ✓*Service Staff Augmentation (20 FTEs)*
- ✓*Process and Technology Improvements*
- ✓*Issue Inventory Reduction and SLA plan*
- ✓*Inventory reduced by 30+%*
- ✓*Managing inventory at 38% within 5 days*



Date	Open Request Aging										
	< 1 Day	2-5	6-10	11-13	14	15-19	20	21-28	29	30 +	Total Open
5/31	38	141	117	48	22	65	15	98	12	176	732
6/1	39	144	109	55	13	79	7	97	12	169	724
6/4	33	135	127	51	18	79	13	94	7	169	726
6/8	22	117	137	55	16	66	15	81	14	161	684
6/11	39	112	125	63	19	69	9	79	12	163	690
6/13	30	122	108	74	19	73	10	75	9	170	690
6/15	38	101	101	72	9	79	13	76	5	169	663
6/18	41	104	95	52	32	72	13	76	7	163	655
6/19	28	103	99	51	12	90	13	79	6	161	642
6/20	19	95	86	40	17	80	11	74	7	154	583
6/22	33	98	83	39	11	74	15	79	7	142	581
6/25	27	98	86	41	13	71	6	80	7	141	570
6/27	51	108	77	43	5	61	8	67	7	124	551
6/28	40	118	92	37	16	45	11	55	8	112	534
7/2	39	138	83	35	8	52	6	50	5	102	518
7/6	23	106	115	32	16	40	1	52	4	85	474
7/9	40	88	106	32	8	40	10	45	3	83	455

Aged inventory continues to trend down

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Conclusions

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- Service levels and customer expectations for our Pacific and Southwest Regions must be improved
- Determine key gaps and areas in need of reinvestment
- The change agenda is being driven with focus and urgency

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Appendix

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- PHS System Migration – Revised Technical Direction
- Synergy Details
- Operating Metrics – from Broker Services (Cronin)
- Board Presentation – from January 2006

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PHS System Migration – *Revised Technical Direction*

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Migration Details:	Forced Start Date	Forced End Date	Cases Migrated to Date	Members Migrated to Date	Current Migration Rate	Current Migration Mode
	Q4 - 2008	Q4 - 2010	1,484	158,540	8%	Voluntary

Key Points

- PHS platform strategy for building a front office solution has been approved
- Business requirements are being completed for Q1 & Q2 2008 system build of the front office solution

Front Office Solution provides an employer with a vehicle to update eligibility and receive a common bill while at the same time have claims processed by two platforms (United and Pacificare). With this solution, claims payment and other data needed to service an employer can be efficiently accessed by our portals and service organizations to provide a seamless market experience.

GUIDING PRINCIPLES of Revised System Migration Approach

- Solution strategy realization, from current state to end state, must be based on business value decision points
- Avoid high-risk, big bang delivery by identifying a series of standalone business beneficial deliverables (i.e. "work packages")
- Work packages (versus phases) must enable a modular vs. linear approach
- Identify 'architecturally significant areas' which have the potential to drive material cost and/or schedule variance as analysis discovery progresses
- Solve for PHS but identify opportunities for reuse with other acquisition integrations
- Move the business once (platform to platform)

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PHS System Migration – Work Package Approach

	Work Package	Business Value / Functionality	Timeline
1	Installation and Front Office (for Large Multi-Site Customers)	Consolidated for Multi-Site Customers: ✓ Eligibility Submission & Maintenance ✓ PCP Selection ✓ Employer & Broker Service Portals ✓ Invoices Across Products ✓ Commission Statements/Payments	Q2 2008
2	Installation and Front Office (for Small Groups)	Consolidated for Multi-Site Customers: ✓ Eligibility Submission & Maintenance ✓ PCP Selection ✓ Employer & Broker Service Portals ✓ Invoices Across Products ✓ Commission Statements/Payments	Q3 2008
3	Integrated Service Member & Provider Constituents	✓ Member and Provider Service consolidation on renewal for Large and Small Groups ✓ Consolidated member fulfillment (ID Cards, COCs) ✓ Member and provider service portals ✓ Claim and encounter data centralized for service access ✓ Call center experience through United	Q1 2009
8	Enterprise Capitation	✓ Enterprise Capitation capabilities enables for migrated PHS GHMO business	Q1 2009

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Integration Synergy Estimates as of June 30th 2007

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Accountable Area	Item	Annual Run Rate Target Due Diligence by 12/31/2006	Annual Run Rate Target Due Diligence by 12/31/2007	2006 Actual Savings	2007 Projected Savings	Annual Run Rate
SCS	Specialty Product Efficiency	$ 3 ---- $ 5	$ 5 ---- $ 10	$ 10.1	$ 6.3	$ 22.3
UHC	Network access fee and repricing savings	45 ---- 64	45 ---- 70	36.9	57.0	90.0
	Audit/Recovery/Subro	6 ---- 10	6 ---- 17	10.6	28.6	29.5
	Client Retention	3 ---- 4	3 ---- 4	combined above	combined above	combined above
	Operations			62.8	12.6	88.5
Uniprise Operations	Total	18 ---- 32	18 ---- 32	40.0	27.6	71.2
	Group Services			9.3	4.8	13.7
	Transaction			7.8	13.1	23.7
	Customer Care			6.4	6.6	17.0
	Quality			2.8	2.1	5.1
	Other			13.7	1.0	11.7
Uniprise Technology	IT - Development	2 ---- 2	4 ---- 4	10.9	3.8	14.6
	Existing IT	none specified	none specified	36.5	0.3	35.0
Ingenix		none specified	none specified	none submitted	none submitted	none submitted
Legal		none specified	none specified	1.4	0.8	2.3
UHT	Technology Infrastructure	15 ---- 23	34 ---- 34	25.1	47.9	57.5
Human Capital		none specified	none specified	5.9	5.2	11.1
Finance & Corporate		12 ---- 17	12 ---- 17	(15.5)	14.6	58.0
Ovations	Medicare Advantage	none specified	16 ---- 20	32.0	66.0	97.6
	Part D	none specified	none specified	55.5	170.9	220.7
	PBM	none specified	none specified	0.0	7.6	7.5
	Walgreen's Insourcing	none specified	none specified	(25.0)	71.1 --	143.1
All	FTE's Efficiencies*	15 ---- 22	22 ---- 138	In #'s above	In #s above	In #s above
	TOTAL	$ 119 --- $ 179	$ 165 ---- $ 346	$ 287	$ 520	$ 950

* Used mid-range of $'s provided by UHC

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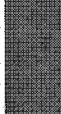
Synergies – Corporate (6/30/07)



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Pacificare Integration (Corporate) - All Company Synergies
2007 Consolidated Value Realization Plan
7/11/2007
Report As of June 30, 2007
($ thousand's)

	2006		2007										
	ACTUALS	FTEs	ACTUALS			PROJECTIONS					FTEs	Run Rate
	Total		Q1	Q2	Total	Q1	Q2	Q3	Q4	Total		
Revenue												
	-		-	-	-	-	-	-	-	-		-
	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
Medical Cost Reductions												
	-		-	-	-	-	-	-	-	-		-
	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
SG&A Reductions												
AMS	-		-	-	-	-	-	-	-	-		-
Business Risk	1,107.7	2.0	(49.2)	(67.2)	(116.5)	(49.2)	(67.2)	(67.2)	(67.2)	(251.0)		856.0
Executive	6,999.2	9.0	1,046.6	549.3	1,595.9	1,046.6	549.3	(180.6)	731.7	2,147.0	4.0	10,065.4
Finance	9,125.1	28.0	2,195.4	1,959.7	4,155.1	2,195.4	1,959.7	1,687.5	1,578.8	7,421.5	-	15,096.6
Human Capital	5,907.6	82.0	2,979.4	1,647.2	4,626.6	2,979.4	1,647.2	286.7	295.2	5,208.4	6.0	11,116.0
Information Technology	(2,905.9)	9.0	(116.1)	9.0	(107.1)	(116.1)	9.0	9.0	9.0	(89.1)	-	519.2
Legal	1,416.2	5.0	470.5	236.3	706.8	470.5	236.3	27.4	34.4	768.6	1.0	2,262.4
Management Programs	(29,052.9)		1,882.3	1,326.4	3,208.7	1,882.3	1,326.4	(126.0)	(2,026.0)	1,056.6	-	28,045.6
Payment Services	390.1	11.0	206.5	224.0	430.5	206.5	224.0	171.4	80.3	682.2	3.0	1,142.4
Procurement	272.5	5.0	71.7	98.6	170.2	71.7	98.6	54.1	17.0	241.4	-	513.9
Real Estate	(2,957.0)	5.0	260.4	190.2	450.5	260.4	190.2	93.5	11.7	555.7	-	(2,836.3)
Tax	66.3	5.0	203.0	127.7	330.7	203.0	127.7	316.1	98.0	744.8	-	946.1
Treasury	1,494.2	11.0	856.3	685.3	1,541.7	856.3	685.3	442.8	103.0	2,087.5	1.0	3,698.7
	$ (8,136.9)	152.0	$ 10,006.7	$ 6,986.4	$ 16,993.1	$ 10,006.7	$ 6,986.4	$ 2,714.6	$ 865.8	$ 20,573.5	15.0	$ 71,425.9
Total Savings	$ (8,136.9)	152.0	$ 10,006.7	$ 6,986.4	$ 16,993.1	$ 10,006.7	$ 6,986.4	$ 2,714.6	$ 865.8	$ 20,573.5	15.0	$ 71,425.9

Footnotes:

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Synergies – Ovations (6/30/07)

UnitedHealth Group

Pacificare Integration (Ovations) - All Company Synergies
2007 Consolidated Value Realization Plan
7/11/2007
Report As of June 30, 2007
($ thousand's)

	2006		2007										
	ACTUALS	FTEs	ACTUALS			PROJECTIONS					FTEs	Run Rate
	Total		Q1	Q2	Total	Q1	Q2	Q3	Q4	Total		
Revenue												
Premium Revenue	-		34,567.2	42,758.1	77,325.3	34,567.2	42,758.1	102,347.7	165,869.5	345,542.4		736,567.9
	$ -		$ 34,567.2	$ 42,758.1	$ 77,325.3	$ 34,567.2	$ 42,758.1	$ 102,347.7	$ 165,869.5	$ 345,542.4		$ 736,567.9
Medical Cost Reductions												
Ancillary Network Recontracting	3,909.6		1,697.3	1,138.8	2,836.1	1,697.3	1,138.8	21.8	21.8	2,879.6		6,789.2
ARO	1,784.6		253.0	10.7	263.7	253.0	10.7	246.3	639.2	1,149.2		2,933.8
Ovations Clinical Mgmt	5,540.0		2,750.0	2,750.0	5,500.0	2,750.0	2,750.0	502.0	858.0	6,860.0		13,400.0
Ovations Network	200.0		800.0	800.0	1,600.0	800.0	800.0	800.0	600.0	3,000.0		3,200.0
Part D	48,226.8		53,000.0	50,000.0	103,000.0	53,000.0	50,000.0	35,551.5	25,221.7	163,773.2		212,000.0
Pharmacy	-		20,541.0	25,014.5	45,555.5	20,541.0	25,014.5	41,960.9	57,606.4	145,122.9		241,602.0
	$ 59,661.0		$ 79,041.3	$ 79,714.0	$ 158,755.3	$ 79,041.3	$ 79,714.0	$ 79,082.4	$ 84,947.2	$ 322,784.8		$ 479,924.9
SG&A Reductions												
ARO	(92.1)		(57.8)	(55.0)	(112.8)	(57.8)	(55.0)	(26.1)	-	(138.9)		(231.0)
Information Technology	-		-	-	-	-	-	2,400.0	2,400.0	4,800.0		9,400.0
Management Programs	(1,484.2)		-	-	-	-	-	-	-	-		(1,484.2)
Marketing	8,260.0		4,053.4	834.5	4,887.9	4,053.4	834.5	(86.5)	(3,650.5)	1,150.9		9,910.0
Medicare Advantage	4,763.4	104.0	2,160.6	697.2	2,857.8	2,160.6	697.2	525.5	93.8	3,477.1		8,790.1
Operations	7,913.1	112.0	4,469.5	4,218.7	8,688.2	4,469.5	4,218.7	2,024.2	253.9	10,966.3	1.0	20,751.7
Part D	7,338.2	35.0	3,589.7	2,085.0	5,674.7	3,589.7	2,085.0	1,276.7	250.0	7,201.3	3.0	8,657.5
Pharmacy	(24,989.0)		(47,557.3)	(60,498.2)	(108,055.4)	(47,557.3)	(60,498.2)	(110,610.8)	(162,607.5)	(381,273.7)		(807,528.1)
Sales	1,177.0		600.0	322.0	922.0	600.0	322.0	37.0	(56.0)	903.0		4,110.0
	$ 2,907.4	270.0	$ (32,741.8)	$ (52,395.8)	$ (85,137.6)	$ (32,741.8)	$ (52,395.8)	$ (104,460.0)	$ (163,316.4)	$ (352,914.0)	4.0	$ (747,624.0)
Total Savings	$ 62,568.3	270.0	$ 80,866.7	$ 70,076.3	$ 150,943.0	$ 80,866.7	$ 70,076.3	$ 76,970.0	$ 87,500.2	$ 315,413.3	4.0	$ 468,868.8

Footnotes:

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Synergies – SCS (6/30/07)

UnitedHealth Group

Pacificare Integration (SCS) - All Company Synergies
2007 Consolidated Value Realization Plan
7/11/2007
Report As of June 30, 2007
($ thousand's)

	2006		2007										
	ACTUALS	FTEs	ACTUALS			PROJECTIONS					FTEs	Run Rate
	Total		Q1	Q2	Total	Q1	Q2	Q3	Q4	Total		
Revenue												
	-		-	-	-	-	-	-	-	-		-
	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
Medical Cost Reductions												
Dental/Vision	891.7		285.8	285.9	571.7	285.8	285.9	129.1	32.3	733.1		1,351.0
PBH/UBH	1,105.0		712.4	712.4	1,424.7	712.4	712.4	297.4	59.8	1,781.8		3,298.4
	$ 1,996.7		$ 998.1	$ 998.2	$ 1,996.4	$ 998.1	$ 998.2	$ 426.5	$ 92.1	$ 2,514.9		$ 4,649.4
SG&A Reductions												
AMS	-		-	-	-	-	-	-	-	-		-
Dental/Vision	3,274.2	41.0	843.4	281.8	1,125.2	843.4	281.8	(70.4)	(451.3)	603.5	2.0	5,536.4
PBH/UBH	2,922.0	69.0	968.7	274.7	1,243.4	968.7	274.7	468.4	745.7	2,457.5	16.0	9,360.8
Stop Loss Business	1,948.1	25.0	467.6	261.9	729.5	467.6	261.9	39.5	(54.5)	714.5		2,743.2
	$ 8,144.2	135.0	$ 2,279.7	$ 818.4	$ 3,098.2	$ 2,279.7	$ 818.4	$ 437.4	$ 239.9	$ 3,775.5	18.0	$ 17,640.5
Total Savings	$ 10,140.9	135.0	$ 3,277.9	$ 1,816.7	$ 5,094.6	$ 3,277.9	$ 1,816.7	$ 863.9	$ 332.0	$ 6,290.4	18.0	$ 22,289.9

Footnotes:

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Synergies – UHC (6/30/07)

UnitedHealth Group

Pacificare Integration (UHC) - All Company Synergies
2007 Consolidated Value Realization Plan
7/11/2007
Report As of June 30, 2007
($ thousand's)

	2006		2007										
	ACTUALS	FTEs	ACTUALS			PROJECTIONS					FTEs	Run Rate
	Total		Q1	Q2	Total	Q1	Q2	Q3	Q4	Total		
Revenue												
AMS Network	(1,558.8)		(895.0)	(920.0)	(1,815.0)	(895.0)	(920.0)	(912.9)	(793.3)	(3,521.2)		(5,080.0)
Coventage & Processworks	(883.3)		(253.8)	(210.9)	(464.7)	(253.8)	(210.9)	(295.1)	(13.0)	(772.7)		(1,656.0)
	$ (2,442.1)		$ (1,148.8)	$ (1,130.9)	$ (2,279.7)	$ (1,148.8)	$ (1,130.9)	$ (1,208.0)	$ (806.3)	$ (4,294.0)		$ (6,736.0)
Medical Cost Reductions												
AMS Network	14,312.4		6,483.6	3,315.1	9,798.7	6,483.6	3,315.1	796.6	(1,179.1)	9,416.2		23,726.6
AMS/PHS Network Access Fees	1,035.5		470.2	334.4	804.6	470.2	334.4	48.2	(149.1)	703.7		1,739.2
Ancillary Network Recontracting	1,865.5		945.5	750.9	1,696.3	945.5	750.9	110.0	110.0	1,916.4		3,781.8
ARO	3,680.1		1,714.5	1,692.9	3,407.4	1,714.5	1,692.9	1,164.5	2,922.0	7,513.9		8,384.2
Claims Repricing	5,459.9		3,323.2	2,560.1	5,883.3	3,323.2	2,560.1	863.9	205.7	6,652.9		8,261.5
COB	6,748.5		2,417.9	5,176.2	7,594.2	2,417.9	5,176.2	5,850.0	7,650.0	21,094.2		21,094.2
Facility Network Recontracting	1,958.1		1,829.9	4,633.4	6,463.3	1,829.9	4,633.4	5,850.2	5,085.5	17,423.0		19,381.0
Physician Network Recontracting	834.8		2,468.6	2,468.6	4,937.2	2,468.6	2,468.6	2,061.5	2,040.7	9,039.5		9,874.3
	$ 35,094.8		$ 19,653.4	$ 20,931.5	$ 40,584.9	$ 19,653.4	$ 20,931.5	$ 16,475.1	$ 16,699.8	$ 73,759.8		$ 96,244.9
SG&A Reductions												
AMS	41,192.5	722.0	6,886.6	4,667.3	11,553.9	6,886.6	4,667.3	2,797.0	1,676.8	16,027.7	42.0	55,665.2
Ancillary	(14.1)		(3.0)	(1.9)	(4.9)	(3.0)	(1.9)	(1.0)	(0.5)	(6.6)		(20.6)
Appeals	(13.9)		1.0	0.7	1.7	1.0	0.7	0.4	0.2	2.2		(11.6)
CEO Field LOB & UCA	25,341.4	169.0	2,351.1	1,288.2	3,639.2	2,351.1	1,288.2	179.4	(225.8)	3,592.6	(46.0)	28,206.0
Clinical Advantage	2,828.8		230.7	137.5	368.1	230.7	137.5	79.0	40.8	487.9		3,325.9
Coventage & Processworks	2,246.0	27.0	256.1	166.3	422.5	256.1	166.3	118.9	78.4	623.6	5.0	2,913.4
CTN Network Access Fees	11,400.0		5,800.0	5,800.0	11,600.0	5,800.0	5,800.0	100.0	100.0	11,800.0		23,200.0
Enterprise Solutions	9,914.5	108.0	1,127.6	764.6	1,892.2	1,127.6	764.6	369.3	200.0	2,461.5	2.0	12,351.4
Executive	(30,408.3)	27.0	(1,901.4)	(1,208.8)	(3,110.2)	(1,901.4)	(1,208.8)	(651.6)	(336.0)	(4,097.7)		(34,506.0)
Finance & Technology (UHC)	16,783.0	87.0	2,820.7	1,847.4	4,668.1	2,820.7	1,847.4	1,068.4	627.2	6,363.7	12.0	23,142.1
Human Capital	(840.0)		(65.8)	(37.3)	(103.1)	(65.8)	(37.3)	(13.3)	(0.2)	(116.6)	1.0	(955.0)
Individual Business Group	(2,350.0)		(109.6)	(69.7)	(179.2)	(109.6)	(69.7)	(37.5)	(19.4)	(236.1)		(2,586.1)
Information Technology	(2,392.8)		(3,063.0)	(2,813.0)	(5,876.1)	(3,063.0)	(2,813.0)	(2,813.0)	(2,190.0)	(10,879.1)		2,218.8
Legal	(1,209.2)	9.0	(1,485.0)	(911.5)	(2,396.5)	(1,485.0)	(911.5)	(512.0)	(264.6)	(3,173.0)		(4,426.8)
Lines of Business	(16,311.0)	(63.0)	(2,100.4)	(1,199.0)	(3,299.4)	(2,100.4)	(1,199.0)	(574.0)	(206.5)	(4,079.9)	11.0	(20,344.7)
MAMSI Ops & HomeCall	2,774.5		285.1	181.2	466.3	285.1	181.2	97.7	50.4	614.3		3,388.8
Management Programs	(1,484.2)		-	-	-	-	-	-	-	-		(1,484.2)
Other	13,205.4		1,545.1	982.3	2,527.4	1,545.1	982.3	629.5	273.1	3,330.0		16,535.3
Pacificare HCS	8,442.9		2,841.8	1,761.1	4,602.9	2,841.8	1,761.1	921.6	442.9	5,967.3	(5.0)	11,392.3
Product Management	1,921.3	3.0	376.2	114.0	492.2	376.2	114.0	(57.4)	(120.2)	314.6	114.0	1,988.5
Public Relations	77.6	1.0	(2.8)	(1.8)	(4.6)	(2.8)	(1.8)	(1.0)	(0.5)	(6.1)		71.4
Real Estate	1,518.8		185.3	117.8	303.1	185.3	117.8	63.5	32.7	399.3		1,918.1
Strategic Marketing	(2,600.3)	14.0	(144.8)	(66.5)	(211.3)	(144.8)	(66.5)	(69.6)	(47.1)	(328.0)	2.0	(2,985.1)
Strategic Performance	1,677.7		178.5	113.5	291.9	178.5	113.5	60.8	31.5	384.3		1,962.4
TPA Business	(1,519.2)		(153.1)	(97.3)	(250.4)	(153.1)	(97.3)	(52.5)	(27.1)	(329.9)		(1,849.2)
UnitedHealth Networks	(399.8)	33.0	(286.0)	(83.6)	(369.6)	(286.0)	(83.6)	(23.3)	18.2	(374.6)	5.0	(689.4)
	$ 76,881.6	1,129.0	$ 15,575.0	$ 11,453.4	$ 27,028.3	$ 15,575.0	$ 11,453.4	$ 1,579.9	$ 134.3	$ 28,741.6	11.0	$ 116,420.7
Total Savings	$ 110,334.3	1,129.0	$ 34,079.5	$ 31,254.0	$ 65,333.6	$ 34,079.5	$ 31,254.0	$ 16,846.3	$ 16,027.8	$ 98,207.7	11.0	$ 207,929.6

Footnotes:

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Synergies – UHT (6/30/07)

UnitedHealth Group

Pacificare Integration (UHT) - All Company Synergies
2007 Consolidated Value Realization Plan
7/11/2007
Report As of June 30, 2007
($ thousand's)

	2006		2007										
	ACTUALS	FTEs	ACTUALS			PROJECTIONS					FTEs	Run Rate
	Total		Q1	Q2	Total	Q1	Q2	Q3	Q4	Total		
Revenue												
	-		-	-	-	-	-	-	-	-		-
	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
Medical Cost Reductions												
	-		-	-	-	-	-	-	-	-		-
	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
SG&A Reductions												
Information Technology	25,074.0	(138.0)	12,288.8	16,015.9	28,304.7	12,288.8	16,015.9	15,078.5	4,497.5	47,880.8	(39.0)	57,538.3
	$ 26,074.0	(138.0)	$ 12,288.8	$ 16,015.9	$ 28,304.7	$ 12,288.8	$ 16,015.9	$ 16,078.5	$ 4,497.5	$ 47,880.8	(39.0)	$ 57,538.3
Total Savings	$ 26,074.0	(138.0)	$ 12,288.8	$ 16,015.9	$ 28,304.7	$ 12,288.8	$ 16,015.9	$ 16,078.5	$ 4,497.5	$ 47,880.8	(39.0)	$ 57,538.3

Footnotes:

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Synergies – Uniprise (6/30/07)

UnitedHealth Group

Pacificare Integration (Uniprise) - All Company Synergies
2007 Consolidated Value Realization Plan
7/11/2007
Report As of June 30, 2007
($ thousand's)

	2006		2007										
	ACTUALS	FTEs	ACTUALS			PROJECTIONS					FTEs	Run Rate
	Total		Q1	Q2	Total	Q1	Q2	Q3	Q4	Total		
Revenue												
	-		-	-	-	-	-	-	-	-		-
	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
Medical Cost Reductions												
	-		-	-	-	-	-	-	-	-		-
	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
SG&A Reductions												
Claims	7,761.2	244.0	5,113.9	4,321.5	9,435.4	5,113.9	4,321.5	2,307.7	1,379.0	13,122.1	93.0	23,760.3
CTN Network Access Fees	2,311.9		1,810.8	1,810.8	3,621.5	1,810.8	1,810.8	-	-	3,621.5		7,243.0
Customer Service	6,392.0	172.0	3,139.2	2,051.5	5,190.8	3,139.2	2,051.5	881.3	485.5	6,557.6		16,922.5
Finance	10,860.8	33.0	(556.8)	(758.9)	(1,315.7)	(556.8)	(758.9)	(1,080.4)	(1,101.4)	(3,497.5)		2,421.8
Group Services	9,278.9	293.0	2,483.6	1,926.1	4,409.6	2,483.6	1,926.1	238.1	138.6	4,786.4	18.0	13,668.5
Information Technology	36,540.3		255.2	255.2	510.5	255.2	255.2	(259.0)	0.0	251.4		35,000.0
IT Development	10,936.4	(150.0)	3,004.8	2,251.1	5,255.9	3,004.8	2,251.1	(1,412.7)	(58.3)	3,784.9	-	14,607.0
Other	500.0		387.5	387.5	775.0	387.5	387.5	287.5	(112.5)	950.0		2,000.0
Quality and Training	2,849.1	33.0	1,242.5	779.7	2,022.3	1,242.5	779.7	41.2	-	2,063.5	-	5,166.6
	$ 87,430.6	796.0	$ 16,880.6	$ 13,024.6	$ 29,905.2	$ 16,880.6	$ 13,024.6	$ 1,003.7	$ 730.9	$ 31,639.8	117.0	$ 120,789.7
Total Savings	$ 87,430.6	796.0	$ 16,880.6	$ 13,024.6	$ 29,905.2	$ 16,880.6	$ 13,024.6	$ 1,003.7	$ 730.9	$ 31,639.8	117.0	$ 120,789.7

Footnotes:

General Notes:

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PHS – California Broker Service Unit

UnitedHealth Group

Non-Dedicated Receipt Method					
Method	Email	Phone	Fax	Portal	Total
May	895	291	4	0	1190
June	2031	368	7	0	2406
MOM	▲	▲	▲	↔	▲

Non-Dedicated Issue Type						
Issue Type	Claims	Eligibility	Fulfillment	Ben Interp	Other	Total
May	811 (82%)	50 (5%)	8 (1%)	2 (.20%	124 (12%)	995
June	765 (84%)	35 (4%)	8 (1%)	4 (.40%)	75 (12%)	914

Non-Dedicated Closed TAT Summary									
Closed	0	1	2-5	6-10	11-29	>30	Issue TAT	Overall TAT	Max TAT
May	243 (24%)	114 (11%)	120 (12%)	105 (10%)	277 (27%)	173 (17%)	17.90	13.68	121
June	176 (16%)	85 (8%)	165 (15%)	150 (13%)	334 (30%)	216 (19%)	18.88	15.93	114
MOM	▼	▼	▲	▲	▲	▲	▲	▲	▼

Non-Dedicated Current Open Issues						
Days Open	1	2-5	6-10	11-29	>30	Avg Age
May	37	114	117	264	145	15.9
June	39	136	82	155	99	13.8
MOM	▲	▲	▼	▼	▼	▼

Highlights

- Volume of open issues aged 30+ days decreased by 32%
- Overall issue inventory on hand fell by 25% (from 677 to 511 issues)
- Aging of open issues decreased by 8%

Lowlights

- All closed issue TATs increased – however this was by design. This is a result of the team churning thru large volumes of aged issues and bringing them to closure.

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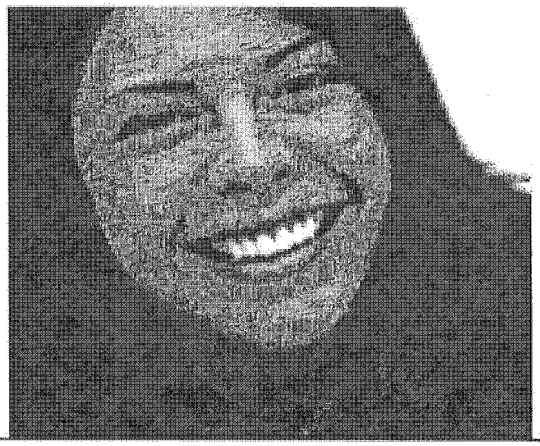
As of 7/2/07

[redacted]

UnitedHealth Group
Board of Directors Meeting

PacifiCare Integration Update

January 31, 2006



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Integration Summary Comments – 40 Days

UnitedHealth Group

- Our views on alignment of PacifiCare to our segment structure governance are unchanged and were fully implemented – Day 1.
- Our initial 30-day communication plans were developed, implemented and well-received by all constituencies.
- CareTrust Networks (CTN) accelerated the timeline for replacing their network to June 22. We are on track to have both the number and economics of the CTN network replaced and loaded by that date.
- We are preparing to launch commercial products in California well in advance of market expectation.
- We are aggressively remediating trouble spots and opportunities such as AMS and Pac Life business performance, rationalizing Part D spend, etc.
- We have validated that integration benefits and timing are ahead of street and internal expectations. Synergy benefits are estimated to be approximately $300 to $340 million run rate by December 31, 2007.
- We have reviewed and adjusted PHS financial budgets for 2006 and assigned accountabilities for performance to UHG segment leaders.
- We have developed solid, multi-disciplined and detailed plans of integration aimed at growth, affordability and service enhancement and are executing against those plans.

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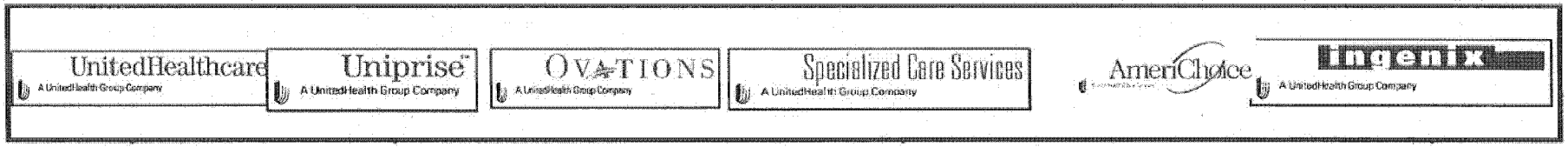
How PacifiCare Fits

Corporate
Treasury, Procurement, Tech, HRIS, Accounting/Finance



PACIFICARE COMMERCIAL

SECURE HORIZONS
Med Adv, Part D, Rx Sol.

SPECIALTY
Dental/Vision, Life, Behavioral

OTHER
PAXX

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How PacifiCare Fits

UnitedHealth Group

Commercial Sub-Segmentation

PHS Segment		United Segment
Individual	→	Golden Rule
Small Business	→	Small Business
Mid/Major Accounts	→	Key Accounts/USS

Geographic Alignment

New Pacific Region	Southwest Region **(market integration)**
▪California/Hawaii ▪Washington/Oregon/Alaska ▪Nevada	▪PHS AZ → UHC Arizona ▪PHS TX → UHC Texas ▪PHS CO → UHC Colorado ▪PHS OK → UHC Texas

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PacifiCare Integration Program Summary

UnitedHealth Group

Top Integration Initiatives (See Exhibit A For Detail Opportunities and Integration Implications)	Time Frame
1. Identify and execute against growth opportunities for Commercial, Specialty/Ancillary and Seniors markets	Q2 & Q3 2006
2. Create "Optimal Network" while preserving access and economics for USS customer base	Q2 - Q4 2006
3. Integrate products, branding, and marketing – Migrate brand value where necessary (Exhibit D)	CA- 6/07 Others - '06
4. Specialty business integration	By Q4 2006
5. Integration of Secure Horizons, Part D, PBM into Ovations	By Q4 2006
6. System platform and infrastructure migrations needed to meet Segment requirements	Infra. 2006 App. '07-'08
7. Optimize operations for case installation, call, and claim payment	Through 2007
8. AMS/GRI/Pac Life integration – Migrate small business & leverage networks for better Individual market performance	Q4 2006
9. Migrate shared services – Human Capital, Accounting, Tax, Treasury, Real Estate and Procurement and Legal to UHG	Q2 - Q4 2006
10. Consolidate Clinical/Medical Management Strategy	Q3 2006

Enterprise-Wide Focus Areas

- Communications - See Exhibit D
- Ensure progress through intervention or escalation as necessary
- Initiative and synergy tracking
- Consolidated vendor management
- Identify interdependencies and gaps in segment integration plans

Progress Update

- Integration plans developed and continue to be enhanced as learning increases
- Regulatory undertakings have been reviewed - should not have significant impact on planned synergies
- Teams are working together, assessing interdependencies, and prioritizing initiatives
- Refined preliminary synergy opportunities identified to date are in line with street and internal expectations in amount and timing

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Integration Synergy Estimates as of January 2006

UnitedHealth Group

	Diligence Targets	Market Expectations	Internal First Pass Targets
Network Access	$45 to $65 million	$75 to $100 million	$75 to $90 million
Operating Efficiencies	$70 to $100 million	$165 to $200 million	$200 to $210 million
Senior and Specialty	$5 to $15 million	$35 to $50 million	$25 to $40 million
	$120 to $180 million	$275 to $350 million	$300 to $340 million
2006 "run rate"		$75 to $100 million	$110 to $120 million
Per share	$0.06 to $0.09	$0.03	$0.05-$0.06
	Total Opportunity	By 2007	In Three Years

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Pacific Region & Commercial Product Release

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Pacific Northwest

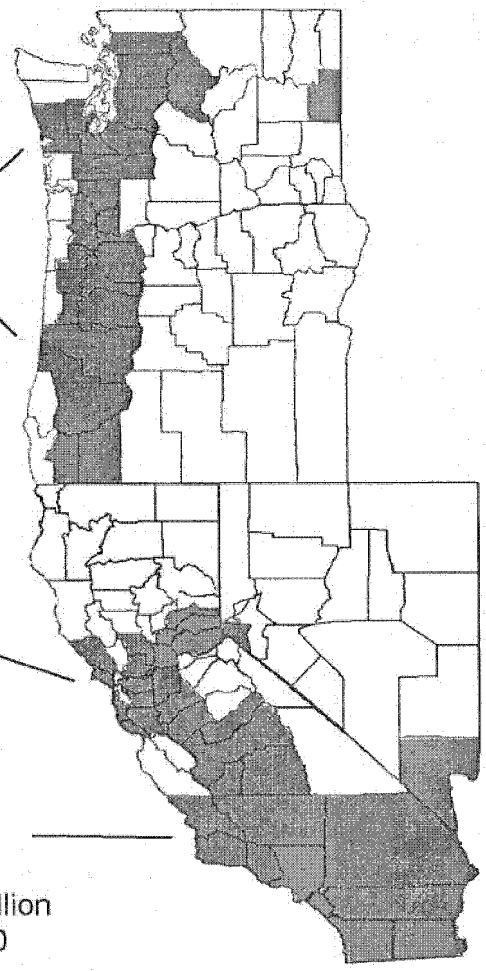
Population: 9.8 Million
Membership: 128,000
Market share: 3.7%

Northern California

7th largest state in the U.S.
Population: 11.8 Million
Membership: 429,000
Market share: 6.7%

Los Angeles

6th largest state in the U.S.
Population: 12.2 Million
Membership: 445,000
Market share: 7.6%



UHC Product Release Schedule

(See Exhibit B For Further Details)

CA:	Q2 2006
NV:	Q3 2006
OR:	Q4 2006
WA:	Q3 2007
SW:	Rationalize and train

Nevada

Population: 2.3 Million
Membership: 52,000
Market share: 3.0%

San Diego/Orange County

9th largest state in the U.S.
Population: 9.9 Million
Membership: 630,000
Market share: 11.2%

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Network Goals and Status

UnitedHealth Group

Goals

- **Immediate term**
  - Provide access to PHS network in California for new UHC products effective 4/1/06
  - Replace CTN for all business by May/June 2006
- **End state**
  - Achieve best-in-class network for access and cost by geography
  - Continue the capitated, delegated medical group model for HMO business in CA

Directly contracted network facts

- **Hospital: 300 (approx.)**
  - 21 in PHS, not in CTN
  - 5 in CTN, not in PHS - approx. $10M spend
- **Physician: 40,000 (approx.)**
  - 4,000 in PHS, not in CTN
  - 4,000 in CTN, not in PHS

Status of Recruiting (as of mid-January)

- **Recruiting to fill CTN gaps underway, prioritized by spend**
  - >$10K spend: 729 unique TINs comprising $45M spend
  - > $5K spend + all PCPs: 1,800 TINs
- **Approximately ½ of contracts are in-house.**

See Exhibit C for Summary Work Plan and Status

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Key Focus Areas by Ovations

UnitedHealth Group

- **Medicare Advantage**
  - Product – leverage best of both organizations
    - *Combined products across national distribution*
    - *Secure Horizons marketing and broker distribution expertise*
    - *Clinical management – Evercare model roll out in 2006*
    - *Ovations pricing / underwriting disciplines*
    - *2007 product pricing and benefit strategy critical – joint strategy done January 2006, integrated into June 2006 bids*
  - Network – combined network strategy, leverage PHS, west coast networks and strong California capitated networks
  - Group Retiree – finalize 2007 product strategy, working with commercial business. Leverage PHS model.
  - Maintain continuity of Senior shared services – operations (temporary), clinical, network
  - Synergy opportunities – 30 to 50 FTEs by April 2006
- **Part D**
  - Identification of immediate product synergies – February 2006
  - Introduce PHS enhanced product to AARP – January 2006
  - Maximize combined Ovations/PHS 2006 enrollment before May 15, 2006 lock-in date by optimizing combined marketing spend, service capacity and resources. Focus on AARP product given strong sales, low member acquisition cost and high call contact to sales rates.
  - Solidify infrastructure. Expand call capacity to accommodate sales and service volumes – January-February 2006.
  - Identify and act on synergies – marketing, pricing, administration – after May 2006 lock-in
- **PBM**
  - UHC and Ovations teams and Prescription Solutions planning underway – determine what PHS / UHG business will be supported by Prescription Solutions
    - *Focus initially on Senior business and PHS legacy commercial business*
    - *Use Prescription Solutions mail order for Ovations Part D membership*
  - Investigate consolidation of drug purchasing with segments not restricted by terms of the Medco contract
  - Evaluation underway exploring long-term opportunities to leverage Prescriptions Solutions across UHG businesses

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Specialized Care Services

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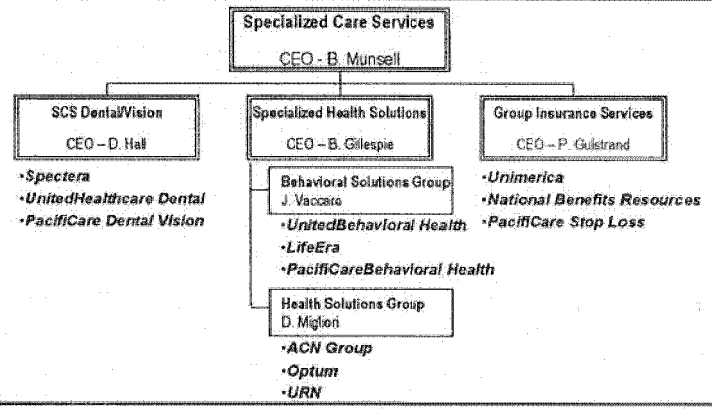
MERGER HIGHLIGHTS

- Combined specialty business now serves over 58 million consumers, 7 million added through PacifiCare
- PacifiCare behavioral health, dental vision and stop loss businesses will be combined into existing SCS businesses
- SCS products will replace PacifiCare vendors (such as ASHN, Alere, VSP, etc.), be cross-sold, and be embedded in PacifiCare products whenever possible
- 8,805 Specialized Care Services total employees; 880 added through PacifiCare

BUSINESS INTEGRATION ALIGNMENT



SCS 2006

- $3.9 billion in revenue with 19% operating margin for combined specialty business
  - Legacy SCS contributing $3.4 billion in revenue with a 20% operating margin
  - Legacy PacifiCare specialty business contributing $500 million in revenue with a 14% operating margin

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Technology Progressing on Multiple Fronts

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Market Offerings and Productivity Enabled by Systems Consolidations.

RIMS QicLink
Nice
Iliad
Synertech – Consumer
AMS – Small Group

→ Commercial Group: UNet

1. Enable CA PPO New Business
2. Enable PHS Network with UHC Benefit for Non-Capitated Markets
3. Enable Dual Option with Combined Employer/Broker Experience
4. Enable Dual Option with Combined Member Experience

→ Government:
- Peradigm for MA, MAPD, MedSupp
- TBD for Stand Alone Part D

AMS – Individual → Individual: TBD – AMS or GRI

Facets – Behavioral
Facets – Dental/Vision

→ Specialty:
- Facets for Dental, Vision and Stand Alone Behavioral
- UNet for Behavioral with Medical

Consolidate Corporate Services.

PHS Corporate → Corporate: UHG Systems
- HR and Payroll (3/06)
- Financial Management (Q4 '06)

PHS Core Infrastructure → Infrastructure: UHT (Q4 '06)
- Network
- Data Centers
- Desktops

Leverage "Best of Breed" Tools for Specific Functions and Operations

- Assessments underway to evaluate a variety of potential tools for broader use, such as sales management, reporting and analysis, claim coding
- Functions prioritized and decisions staged over 90 days.

Align IT Sourcing

- Negotiated Revised Agreement to utilize Keane resources and retain critical talent through systems migration

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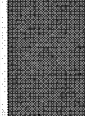
PacifiCare Operations Update



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Functional operations aligned to Uniprise integration leadership. Initial synergy opportunities identified and quantified. Implementation in process.

Key Operations Metrics - DECEMBER 2005

	Uniprise *	PacifiCare	H/(L)
Call Volume			
Member: Commercial	1,580,885	255,775	1,325,110
Member: Secure Horizons	-	318,633	(318,633)
Provider	1,126,791	282,490	844,301
Total Call Volume	2,707,676	856,898	1,850,778
Average Speed of Answer			
Member	20	37	(17)
Provider	84	74	10
Average Handle Time			
Member	293.0	417.0	(124.0)
Provider	266.8	332.0	(65.2)
Claims Production			
Total Receipts	19,833,008	1,540,386	18,292,622
Ending Inventory	2,293,784	292,541	2,001,243
Rework			
Rework Receipts	1,000,902	n.a.	n.a.
Rework Inventory	229,850	n.a.	n.a.
Other Key Transaction Metrics			
Turn Around Time (15 days)	96.7%	87.9%	8.8%
TAT (30 days)	99.8%	96.9%	2.9%
TAT Secure Contracted (60 days)	n.a.	99.2%	n.a.
Rework TAT (15 days)	96.0%	n.a.	n.a.
Membership Accounting/Group Services			
Enrollment/Data Entry TAT **	99.9%	99.5%	0.4%
Enrollment/Data Entry Accuracy	97.8%	97.2%	0.6%

* Includes Core Operations & Group Services, excludes Americhoice

** Within 2 days for Uniprise, 3 days for PacifiCare

Synergy Drivers

Group Services	Offshore Paper Eligibility Increase Paid as Billed Increase Electronic Eligibility United Platform Migration
Transaction	Improve Staffing Ratios/Centralize Support Functions Improve Productivity Standards Leverage Lower-Cost Vendors and Agreements
Customer Care	Offshore Provider Calls Improve Inbound/Outbound Productivity Standards Improve Staffing Ratios Reduce Telecom Infrastructure Charges
Quality/Training	Centralize Functions
SCO	Site Consolidation

*1/9 Submission

Merger Highlights:

Operations organization will now serve 21.6 million members, with 3 million added through PacifiCare. This includes Secure Horizons membership on a temporary basis while Ovations and Secure Horizons integrate, develop common business model and prepare to migrate Secure Horizons to the Ovations platform.

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Key Tensions

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- Replace CTN and ensure continuity of access and discounts for our 1.1M California consumers – Well-managed and under control.
- Some short-term confusion about organizational alignment of a few functions – Was expected and will sort out within the next 30 days.
- Need to align PacifiCare employees with UNH equity to curtail losses of people – Recommendation provided to UHG Office of the Chair.
- Day 30+ communications to the market need to be executed – Awaiting clarity on product and network timing. Will commence communications in early February.
- Driving greater clarity of size and timing of synergies, including growth. Integration teams are driving plans to the next level of detail to clarify.

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Exhibits

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Exhibit A

Opportunities and Integration Implications

	Transaction Opportunity	Integration Implication
Networks	PHS Networks are regionally strong and geographically complementary to UHG's national networks.	The network assets must be integrated, made accessible to each others products and advanced on a combined basis to serve the USS customer. Network integration and advancement creates immediate opportunity for growth and profitability while preserving our base business.
Senior Market	PHS senior markets, Secure Horizons brand and marketing capabilities are all highly complementary to Ovations.	Integration decisions are focused on protecting the core business while accelerating growth opportunities, Ovations will leverage PHS' strong product and marketing expertise and Secure Horizons brand while advancing it's care management and operational capacities. Costs of the combined companies will be reduced.
PBM	The PHS PBM capabilities are of high value and are likely to enhance UHG's growth opportunities.	PHS PBM capabilities will be used initially to support our Part D businesses as well as external customer opportunities. We will explore their use in the government programs markets and evaluate a long-term strategy for their use in the commercial markets.
Specialty Products	SCS products and capabilities can be leveraged across the PHS customer base.	Margins of outsourced relationships will be recaptured where SCS capabilities are equal or superior. Product lines of both companies will be broadened and programs will be geared to more deeply penetrate PHS' customer base.
Customer Focus	PHS customers will generate higher returns once networks are combined and UHG's transactional capabilities are deployed.	Retention of PHS customers is critical. PHS high touch broker and employer service will be maintained and augmented with UHG's high tech capabilities.
Ops/Technology	Several of UHG's systems and operational processing methods are highly efficient and operate at a substantially lower cost base that PHS.	Optimizing efficient and stable systems will generate substantial value by lowering costs and improving the affordability of products. Early integration and/or conversion opportunities need to be considered.

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Exhibit A

Opportunities and Integration Implications

	Transaction Opportunity	Integration Implication
Pacific Region	Reposition UnitedHealthcare as a leading company across all appropriate market segments in the Pacific region (CA, WA, OR, NV)	Broker/consultant, employer and consumer communities must be aggressively educated on broader product, network, technology and service capabilities of the combined businesses. Markets must be reached quickly and flawlessly.
Southwest Region	PHS presence in TX, OK, AZ and OK complements UHG. PHS high touch approach combined with UHC's high tech capabilities can create service differentiation and enhance persistency.	Key sales/service staff must be maintained. Relationships must be leveraged with increased capabilities Excess costs from redundant resources will be eliminated within 60 days of closing.
AMS/Pacific Life Small Group	The AMS and Pacific Life small group blocks of PHS are underperforming financially and are attritting rapidly. These results can be improved by implementing UHG's networks and operating platforms.	More aggressively transition the AMS and Pacific Life small group blocks of PHS to UHC. Curtail attrition by making UHC networks available on a transitional basis.
AMS Individual	The AMS individual business is underperforming financially and growing slowly. These results can be improved by implementing UHG's networks and GRI's operating platforms.	Align AMS individual business to Golden Rule and eliminate redundant costs. Improve profitability of the AMS individual block and improve its growth by making UHG networks available to its products as quickly as possible.

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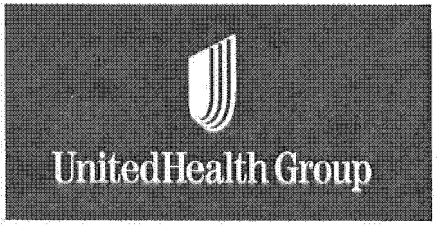
Exhibit B

Commercial Product Strategy-Preliminary Schedule



		Southwest (overlap)	California	Oregon	Washington
Small Business (2-99) & Key Account (<150)	Current Status	• National ins. plans are sales ready now	• UHC ins. products filed and approved; not implemented due to non-compete (expired 10/05)	• UHC ins. product withdrawal prohibits filing until March 06 • UHC ins. product documents actively being prepared for early 2Q06 submission • Complete UHC ins. product filings - targeting early 2Q06 submission	• UHC ins. product withdrawal prohibits filing on UHIC license until May 07 • UHC Legal evaluating options to file UHC products on PHS license • Complete assessment of options for UHC product filings on PHS license • UHC legal evaluating regulatory requirements re: administrative platforms
	Critical Path	• Develop / release sales & UW rules of the road by 3/1 • Conduct sales training by 3/1 • Identify and build local plans to maximize growth	• Load PHS network for new business quotes by 4/1 • Complete SB rate filings - target 3/1 - *DOI requires 30 day wait period after* • Identify and build local plans to maximize growth • Load KA national plans on PRIME for 3/1 sales ready date and 4/1 case effectives • Load SB national plans on PRIME for 4/1 sales ready date and 5/1 case effectives • Develop / release sales & UW rules of the road by 3/1		
Key Account (>150) & Public Sector	Current Status	• National ins. plans are sales ready now	• National ins. plans are sales ready now	• UHC ins. product withdrawal prohibits sales until March 06 • UHC ins. product documents actively being prepared for Q1 '06 submission • Complete UHC ins. product filings - targeting early 2Q06 submission	• UHC ins. product withdrawl prohibits filing on UHIC license until May 07 • UHC Legal evaluating options to file UHC products on PHS license • Complete assessment of options for UHC product filings on PHS license
	Critical Path	• Conduct sales training by 3/1 • Identify and build local plans to maximize growth • Develop / release sales & UW rules of the road by 3/1	• Conduct sales training by 3/1 • Identify and build local plans to maximize growth • Develop / release sales & UW rules of the road by 3/1		

New Product Features to Help Drive Growth

- Dual Option- Ability to provide both HMO and PPO product offerings will expand target client base in both <150 market and >150 market
- Multi-site- Having a true national network makes us more capable of serving accounts with multi-site needs

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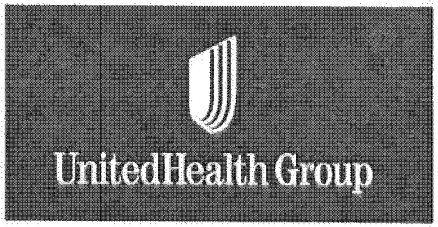
Exhibit C

California Network - Improving the Asset



Activity	Status	Target Date
Recruit CTN providers and hospitals not in directly contracted network at competitive price points.	Underway	On-going
Conduct financial analysis for hospital competitiveness.	Complete	Complete
Complete feasibility analysis of physician network recontracting to UnitedHealthcare standards.	Underway	Complete
Confirm contract access through audit and define recontracting strategy and teams for access gaps.	Underway	Complete
Conduct financial analysis to support physician and ancillary fee levels for network integration and recontracting.	Underway	Complete
Refine UnitedHealthcare standard contract templates for California.	Underway	Complete
Establish specific financial targets for hospital cost improvement.	Underway	2/1/06
Train Network Management on UnitedHealth Networks contracting standards.	Start 1/30/06	2/17/06
Complete access recontracting.	Start 1/23/06	6/1/06
Recontract fee for service physician network to UnitedHealthcare contract templates and market standard fee schedules	Start 2/1/06	Pending feasibility analysis
Remediate uncompetitive hospital and ancillary contracts through annual recontracting cycle. Reopen closed contracts where possible.	Start 3/2006	12/31/06

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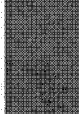
Exhibit D

Communication/Branding Update



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Communication

- First 30 - Completed communication to employees, employers, providers, brokers, analysts, regulators. Feedback has been positive.
- Day 30+: Ongoing communication to ensure completion of internal synergies, cultural changes and implementation of changes are communicated consistently both internally and externally.

Branding

- Products will be branded UnitedHealthcare unless appropriate to be branded PacifiCare on a transitional basis.
- Medicare Advantage will be branded Secure Horizons where appropriate.
- Third party specialty brands of PacifiCare vendors (VSP, Alere, Cole, etc.) will be replaced by SCS brands wherever possible.
- Launch UnitedHealthcare branded fully insured and self-funded commercial PPO products in California, Washington, Oregon and Nevada as soon as possible.
- Replace Mellon with Exante Bank.

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