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

Form 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2019

or

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

FOR THE TRANSITION PERIOD FROM _______ TO _______

Commission File Number: 1-10864

UNITEDHEALTH GROUP®

UnitedHealth Group Incorporated
(Exact name of registrant as specified in its charter)

Delaware	**41-1321939**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
UnitedHealth Group Center	
9900 Bren Road East	
Minnetonka, Minnesota	**55343**
(Address of principal executive offices)	**(Zip Code)**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act

Large Accelerated Filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 par value	UNH	NYSE

As of July 31, 2019, there were 947,680,609 shares of the registrant's Common Stock, $.01 par value per share, issued and outstanding.

UNITEDHEALTH GROUP

Table of Contents

PART I

ITEM 1. FINANCIAL STATEMENTS

UnitedHealth Group
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions, except per share data)	June 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 13,745	$ 10,866
Short-term investments	3,524	3,458
Accounts receivable, net	9,741	11,388
Other current receivables, net	8,434	6,862
Assets under management	2,943	3,032
Prepaid expenses and other current assets	3,651	3,086
Total current assets	42,038	38,692
Long-term investments	35,696	32,510
Property, equipment and capitalized software, net	8,681	8,458
Goodwill	62,000	58,910
Other intangible assets, net	9,999	9,325
Other assets	8,786	4,326
Total assets	$ 167,200	$ 152,221
Liabilities, redeemable noncontrolling interests and equity		
Current liabilities:		
Medical costs payable	$ 20,907	$ 19,891
Accounts payable and accrued liabilities	17,128	16,705
Commercial paper and current maturities of long-term debt	7,800	1,973
Unearned revenues	2,019	2,396
Other current liabilities	14,474	12,244
Total current liabilities	62,328	53,209
Long-term debt, less current maturities	34,473	34,581
Deferred income taxes	2,908	2,474
Other liabilities	9,435	5,730
Total liabilities	109,144	95,994
Commitments and contingencies (Note 7)		
Redeemable noncontrolling interests	2,202	1,908
Equity:		
Preferred stock, $0.001 par value - 10 shares authorized; no shares issued or outstanding	—	—
Common stock, $0.01 par value - 3,000 shares authorized; 948 and 960 issued and outstanding	9	10
Retained earnings	56,367	55,846
Accumulated other comprehensive loss	(3,273)	(4,160)
Nonredeemable noncontrolling interests	2,751	2,623
Total equity	55,854	54,319
Total liabilities, redeemable noncontrolling interests and equity	$ 167,200	$ 152,221

See Notes to the Condensed Consolidated Financial Statements

UnitedHealth Group
Condensed Consolidated Statements of Operations
(Unaudited)

(in millions, except per share data)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenues:				
Premiums	$ 47,164	$ 44,458	$ 94,677	$ 88,542
Products	8,353	7,004	16,425	13,706
Services	4,496	4,269	8,814	8,373
Investment and other income	582	355	987	653
Total revenues	60,595	56,086	120,903	111,274
Operating costs:				
Medical costs	39,184	36,427	78,123	72,290
Operating costs	8,415	8,386	16,932	16,892
Cost of products sold	7,598	6,471	14,979	12,655
Depreciation and amortization	654	598	1,293	1,180
Total operating costs	55,851	51,882	111,327	103,017
Earnings from operations	4,744	4,204	9,576	8,257
Interest expense	(418)	(344)	(818)	(673)
Earnings before income taxes	4,326	3,860	8,758	7,584
Provision for income taxes	(941)	(850)	(1,816)	(1,650)
Net earnings	3,385	3,010	6,942	5,934
Earnings attributable to noncontrolling interests	(92)	(88)	(182)	(176)
Net earnings attributable to UnitedHealth Group common shareholders	$ 3,293	$ 2,922	$ 6,760	$ 5,758
Earnings per share attributable to UnitedHealth Group common shareholders:				
Basic	$ 3.47	$ 3.04	$ 7.09	$ 5.98
Diluted	$ 3.42	$ 2.98	$ 6.97	$ 5.85
Basic weighted-average number of common shares outstanding	950	961	954	963
Dilutive effect of common share equivalents	14	21	16	21
Diluted weighted-average number of common shares outstanding	964	982	970	984
Anti-dilutive shares excluded from the calculation of dilutive effect of common share equivalents	11	6	9	7

See Notes to the Condensed Consolidated Financial Statements

UnitedHealth Group
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(in millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net earnings	$ 3,385	$ 3,010	$ 6,942	$ 5,934
Other comprehensive income (loss):				
Gross unrealized gains (losses) on investment securities during the period	493	(43)	1,013	(421)
Income tax effect	(113)	10	(232)	96
Total unrealized gains (losses), net of tax	380	(33)	781	(325)
Gross reclassification adjustment for net realized gains included in net earnings	(5)	(36)	(1)	(55)
Income tax effect	1	9	—	13
Total reclassification adjustment, net of tax	(4)	(27)	(1)	(42)
Total foreign currency translation gains (losses)	109	(1,069)	107	(1,070)
Other comprehensive income (loss)	485	(1,129)	887	(1,437)
Comprehensive income	3,870	1,881	7,829	4,497
Comprehensive income attributable to noncontrolling interests	(92)	(88)	(182)	(176)
Comprehensive income attributable to UnitedHealth Group common shareholders	$ 3,778	$ 1,793	$ 7,647	$ 4,321

See Notes to the Condensed Consolidated Financial Statements

UnitedHealth Group
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Three months ended June 30, (in millions)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss): Net Unrealized Gains (Losses) on Investments	Accumulated Other Comprehensive Income (Loss): Foreign Currency Translation (Losses) Gains	Nonredeemable Noncontrolling Interests	Total Equity
Balance at March 31, 2019	953	$ 10	$ —	$ 55,472	$ 140	$ (3,898)	$ 2,727	$ 54,451
Net earnings				3,293			54	3,347
Other comprehensive income					376	109		485
Issuances of common stock, and related tax effects	1	—	105					105
Share-based compensation			152					152
Common share repurchases	(6)	(1)	(124)	(1,374)				(1,499)
Cash dividends paid on common shares ($1.08 per share)				(1,024)				(1,024)
Redeemable noncontrolling interests fair value and other adjustments			(133)					(133)
Acquisition and other adjustments of nonredeemable noncontrolling interests							32	32
Distribution to nonredeemable noncontrolling interests							(62)	(62)
Balance at June 30, 2019	948	$ 9	$ —	$ 56,367	$ 516	$ (3,789)	$ 2,751	$ 55,854
Balance at March 31, 2018	962	$ 10	$ —	$ 50,494	$ (296)	$ (2,655)	$ 2,483	$ 50,036
Net earnings				2,922			59	2,981
Other comprehensive loss					(60)	(1,069)		(1,129)
Issuances of common stock, and related tax effects	2	—	107					107
Share-based compensation			141					141
Common share repurchases	(2)	—	(313)	(187)				(500)
Cash dividends paid on common shares ($0.90 per share)				(866)				(866)
Redeemable noncontrolling interests fair value and other adjustments			65					65
Acquisition and other adjustments of nonredeemable noncontrolling interests							(7)	(7)
Distribution to nonredeemable noncontrolling interests							(45)	(45)
Balance at June 30, 2018	962	$ 10	$ —	$ 52,363	$ (356)	$ (3,724)	$ 2,490	$ 50,783

See Notes to the Condensed Consolidated Financial Statements

UnitedHealth Group
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Six months ended June 30, (in millions)	Common Stock: Shares	Common Stock: Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income: Net Unrealized (Losses) Gains on Investments	Accumulated Other Comprehensive (Loss) Income: Foreign Currency Translation (Losses) Gains	Nonredeemable Noncontrolling Interests	Total Equity
Balance at January 1, 2019	960	$ 10	$ —	$ 55,846	$ (264)	$ (3,896)	$ 2,623	$ 54,319
Adjustment to adopt ASU 2016-02				(13)			(5)	(18)
Net earnings				6,760			114	6,874
Other comprehensive income					780	107		887
Issuances of common stock, and related tax effects	6	—	161					161
Share-based compensation			391					391
Common share repurchases	(18)	(1)	(158)	(4,342)				(4,501)
Cash dividends paid on common shares ($1.98 per share)				(1,884)				(1,884)
Redeemable noncontrolling interests fair value and other adjustments			(285)					(285)
Acquisition and other adjustments of nonredeemable noncontrolling interests			(109)				164	55
Distribution to nonredeemable noncontrolling interests							(145)	(145)
Balance at June 30, 2019	948	$ 9	$ —	$ 56,367	$ 516	$ (3,789)	$ 2,751	$ 55,854
Balance at January 1, 2018	969	$ 10	$ 1,703	$ 48,730	$ (13)	$ (2,654)	$ 2,057	$ 49,833
Adjustment to adopt ASU 2016-01				(24)	24			—
Net earnings				5,758			112	5,870
Other comprehensive loss					(367)	(1,070)		(1,437)
Issuances of common stock, and related tax effects	7	—	522					522
Share-based compensation			347					347
Common share repurchases	(14)	—	(2,637)	(513)				(3,150)
Cash dividends paid on common shares ($1.65 per share)				(1,588)				(1,588)
Redeemable noncontrolling interests fair value and other adjustments			65					65
Acquisition and other adjustments of nonredeemable noncontrolling interests							416	416
Distribution to nonredeemable noncontrolling interests							(95)	(95)
Balance at June 30, 2018	962	$ 10	$ —	$ 52,363	$ (356)	$ (3,724)	$ 2,490	$ 50,783

See Notes to the Condensed Consolidated Financial Statements

UnitedHealth Group
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2019**	**2018**
Operating activities		
Net earnings	$ 6,942	$ 5,934
Noncash items:		
Depreciation and amortization	1,293	1,180
Deferred income taxes	195	(158)
Share-based compensation	398	358
Other, net	(127)	10
Net change in other operating items, net of effects from acquisitions and changes in AARP balances:		
Accounts receivable	2,196	(1,021)
Other assets	(1,774)	(2,369)
Medical costs payable	447	1,263
Accounts payable and other liabilities	(33)	2,233
Unearned revenues	(429)	4,946
Cash flows from operating activities	9,108	12,376
Investing activities		
Purchases of investments	(7,649)	(8,182)
Sales of investments	2,680	2,003
Maturities of investments	3,315	3,211
Cash paid for acquisitions, net of cash assumed	(4,751)	(2,636)
Purchases of property, equipment and capitalized software	(977)	(960)
Other, net	504	(134)
Cash flows used for investing activities	(6,878)	(6,698)
Financing activities		
Common share repurchases	(4,501)	(3,150)
Cash dividends paid	(1,884)	(1,588)
Proceeds from common stock issuances	448	478
Repayments of long-term debt	(1,250)	(1,100)
Proceeds from (repayments of) commercial paper, net	6,924	(181)
Proceeds from issuance of long-term debt	—	3,964
Customer funds administered	1,435	3,082
Other, net	(529)	(718)
Cash flows from financing activities	643	787
Effect of exchange rate changes on cash and cash equivalents	6	(78)
Increase in cash and cash equivalents	2,879	6,387
Cash and cash equivalents, beginning of period	10,866	11,981
Cash and cash equivalents, end of period	$ 13,745	$ 18,368

See Notes to the Condensed Consolidated Financial Statements

UnitedHealth Group
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

UnitedHealth Group Incorporated (individually and together with its subsidiaries, "UnitedHealth Group" and the "Company") is a diversified health care company dedicated to helping people live healthier lives and helping make the health system work better for everyone.

Through its diversified family of businesses, the Company leverages core competencies in data and health information; advanced technology; and clinical expertise. These core competencies are deployed within two distinct, but strategically aligned, business platforms: health benefits operating under UnitedHealthcare and health services operating under Optum.

The Company has prepared the Condensed Consolidated Financial Statements according to U.S. Generally Accepted Accounting Principles (GAAP) and has included the accounts of UnitedHealth Group and its subsidiaries. The year-end condensed consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by GAAP. In accordance with the rules and regulations of the U.S. Securities and Exchange Commission (SEC), the Company has omitted certain footnote disclosures that would substantially duplicate the disclosures contained in its annual audited Consolidated Financial Statements. Therefore, these Condensed Consolidated Financial Statements should be read together with the Consolidated Financial Statements and the Notes included in Part II, Item 8, "Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the SEC (2018 10-K). The accompanying Condensed Consolidated Financial Statements include all normal recurring adjustments necessary to present the interim financial statements fairly.

Use of Estimates

These Condensed Consolidated Financial Statements include certain amounts based on the Company's best estimates and judgments. The Company's most significant estimates include medical costs payable and goodwill. Certain of these estimates require the application of complex assumptions and judgments, often because they involve matters that are inherently uncertain and will likely change in subsequent periods. The impact of any change in estimates is included in earnings in the period in which the estimate is adjusted.

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, "Leases (Topic 842)" as modified by ASUs 2018-01, 2018-10, 2018-11, 2018-20 and 2019-01 (collectively, ASU 2016-02). Under ASU 2016-02, an entity is required to recognize assets and liabilities for the rights and obligations created by leases on the entity's balance sheet for both finance and operating leases. The Company adopted ASU 2016-02 using a cumulative-effect upon adoption approach as of January 1, 2019. Upon adoption, the Company recognized $3.3 billion of lease right-of-use (ROU) assets and liabilities for operating leases on its Condensed Consolidated Balance Sheet, of which, $668 million were classified as current liabilities. The adoption of ASU 2016-02 was immaterial to the Company's consolidated results of operations, equity and cash flows. The Company has included the disclosures required by ASU 2016-02 below and in Note 7, "Commitments and Contingencies."

The Company leases facilities and equipment under long-term operating leases that are non-cancelable and expire on various dates. At the lease commencement date, lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term, which includes all fixed obligations arising from the lease contract. If an interest rate is not implicit in a lease, the Company utilizes its incremental borrowing rate for a period that closely matches the lease term.

The Company's ROU assets are included in other assets, and lease liabilities are included in other current liabilities and other liabilities in the Company's Condensed Consolidated Balance Sheet.

The Company has determined that there have been no other recently adopted or issued accounting standards that had, or will have, a material impact on its Condensed Consolidated Financial Statements.

2. Investments

A summary of debt securities by major security type is as follows:

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2019				
Debt securities - available-for-sale:				
U.S. government and agency obligations	$ 3,684	$ 80	$ (5)	$ 3,759
State and municipal obligations	6,532	237	(1)	6,768
Corporate obligations	16,597	265	(12)	16,850
U.S. agency mortgage-backed securities	5,662	83	(15)	5,730
Non-U.S. agency mortgage-backed securities	1,593	39	(1)	1,631
Total debt securities - available-for-sale	34,068	704	(34)	34,738
Debt securities - held-to-maturity:				
U.S. government and agency obligations	275	2	—	277
State and municipal obligations	31	1	—	32
Corporate obligations	435	1	—	436
Total debt securities - held-to-maturity	741	4	—	745
Total debt securities	$ 34,809	$ 708	$ (34)	$ 35,483
December 31, 2018				
Debt securities - available-for-sale:				
U.S. government and agency obligations	$ 3,434	$ 13	$ (42)	$ 3,405
State and municipal obligations	7,117	61	(57)	7,121
Corporate obligations	15,366	14	(218)	15,162
U.S. agency mortgage-backed securities	4,947	11	(106)	4,852
Non-U.S. agency mortgage-backed securities	1,376	2	(20)	1,358
Total debt securities - available-for-sale	32,240	101	(443)	31,898
Debt securities - held-to-maturity:				
U.S. government and agency obligations	255	1	(2)	254
State and municipal obligations	11	—	—	11
Corporate obligations	355	—	—	355
Total debt securities - held-to-maturity	621	1	(2)	620
Total debt securities	$ 32,861	$ 102	$ (445)	$ 32,518

The Company held $2.2 billion and $2.0 billion of equity securities as of June 30, 2019 and December 31, 2018, respectively. The Company’s investments in equity securities primarily consist of employee savings plan related investments, shares of Brazilian real denominated fixed-income funds and dividend paying stocks with readily determinable fair values. Additionally, the Company’s investments included $1.5 billion of equity method investments in operating businesses in the health care sector as of both June 30, 2019 and December 31, 2018.

The amortized cost and fair value of debt securities as of June 30, 2019, by contractual maturity, were as follows:

	Available-for-Sale		Held-to-Maturity	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 3,647	$ 3,652	$ 182	$ 182
Due after one year through five years	12,150	12,298	283	285
Due after five years through ten years	8,084	8,394	136	136
Due after ten years	2,932	3,033	140	142
U.S. agency mortgage-backed securities	5,662	5,730	—	—
Non-U.S. agency mortgage-backed securities	1,593	1,631	—	—
Total debt securities	$ 34,068	$ 34,738	$ 741	$ 745

The fair value of available-for-sale debt securities with gross unrealized losses by security type and length of time that individual securities have been in a continuous unrealized loss position were as follows:

	Less Than 12 Months		12 Months or Greater		Total	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
June 30, 2019						
Debt securities - available-for-sale:						
U.S. government and agency obligations	$ —	$ —	$ 655	$ (5)	$ 655	$ (5)
State and municipal obligations	—	—	366	(1)	366	(1)
Corporate obligations	703	(3)	2,352	(9)	3,055	(12)
U.S. agency mortgage-backed securities	—	—	1,562	(15)	1,562	(15)
Non-U.S. agency mortgage-backed securities	—	—	128	(1)	128	(1)
Total debt securities - available-for-sale	$ 703	$ (3)	$ 5,063	$ (31)	$ 5,766	$ (34)
December 31, 2018						
Debt securities - available-for-sale:						
U.S. government and agency obligations	$ 998	$ (7)	$ 1,425	$ (35)	$ 2,423	$ (42)
State and municipal obligations	1,334	(11)	2,491	(46)	3,825	(57)
Corporate obligations	8,105	(109)	4,239	(109)	12,344	(218)
U.S. agency mortgage-backed securities	1,296	(22)	2,388	(84)	3,684	(106)
Non-U.S. agency mortgage-backed securities	622	(7)	459	(13)	1,081	(20)
Total debt securities - available-for-sale	$ 12,355	$ (156)	$ 11,002	$ (287)	$ 23,357	$ (443)

The Company's unrealized losses from debt securities as of June 30, 2019 were generated from 5,000 positions out of a total of 31,000 positions. The Company believes that it will collect the principal and interest due on its debt securities that have an amortized cost in excess of fair value. The unrealized losses were primarily caused by interest rate increases and not by unfavorable changes in the credit quality associated with these securities. At each reporting period, the Company evaluates securities for impairment when the fair value of the investment is less than its amortized cost. The Company evaluated the underlying credit quality and credit ratings of the issuers, noting no significant deterioration since purchase. As of June 30, 2019, the Company did not have the intent to sell any of the securities in an unrealized loss position. Therefore, the Company believes these losses to be temporary.

3. Fair Value

Certain assets and liabilities are measured at fair value in the Condensed Consolidated Financial Statements or have fair values disclosed in the Notes to the Condensed Consolidated Financial Statements. These assets and liabilities are classified into one of three levels of a hierarchy defined by GAAP.

For a description of the methods and assumptions that are used to estimate the fair value and determine the fair value hierarchy classification of each class of financial instrument, see Note 4 of Notes to the Consolidated Financial Statements in Part II, Item 8, “Financial Statements and Supplementary Data” in the 2018 10-K.

The following table presents a summary of fair value measurements by level and carrying values for items measured at fair value on a recurring basis in the Condensed Consolidated Balance Sheets:

(in millions)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair and Carrying Value
June 30, 2019				
Cash and cash equivalents	$ 13,562	$ 183	$ —	$ 13,745
Debt securities - available-for-sale:				
U.S. government and agency obligations	3,474	285	—	3,759
State and municipal obligations	—	6,768	—	6,768
Corporate obligations	65	16,583	202	16,850
U.S. agency mortgage-backed securities	—	5,730	—	5,730
Non-U.S. agency mortgage-backed securities	—	1,631	—	1,631
Total debt securities - available-for-sale	3,539	30,997	202	34,738
Equity securities	2,035	15	—	2,050
Assets under management	1,011	1,911	21	2,943
Total assets at fair value	$ 20,147	$ 33,106	$ 223	$ 53,476
Percentage of total assets at fair value	38%	62%	—%	100%
December 31, 2018				
Cash and cash equivalents	$ 10,757	$ 109	$ —	$ 10,866
Debt securities - available-for-sale:				
U.S. government and agency obligations	3,060	345	—	3,405
State and municipal obligations	—	7,121	—	7,121
Corporate obligations	39	14,950	173	15,162
U.S. agency mortgage-backed securities	—	4,852	—	4,852
Non-U.S. agency mortgage-backed securities	—	1,358	—	1,358
Total debt securities - available-for-sale	3,099	28,626	173	31,898
Equity securities	1,832	13	—	1,845
Assets under management	1,086	1,938	8	3,032
Total assets at fair value	$ 16,774	$ 30,686	$ 181	$ 47,641
Percentage of total assets at fair value	35%	65%	—%	100%

There were no transfers in or out of Level 3 financial assets or liabilities during the six months ended June 30, 2019 or 2018.

The following table presents a summary of fair value measurements by level and carrying values for certain financial instruments not measured at fair value on a recurring basis in the Condensed Consolidated Balance Sheets:

(in millions)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value	Total Carrying Value
June 30, 2019					
Debt securities - held-to-maturity	$ 293	$ 177	$ 275	$ 745	$ 741
Long-term debt and other financing obligations	$ —	$ 38,927	$ —	$ 38,927	$ 35,300
December 31, 2018					
Debt securities - held-to-maturity	$ 260	$ 65	$ 295	$ 620	$ 621
Long-term debt and other financing obligations	$ —	$ 37,944	$ —	$ 37,944	$ 36,554

Nonfinancial assets and liabilities or financial assets and liabilities that are measured at fair value on a nonrecurring basis are subject to fair value adjustments only in certain circumstances, such as when the Company records an impairment. There were no significant fair value adjustments for these assets and liabilities recorded during either the six months ended June 30, 2019 or 2018.

4. Medical Costs Payable

The following table shows the components of the change in medical costs payable for the six months ended June 30:

(in millions)	2019	2018
Medical costs payable, beginning of period	$ 19,891	$ 17,871
Acquisitions	522	261
Reported medical costs:		
Current year	78,523	72,570
Prior years	(400)	(280)
Total reported medical costs	78,123	72,290
Medical payments:		
Payments for current year	(60,707)	(55,738)
Payments for prior years	(16,922)	(15,345)
Total medical payments	(77,629)	(71,083)
Medical costs payable, end of period	$ 20,907	$ 19,339

For the six months ended June 30, 2019 and 2018, the medical cost reserve development included no individual factors that were significant. Medical costs payable included reserves for claims incurred by insured customers but not yet reported to the Company of $14.5 billion and $13.2 billion at June 30, 2019 and December 31, 2018, respectively.

5. Commercial Paper and Long-Term Debt

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

	June 30, 2019			December 31, 2018		
(in millions, except percentages)	Par Value	Carrying Value	Fair Value	Par Value	Carrying Value	Fair Value
Commercial paper	$ 6,984	$ 6,973	$ 6,973	$ —	$ —	$ —
1.700% notes due February 2019	—	—	—	750	750	749
1.625% notes due March 2019	—	—	—	500	500	499
2.300% notes due December 2019	500	498	500	500	494	497
2.700% notes due July 2020	1,500	1,498	1,506	1,500	1,498	1,494
Floating rate notes due October 2020	300	299	300	300	299	298
3.875% notes due October 2020	450	449	457	450	443	456
1.950% notes due October 2020	900	898	896	900	897	884
4.700% notes due February 2021	400	404	413	400	398	412
2.125% notes due March 2021	750	748	749	750	747	734
Floating rate notes due June 2021	350	349	350	350	349	347
3.150% notes due June 2021	400	399	407	400	399	400
3.375% notes due November 2021	500	500	512	500	489	503
2.875% notes due December 2021	750	752	761	750	735	748
2.875% notes due March 2022	1,100	1,082	1,117	1,100	1,051	1,091
3.350% notes due July 2022	1,000	997	1,034	1,000	997	1,005
2.375% notes due October 2022	900	895	903	900	894	872
0.000% notes due November 2022	15	13	13	15	12	13
2.750% notes due February 2023	625	622	633	625	602	611
2.875% notes due March 2023	750	772	764	750	750	739
3.500% notes due June 2023	750	747	782	750	746	756
3.500% notes due February 2024	750	745	786	750	745	755
3.750% notes due July 2025	2,000	1,990	2,136	2,000	1,989	2,025
3.700% notes due December 2025	300	298	320	300	298	303
3.100% notes due March 2026	1,000	996	1,030	1,000	995	965
3.450% notes due January 2027	750	746	789	750	746	742
3.375% notes due April 2027	625	619	653	625	619	611
2.950% notes due October 2027	950	939	966	950	938	898
3.850% notes due June 2028	1,150	1,142	1,246	1,150	1,142	1,163
3.875% notes due December 2028	850	843	927	850	842	861
4.625% notes due July 2035	1,000	992	1,149	1,000	992	1,060
5.800% notes due March 2036	850	838	1,090	850	838	1,003
6.500% notes due June 2037	500	492	693	500	492	638
6.625% notes due November 2037	650	641	915	650	641	841
6.875% notes due February 2038	1,100	1,076	1,591	1,100	1,076	1,437
5.700% notes due October 2040	300	296	385	300	296	355
5.950% notes due February 2041	350	345	462	350	345	426
4.625% notes due November 2041	600	588	684	600	588	627
4.375% notes due March 2042	502	484	556	502	484	503
3.950% notes due October 2042	625	607	655	625	607	596
4.250% notes due March 2043	750	735	820	750	734	744
4.750% notes due July 2045	2,000	1,973	2,369	2,000	1,973	2,116
4.200% notes due January 2047	750	738	820	750	738	745
4.250% notes due April 2047	725	717	797	725	717	719
3.750% notes due October 2047	950	933	974	950	933	869
4.250% notes due June 2048	1,350	1,329	1,500	1,350	1,329	1,349
4.450% notes due December 2048	1,100	1,088	1,267	1,100	1,087	1,132
Total commercial paper and long-term debt	$ 41,401	$ 41,085	$ 44,650	$ 35,667	$ 35,234	$ 36,591

The Company’s long-term debt obligations included $1.2 billion and $1.3 billion of other financing obligations, of which $329 million and $229 million were classified as current as of June 30, 2019 and December 31, 2018, respectively.

Long-term Debt

In July 2019, the Company issued $5.5 billion of senior unsecured notes consisting of the following:

(in millions, except percentages)	Par Value
2.375% notes due August 2024	$ 750
2.875% notes due August 2029	1,000
3.500% notes due August 2039	1,250
3.700% notes due August 2049	1,250
3.875% notes due August 2059	1,250

Commercial Paper and Bank Credit Facilities

Commercial paper consists of short-duration, senior unsecured debt privately placed on a discount basis through broker-dealers. As of June 30, 2019, the Company’s outstanding commercial paper had a weighted average annual interest rate of 2.6%.

The Company has $3.5 billion five-year, $3.5 billion three-year and $3.0 billion 364-day revolving bank credit facilities with 26 banks, which mature in December 2023, December 2021 and December 2019, respectively. The Company additionally has a $2.5 billion 364-day revolving bank credit facility with 6 banks that matures in May 2020. These facilities provide liquidity support for the Company’s commercial paper program and are available for general corporate purposes. As of June 30, 2019, no amounts had been drawn on any of the bank credit facilities. The annual interest rates, which are variable based on term, are calculated based on the London Interbank Offered Rate (LIBOR) plus a credit spread based on the Company’s senior unsecured credit ratings. If amounts had been drawn on the bank credit facilities as of June 30, 2019, annual interest rates would have ranged from 2.9% to 3.1%.

Debt Covenants

The Company’s bank credit facilities contain various covenants, including covenants requiring the Company to maintain a defined debt to debt-plus-shareholders’ equity ratio of not more than 60%. The Company was in compliance with its debt covenants as of June 30, 2019.

6. Dividends

In June 2019, the Company’s Board of Directors increased the Company’s annual dividend rate to shareholders to $4.32 compared to $3.60 per share, which the Company had paid since June 2018. Declaration and payment of future quarterly dividends is at the discretion of the Board and may be adjusted as business needs or market conditions change.

The following table provides details of the Company’s 2019 dividend payments:

Payment Date	Amount per Share	Total Amount Paid
		(in millions)
March 19	$ 0.90	$ 860
June 25	1.08	1,024

7. Commitments and Contingencies

Leases

Operating lease costs were $247 million and $485 million for the three and six months ended June 30, 2019, respectively, and included immaterial variable and short-term lease costs. Cash payments made on the Company’s operating lease liabilities were $363 million for the six months ended June 30, 2019, which were classified within operating activities in the Condensed Consolidated Statements of Cash Flows. As of June 30, 2019, the Company’s weighted-average remaining lease term and weighted-average discount rate for its operating leases were 8.8 years and 4.0%, respectively.

As of June 30, 2019, future minimum annual lease payments under all non-cancelable operating leases were as follows:

(in millions)	Future Operating Lease Payments
2019	$ 396
2020	760
2021	666
2022	562
2023	463
Thereafter	1,977
Total future minimum lease payments	4,824
Less imputed interest	(806)
Total	$ 4,018

Legal Matters

Because of the nature of its businesses, the Company is frequently made party to a variety of legal actions and regulatory inquiries, including class actions and suits brought by members, care providers, consumer advocacy organizations, customers and regulators, relating to the Company's businesses, including management and administration of health benefit plans and other services. These matters include medical malpractice, employment, intellectual property, antitrust, privacy and contract claims and claims related to health care benefits coverage and other business practices.

The Company records liabilities for its estimates of probable costs resulting from these matters where appropriate. Estimates of costs resulting from legal and regulatory matters involving the Company are inherently difficult to predict, particularly where the matters: involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or represent a shift in regulatory policy; involve a large number of claimants or regulatory bodies; are in the early stages of the proceedings; or could result in a change in business practices. Accordingly, the Company is often unable to estimate the losses or ranges of losses for those matters where there is a reasonable possibility or it is probable that a loss may be incurred.

Government Investigations, Audits and Reviews

The Company has been involved or is currently involved in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by the Centers for Medicare and Medicaid Services (CMS), state insurance and health and welfare departments, the Brazilian national regulatory agency for private health insurance and plans (the Agência Nacional de Saúde Suplementar), state attorneys general, the Office of the Inspector General, the Office of Personnel Management, the Office of Civil Rights, the Government Accountability Office, the Federal Trade Commission, U.S. Congressional committees, the U.S. Department of Justice, the SEC, the Internal Revenue Service, the U.S. Drug Enforcement Administration, the Brazilian federal revenue service (the Secretaria da Receita Federal), the U.S. Department of Labor, the Federal Deposit Insurance Corporation, the Defense Contract Audit Agency and other governmental authorities. Certain of the Company's businesses have been reviewed or are currently under review, including for, among other matters, compliance with coding and other requirements under the Medicare risk-adjustment model. CMS has selected certain of the Company's local plans for risk adjustment data validation (RADV) audits to validate the coding practices of and supporting documentation maintained by health care providers and such audits may result in retrospective adjustments to payments made to the Company's health plans.

On February 14, 2017, the Department of Justice (DOJ) announced its decision to pursue certain claims within a lawsuit initially asserted against the Company and filed under seal by a whistleblower in 2011. The whistleblower's complaint, which was unsealed on February 15, 2017, alleges that the Company made improper risk adjustment submissions and violated the False Claims Act. On February 12, 2018, the court granted in part and denied in part the Company's motion to dismiss. In May 2018, DOJ moved to dismiss the Company's counterclaims, which were filed in March 2018, and moved for partial summary judgment. In March 2019, the court denied the government's motion for partial summary judgment and dismissed the Company's counterclaims without prejudice. The Company cannot reasonably estimate the outcome that may result from this matter given its procedural status.

8. Segment Financial Information

The Company's four reportable segments are UnitedHealthcare, OptumHealth, OptumInsight and OptumRx. For more information on the Company's segments see Part I, Item I, "Business" and Note 13 of Notes to the Consolidated Financial Statements in Part II, Item 8, "Financial Statements and Supplementary Data" in the 2018 10-K. Total assets at OptumHealth increased to $38.8 billion as of June 30, 2019 compared to $29.8 billion as of December 31, 2018, primarily due to goodwill and other intangibles assets from a second quarter 2019 acquisition and the recognition of ROU assets from ASU 2016-02.

The following tables present reportable segment financial information:

		Optum						
(in millions)	UnitedHealthcare	OptumHealth	OptumInsight	OptumRx	Optum Eliminations	Optum	Corporate and Eliminations	Consolidated
Three Months Ended June 30, 2019								
Revenues - unaffiliated customers:								
Premiums	$ 46,030	$ 1,134	$ —	$ —	$ —	$ 1,134	$ —	$ 47,164
Products	—	9	22	8,322	—	8,353	—	8,353
Services	2,188	1,370	790	148	—	2,308	—	4,496
Total revenues - unaffiliated customers	48,218	2,513	812	8,470	—	11,795	—	60,013
Total revenues - affiliated customers	—	4,449	1,521	10,439	(381)	16,028	(16,028)	—
Investment and other income	376	186	6	14	—	206	—	582
Total revenues	$ 48,594	$ 7,148	$ 2,339	$ 18,923	$ (381)	$ 28,029	$ (16,028)	$ 60,595
Earnings from operations	$ 2,642	$ 688	$ 525	$ 889	$ —	$ 2,102	$ —	$ 4,744
Interest expense	—	—	—	—	—	—	(418)	(418)
Earnings before income taxes	$ 2,642	$ 688	$ 525	$ 889	$ —	$ 2,102	$ (418)	$ 4,326
Three Months Ended June 30, 2018								
Revenues - unaffiliated customers:								
Premiums	$ 43,496	$ 962	$ —	$ —	$ —	$ 962	$ —	$ 44,458
Products	—	12	20	6,972	—	7,004	—	7,004
Services	2,142	1,203	776	148	—	2,127	—	4,269
Total revenues - unaffiliated customers	45,638	2,177	796	7,120	—	10,093	—	55,731
Total revenues - affiliated customers	—	3,640	1,380	9,807	(341)	14,486	(14,486)	—
Investment and other income	208	124	9	14	—	147	—	355
Total revenues	$ 45,846	$ 5,941	$ 2,185	$ 16,941	$ (341)	$ 24,726	$ (14,486)	$ 56,086
Earnings from operations	$ 2,357	$ 570	$ 453	$ 824	$ —	$ 1,847	$ —	$ 4,204
Interest expense	—	—	—	—	—	—	(344)	(344)
Earnings before income taxes	$ 2,357	$ 570	$ 453	$ 824	$ —	$ 1,847	$ (344)	$ 3,860

(in millions)	UnitedHealthcare	Optum: OptumHealth	Optum: OptumInsight	Optum: OptumRx	Optum: Optum Eliminations	Optum: Optum	Corporate and Eliminations	Consolidated
Six Months Ended June 30, 2019								
Revenues - unaffiliated customers:								
Premiums	$ 92,531	$ 2,146	$ —	$ —	$ —	$ 2,146	$ —	$ 94,677
Products	—	17	45	16,363	—	16,425	—	16,425
Services	4,329	2,644	1,544	297	—	4,485	—	8,814
Total revenues - unaffiliated customers	96,860	4,807	1,589	16,660	—	23,056	—	119,916
Total revenues - affiliated customers	—	8,736	2,928	20,052	(740)	30,976	(30,976)	—
Investment and other income	630	318	11	28	—	357	—	987
Total revenues	$ 97,490	$ 13,861	$ 4,528	$ 36,740	$ (740)	$ 54,389	$ (30,976)	$ 120,903
Earnings from operations	$ 5,596	$ 1,314	$ 957	$ 1,709	$ —	$ 3,980	$ —	$ 9,576
Interest expense	—	—	—	—	—	—	(818)	(818)
Earnings before income taxes	$ 5,596	$ 1,314	$ 957	$ 1,709	$ —	$ 3,980	$ (818)	$ 8,758
Six Months Ended June 30, 2018								
Revenues - unaffiliated customers:								
Premiums	$ 86,733	$ 1,809	$ —	$ —	$ —	$ 1,809	$ —	$ 88,542
Products	—	24	43	13,639	—	13,706	—	13,706
Services	4,181	2,391	1,516	285	—	4,192	—	8,373
Total revenues - unaffiliated customers	90,914	4,224	1,559	13,924	—	19,707	—	110,621
Total revenues - affiliated customers	—	7,246	2,684	19,102	(674)	28,358	(28,358)	—
Investment and other income	391	230	11	21	—	262	—	653
Total revenues	$ 91,305	$ 11,700	$ 4,254	$ 33,047	$ (674)	$ 48,327	$ (28,358)	$ 111,274
Earnings from operations	$ 4,757	$ 1,058	$ 848	$ 1,594	$ —	$ 3,500	$ —	$ 8,257
Interest expense	—	—	—	—	—	—	(673)	(673)
Earnings before income taxes	$ 4,757	$ 1,058	$ 848	$ 1,594	$ —	$ 3,500	$ (673)	$ 7,584

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

The following discussion should be read together with the accompanying Condensed Consolidated Financial Statements and Notes and with our 2018 10-K, including the Consolidated Financial Statements and Notes in Part II, Item 8, "Financial Statements and Supplementary Data" in that report. Unless the context indicates otherwise, references to the terms "UnitedHealth Group," "we," "our" or "us" used throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations refer to UnitedHealth Group Incorporated and its consolidated subsidiaries.

Readers are cautioned that the statements, estimates, projections or outlook contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations, including discussions regarding financial prospects, economic conditions, trends and uncertainties contained in this Item 2, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA). These forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the results discussed or implied in the forward-looking statements. A description of some of the risks and uncertainties is set forth in Part I, Item 1A, "Risk Factors" in our 2018 10-K and in the discussion below.

EXECUTIVE OVERVIEW

General

UnitedHealth Group is a diversified health care company dedicated to helping people live healthier lives and helping make the health system work better for everyone. Through our diversified family of businesses, we leverage core competencies in data and health information; advanced technology; and clinical expertise. These core competencies are deployed within two distinct, but strategically aligned, business platforms: health benefits operating under UnitedHealthcare and health services operating under Optum.

Further information on our business is presented in Part I, Item 1, "Business" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2018 10-K and additional information on our segments can be found in this Item 2 and in Note 8 of Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

Business Trends

Our businesses participate in the United States, South American and certain other international health markets. In the United States, health care spending has grown consistently for many years and comprises approximately 18% of gross domestic product. Overall spending on health care is impacted by inflation; medical technology and pharmaceutical advancement; regulatory requirements; demographic trends in the population and national interest in health and well-being, mitigated by our continued efforts to control health care costs. The rate of market growth may be affected by a variety of factors, including macro-economic conditions and regulatory changes, which could impact our results of operations.

Pricing Trends. To price our health care benefit products, we start with our view of expected future costs, including any impact from the Health Insurance Industry Tax. We frequently evaluate and adjust our approach in each of the local markets we serve, considering all relevant factors, such as product positioning, price competitiveness and environmental, competitive, legislative and regulatory considerations, including minimum medical loss ratio (MLR) thresholds. We will continue seeking to balance growth and profitability across all of these dimensions.

The commercial risk market remains highly competitive in both the small group and large group segments. We expect broad-based competition to continue as the industry adapts to individual and employer needs amid reform changes. Pricing for contracts that cover some portion of calendar year 2020 will reflect the return of the Health Insurance Industry Tax after a moratorium in 2019.

Government programs in the public and senior sector tend to receive lower rates of increase than the commercial market due to governmental budget pressures and lower cost trends.

Medical Cost Trends. Our medical cost trends primarily relate to changes in unit costs, health system utilization and prescription drug costs. We endeavor to mitigate those increases by engaging physicians and consumers with information and helping them make clinically sound choices, with the objective of helping them achieve high quality, affordable care.

Regulatory Trends and Uncertainties

Following is a summary of management's view of regulatory trends and uncertainties. For additional information regarding regulatory trends and uncertainties, see Part I, Item 1 "Business - Government Regulation," Part 1, Item 1A, "Risk Factors" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2018 10-K.

Medicare Advantage Rates. Final 2020 Medicare Advantage rates resulted in an increase in industry base rates of approximately 2.5%, short of the industry forward medical cost trend, including the return of the Health Insurance Industry Tax, creating continued pressure in the Medicare Advantage program.

Health Insurance Industry Tax. There is a one year moratorium on the Health Insurance Industry Tax in 2019. This moratorium impacts year-over-year comparability of our financial statements, including revenues, operating costs, medical care ratio (MCR), operating cost ratio, effective tax rate and cash flows from operations.

SELECTED OPERATING PERFORMANCE AND OTHER SIGNIFICANT ITEMS

The following summarizes select second quarter 2019 year-over-year operating comparisons to second quarter 2018.

- Consolidated revenues grew 8%, UnitedHealthcare revenues grew 6% and Optum revenues grew 13%.
- UnitedHealthcare served 705,000 additional people primarily as a result of acquisitions and growth in services to self-funded employers and seniors.
- Earnings from operations increased 13%, including increases of 12% at UnitedHealthcare and 14% at Optum.
- Diluted earnings per common share increased 15%.
- Cash flows from operations for the six months ended June 30, 2019 were $9.1 billion.
- Return on equity was 25.1%.

RESULTS SUMMARY

The following table summarizes our consolidated results of operations and other financial information:

(in millions, except percentages and per share data)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Increase/(Decrease) 2019 vs. 2018		Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Increase/(Decrease) 2019 vs. 2018	
Revenues:								
Premiums	$ 47,164	$ 44,458	$ 2,706	6%	$ 94,677	$ 88,542	$ 6,135	7%
Products	8,353	7,004	1,349	19	16,425	13,706	2,719	20
Services	4,496	4,269	227	5	8,814	8,373	441	5
Investment and other income	582	355	227	64	987	653	334	51
Total revenues	60,595	56,086	4,509	8	120,903	111,274	9,629	9
Operating costs:								
Medical costs	39,184	36,427	2,757	8	78,123	72,290	5,833	8
Operating costs	8,415	8,386	29	—	16,932	16,892	40	—
Cost of products sold	7,598	6,471	1,127	17	14,979	12,655	2,324	18
Depreciation and amortization	654	598	56	9	1,293	1,180	113	10
Total operating costs	55,851	51,882	3,969	8	111,327	103,017	8,310	8
Earnings from operations	4,744	4,204	540	13	9,576	8,257	1,319	16
Interest expense	(418)	(344)	(74)	22	(818)	(673)	(145)	22
Earnings before income taxes	4,326	3,860	466	12	8,758	7,584	1,174	15
Provision for income taxes	(941)	(850)	(91)	11	(1,816)	(1,650)	(166)	10
Net earnings	3,385	3,010	375	12	6,942	5,934	1,008	17
Earnings attributable to noncontrolling interests	(92)	(88)	(4)	5	(182)	(176)	(6)	3
Net earnings attributable to UnitedHealth Group common shareholders	$ 3,293	$ 2,922	$ 371	13%	$ 6,760	$ 5,758	$ 1,002	17%
Diluted earnings per share attributable to UnitedHealth Group common shareholders	$ 3.42	$ 2.98	$ 0.44	15%	$ 6.97	$ 5.85	$ 1.12	19%
Medical care ratio (a)	83.1%	81.9%	1.2 %		82.5%	81.6%	0.9 %	
Operating cost ratio	13.9	15.0	(1.1)		14.0	15.2	(1.2)	
Operating margin	7.8	7.5	0.3		7.9	7.4	0.5	
Tax rate	21.8	22.0	(0.2)		20.7	21.8	(1.1)	
Net earnings margin (b)	5.4	5.2	0.2		5.6	5.2	0.4	
Return on equity (c)	25.1%	24.4%	0.7 %		25.9%	24.1%	1.8 %	

(a) Medical care ratio is calculated as medical costs divided by premium revenue.
(b) Net earnings margin attributable to UnitedHealth Group shareholders.
(c) Return on equity is calculated as annualized net earnings attributable to UnitedHealth Group common shareholders divided by average shareholders' equity. Average shareholders' equity is calculated using the shareholders' equity balance at the end of the preceding year and the shareholders' equity balances at the end of each of the quarters in the year presented.

2019 RESULTS OF OPERATIONS COMPARED TO 2018 RESULTS OF OPERATIONS

Consolidated Financial Results

Revenue

The increases in revenue were primarily driven by the increase in the number of individuals served through various Medicare products; pricing trends; and growth across the Optum business, primarily due to expansion in pharmacy care services and care delivery; partially offset by the moratorium of the Health Insurance Industry Tax in 2019.

Medical Costs and MCR

Medical costs increased due to growth in people served through Medicare products and medical cost trends, partially offset by increased prior year favorable medical cost development. The MCR increased due to the revenue effects of the Health Insurance Industry Tax moratorium.

Operating Cost Ratio

The operating cost ratio decreased due to the impact of the Health Insurance Industry Tax moratorium and effective operating cost management.

Income Tax Rate

Our effective tax rate decreased due to the impact of the moratorium of the nondeductible Health Insurance Industry Tax.

Reportable Segments

See Note 8 of Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this report for more information on our segments. The following table presents a summary of the reportable segment financial information:

(in millions, except percentages)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Increase/(Decrease) 2019 vs. 2018		Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Increase/(Decrease) 2019 vs. 2018	
Revenues								
UnitedHealthcare	$ 48,594	$ 45,846	$ 2,748	6%	$ 97,490	$ 91,305	$ 6,185	7%
OptumHealth	7,148	5,941	1,207	20	13,861	11,700	2,161	18
OptumInsight	2,339	2,185	154	7	4,528	4,254	274	6
OptumRx	18,923	16,941	1,982	12	36,740	33,047	3,693	11
Optum eliminations	(381)	(341)	(40)	12	(740)	(674)	(66)	10
Optum	28,029	24,726	3,303	13	54,389	48,327	6,062	13
Eliminations	(16,028)	(14,486)	(1,542)	11	(30,976)	(28,358)	(2,618)	9
Consolidated revenues	$ 60,595	$ 56,086	$ 4,509	8%	$ 120,903	$ 111,274	$ 9,629	9%
Earnings from operations								
UnitedHealthcare	$ 2,642	$ 2,357	$ 285	12%	$ 5,596	$ 4,757	$ 839	18%
OptumHealth	688	570	118	21	1,314	1,058	256	24
OptumInsight	525	453	72	16	957	848	109	13
OptumRx	889	824	65	8	1,709	1,594	115	7
Optum	2,102	1,847	255	14	3,980	3,500	480	14
Consolidated earnings from operations	$ 4,744	$ 4,204	$ 540	13%	$ 9,576	$ 8,257	$ 1,319	16%
Operating margin								
UnitedHealthcare	5.4%	5.1%	0.3 %		5.7%	5.2%	0.5 %	
OptumHealth	9.6	9.6	—		9.5	9.0	0.5	
OptumInsight	22.4	20.7	1.7		21.1	19.9	1.2	
OptumRx	4.7	4.9	(0.2)		4.7	4.8	(0.1)	
Optum	7.5	7.5	—		7.3	7.2	0.1	
Consolidated operating margin	7.8%	7.5%	0.3 %		7.9%	7.4%	0.5 %	

UnitedHealthcare

The following table summarizes UnitedHealthcare revenues by business:

(in millions, except percentages)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Increase/(Decrease) 2019 vs. 2018		Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Increase/(Decrease) 2019 vs. 2018	
UnitedHealthcare Employer & Individual	$ 14,032	$ 13,708	$ 324	2 %	$ 28,116	$ 27,122	$ 994	4%
UnitedHealthcare Medicare & Retirement	20,855	18,859	1,996	11	41,951	37,784	4,167	11
UnitedHealthcare Community & State	11,186	10,746	440	4	22,368	21,417	951	4
UnitedHealthcare Global	2,521	2,533	(12)	—	5,055	4,982	73	1
Total UnitedHealthcare revenues	$ 48,594	$ 45,846	$ 2,748	6 %	$ 97,490	$ 91,305	$ 6,185	7%

The following table summarizes the number of individuals served by our UnitedHealthcare businesses, by major market segment and funding arrangement:

(in thousands, except percentages)	June 30, 2019	June 30, 2018	Increase/(Decrease) 2019 vs. 2018	
Commercial:				
Risk-based	8,325	8,385	(60)	(1)%
Fee-based	19,090	18,415	675	4
Total commercial	27,415	26,800	615	2
Medicare Advantage	5,190	4,790	400	8
Medicaid	6,360	6,710	(350)	(5)
Medicare Supplement (Standardized)	4,495	4,505	(10)	—
Total public and senior	16,045	16,005	40	—
Total UnitedHealthcare - domestic medical	43,460	42,805	655	2
International	6,070	6,020	50	1
Total UnitedHealthcare - medical	49,530	48,825	705	1 %
Supplemental Data:				
Medicare Part D stand-alone	4,430	4,730	(300)	(6)%

Fee-based commercial group business increased primarily due to an acquisition. Medicare Advantage increased due to growth in people served through individual and employer-sponsored group Medicare Advantage plans. The decrease in people served through Medicaid was primarily driven by states adding new carriers to existing programs, reduced enrollment from state efforts to manage eligibility status and the sale of our New Mexico Medicaid plan in 2018, partially offset by increases in Dual Special Needs Plans.

UnitedHealthcare's revenue and earnings from operations increased due to growth in the number of individuals served through several Medicare products, a higher revenue membership mix and rate increases for underlying medical cost trends. Revenue increases were partially offset by the moratorium on the Health Insurance Industry Tax in 2019. Earnings from operations were also favorably impacted by operating cost management.

Optum

Total revenues and earnings from operations increased as each segment reported increased revenues and earnings from operations as a result of productivity and overall cost management initiatives in addition to the factors discussed below.

The results by segment were as follows:

OptumHealth

Revenue increased at OptumHealth primarily due to organic growth and acquisitions in care delivery, increased care services and organic growth in behavioral health. Increased operating earnings were primarily due to care delivery and care services. OptumHealth served approximately 95 million people as of June 30, 2019 compared to 92 million people as of June 30, 2018.

OptumInsight

Revenue and earnings from operations at OptumInsight increased primarily due to organic growth in managed services.

OptumRx

Revenue and earnings from operations at OptumRx increased primarily due to acquisitions and organic growth in specialty pharmacy, home delivery services and overall prescription growth. OptumRx fulfilled 343 million and 332 million adjusted scripts in the second quarters of 2019 and 2018, respectively.

LIQUIDITY, FINANCIAL CONDITION AND CAPITAL RESOURCES

Liquidity

Summary of our Major Sources and Uses of Cash and Cash Equivalents

	Six Months Ended June 30,		Increase/(Decrease)
(in millions)	**2019**	**2018**	**2019 vs. 2018**
Sources of cash:			
Cash provided by operating activities	$ 9,108	$ 12,376	$ (3,268)
Issuances of commercial paper and long-term debt, net of repayments	5,674	2,683	2,991
Proceeds from common stock issuances	448	478	(30)
Customer funds administered	1,435	3,082	(1,647)
Other	504	—	504
Total sources of cash	17,169	18,619	
Uses of cash:			
Common stock repurchases	(4,501)	(3,150)	(1,351)
Cash paid for acquisitions, net of cash assumed	(4,751)	(2,636)	(2,115)
Purchases of investments, net of sales and maturities	(1,654)	(2,968)	1,314
Purchases of property, equipment and capitalized software	(977)	(960)	(17)
Cash dividends paid	(1,884)	(1,588)	(296)
Other	(529)	(852)	323
Total uses of cash	(14,296)	(12,154)	
Effect of exchange rate changes on cash and cash equivalents	6	(78)	84
Net increase in cash and cash equivalents	$ 2,879	$ 6,387	$ (3,508)

2019 Cash Flows Compared to 2018 Cash Flows

Decreased cash flows provided by operating activities were primarily driven by the increase in unearned revenues in 2018 due to the June 2018 early receipt of our July CMS premium payment of $5.2 billion and the year-over-year impact of the Health Insurance Industry Tax moratorium, partially offset by higher net earnings and changes in working capital accounts.

Other significant changes in sources or uses of cash year-over-year included increased cash paid for acquisitions; common stock repurchases; and issuances of commercial paper and decreased purchases of investments and customer funds administered, due to the early receipt of our CMS payment in 2018 described above.

Financial Condition

As of June 30, 2019, our cash, cash equivalent, available-for-sale debt securities and equity securities balances of $50.7 billion included approximately $13.7 billion of cash and cash equivalents (of which $900 million was available for general corporate use), $34.7 billion of debt securities and $2.2 billion of investments in equity securities. Given the significant portion of our portfolio held in cash and cash equivalents, we do not anticipate fluctuations in the aggregate fair value of our financial assets to have a material impact on our liquidity or capital position. Our available-for-sale debt portfolio had a weighted-average duration of 3.3 years and a weighted-average credit rating of "Double A" as of June 30, 2019. When multiple credit ratings are available for an individual security, the average of the available ratings is used to determine the weighted-average credit rating.

Capital Resources and Uses of Liquidity

In addition to cash flows from operations and cash and cash equivalent balances available for general corporate use, our capital resources and uses of liquidity are as follows:

Commercial Paper and Bank Credit Facilities. Our revolving bank credit facilities provide liquidity support for our commercial paper borrowing program, which facilitates the private placement of unsecured debt through third-party broker-dealers, and are available for general corporate purposes. For more information on our commercial paper and bank credit facilities, see Note 5 of Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

Our revolving bank credit facilities contain various covenants, including covenants requiring us to maintain a defined debt to debt-plus-shareholders' equity ratio of not more than 60%. As of June 30, 2019, our debt to debt-plus-shareholders' equity ratio, as defined and calculated under the credit facilities, was approximately 41%.

Long-Term Debt. In July 2019, we issued $5.5 billion in senior unsecured notes. We intend to use the net proceeds from this offering for general corporate purposes, including refinancing commercial paper borrowings, or redeeming, repurchasing or repaying outstanding securities. For more information on our long-term debt, see Note 5 of Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

Credit Ratings. Our credit ratings as of June 30, 2019 were as follows:

	Moody's		S&P Global		Fitch		A.M. Best	
	Ratings	**Outlook**	**Ratings**	**Outlook**	**Ratings**	**Outlook**	**Ratings**	**Outlook**
Senior unsecured debt	A3	Stable	A+	Stable	A-	Stable	A-	Stable
Commercial paper	P-2	n/a	A-1	n/a	F1	n/a	AMB-1	n/a

The availability of financing in the form of debt or equity is influenced by many factors, including our profitability, operating cash flows, debt levels, credit ratings, debt covenants and other contractual restrictions, regulatory requirements and economic and market conditions. For example, a significant downgrade in our credit ratings or adverse conditions in the capital markets may increase the cost of borrowing for us or limit our access to capital.

Share Repurchase Program. During the six months ended June 30, 2019, we repurchased 18 million shares at an average price of $246.84 per share. As of June 30, 2019, we had Board authorization to purchase up to 76 million shares of our common stock.

Dividends. In June 2019, our Board increased our quarterly cash dividend to shareholders to an annual dividend rate of $4.32 per share. For more information on our dividend, see Note 6 of Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

For additional liquidity discussion, see Note 10 of Notes to the Consolidated Financial Statements in Part II, Item 8, "Financial Statements and Supplementary Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 in our 2018 10-K.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

A summary of future obligations under our various contractual obligations and commitments as of December 31, 2018 was disclosed in our 2018 10-K. During the six months ended June 30, 2019, there were no material changes to this previously disclosed information outside the ordinary course of business. However, we continually evaluate opportunities to expand our operations, including through internal development of new products, programs and technology applications and acquisitions.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 1 of Notes to the Condensed Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of new accounting pronouncements that affect us.

CRITICAL ACCOUNTING ESTIMATES

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

Our critical accounting estimates include medical costs payable and goodwill. For a detailed description of our critical accounting estimates, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 in our 2018 10-K. For a detailed discussion of our significant accounting policies, see Note 2 of Notes to the Consolidated Financial Statements in Part II, Item 8, "Financial Statements and Supplementary Data" in our 2018 10-K.

FORWARD-LOOKING STATEMENTS

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

Some factors that could cause actual results to differ materially from results discussed or implied in the forward-looking statements include: our ability to effectively estimate, price for and manage our medical costs, including the impact of any new coverage requirements; new laws or regulations, or changes in existing laws or regulations, or their enforcement or application, including increases in medical, administrative, technology or other costs or decreases in enrollment resulting from U.S., South American and other jurisdictions’ regulations affecting the health care industry; the outcome of the DOJ’s legal action relating to the risk adjustment submission matter; our ability to maintain and achieve improvement in CMS star ratings and other quality scores that impact revenue; reductions in revenue or delays to cash flows received under Medicare, Medicaid and other government programs, including the effects of a prolonged U.S. government shutdown or debt ceiling constraints; changes in Medicare, including changes in payment methodology, the CMS star ratings program or the application of risk adjustment data validation audits; cyber-attacks or other privacy or data security incidents; failure to comply with privacy and data security regulations; regulatory and other risks and uncertainties of the pharmacy benefits management industry; competitive pressures, which could affect our ability to maintain or increase our market share; changes in or challenges to our public sector contract awards; our ability to execute contracts on competitive terms with physicians, hospitals and other service providers; failure to achieve targeted operating cost productivity improvements, including savings resulting from technology enhancement and administrative modernization; increases in costs and other liabilities associated with increased litigation, government investigations, audits or reviews; failure to manage successfully our strategic alliances or complete or receive anticipated benefits of acquisitions and other strategic transactions, fluctuations in foreign currency exchange rates on our reported shareholders’ equity and results of operations; downgrades in our credit ratings; the performance of our investment portfolio; impairment of the value of our goodwill and intangible assets if estimated future results do not adequately support goodwill and intangible assets recorded for our existing businesses or the businesses that we acquire; failure to maintain effective and efficient information systems or if our technology products do not operate as intended; and our ability to obtain sufficient funds from our regulated subsidiaries or the debt or capital markets to fund our obligations, to maintain our debt to total capital ratio at targeted levels, to maintain our quarterly dividend payment cycle or to continue repurchasing shares of our common stock.

This list of important factors is not intended to be exhaustive. We discuss certain of these matters more fully, as well as certain risk factors that may affect our business operations, financial condition and results of operations, in our other periodic and current filings with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. Any or all forward-looking statements we make may turn out to be wrong, and can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. By their nature, forward-looking statements are not guarantees of future performance or results and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Actual future results may vary materially from expectations expressed or implied in this document or any of our prior communications. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. We do not undertake to update or revise any forward-looking statements, except as required by applicable securities laws.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We manage exposure to market interest rates by diversifying investments across different fixed-income market sectors and debt across maturities, as well as by endeavoring to match our floating-rate assets and liabilities over time, either directly or through the use of interest rate swap contracts. Unrealized gains and losses on investments in available-for-sale debt securities are reported in comprehensive income.

The following table summarizes the impact of hypothetical changes in market interest rates across the entire yield curve by 1% point or 2% points as of June 30, 2019 on our investment income and interest expense per annum, and the fair value of our investments and debt (in millions, except percentages):

	June 30, 2019			
Increase (Decrease) in Market Interest Rate	Investment Income Per Annum	Interest Expense Per Annum	Fair Value of Financial Assets	Fair Value of Financial Liabilities
2 %	$ 337	$ 305	$ (2,456)	$ (5,466)
1	169	152	(1,233)	(2,964)
(1)	(169)	(152)	1,177	3,491
(2)	(337)	(305)	2,034	7,581

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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

In connection with the filing of this quarterly report on Form 10-Q, management evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2019. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2019.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A description of our legal proceedings is included in and incorporated by reference to Note 7 of Notes to the Condensed Consolidated Financial Statements contained in Part I, Item 1 of this report.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors” of our 2018 10-K, which could materially affect our business, financial condition or future results. The risks described in our 2018 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

There have been no material changes to the risk factors disclosed in our 2018 10-K.

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

In November 1997, our Board of Directors adopted a share repurchase program, which the Board evaluates periodically. There is no established expiration date for the program. During the second quarter 2019, we repurchased approximately 6 million shares at an average price of $235.77 per share. As of June 30, 2019, we had Board authorization to purchase up to 76 million shares of our common stock.

ITEM 6. EXHIBITS*

The following exhibits are filed or incorporated by reference herein in response to Item 601 of Regulation S-K. The Company files Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K pursuant to the Securities Exchange Act of 1934 under Commission File No. 1-10864.

3.1	Certificate of Incorporation of UnitedHealth Group Incorporated (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 8-A/A filed on July 1, 2015)
3.2	Bylaws of UnitedHealth Group Incorporated, effective August 15, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 16, 2017)
4.1	Senior Indenture, dated as of November 15, 1998, between United HealthCare Corporation and The Bank of New York (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3/A, SEC File Number 333-66013, filed on January 11, 1999)
4.2	Amendment, dated as of November 6, 2000, to Senior Indenture, dated as of November 15, 1998, between UnitedHealth Group Incorporated and The Bank of New York (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001)
4.3	Instrument of Resignation, Appointment and Acceptance of Trustee, dated January 8, 2007, pursuant to the Senior Indenture, dated as of November 15, 1998, amended November 6, 2000, among UnitedHealth Group Incorporated, The Bank of New York and Wilmington Trust Company (incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007)
4.4	Indenture, dated as of February 4, 2008, between UnitedHealth Group Incorporated and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, SEC File Number 333-149031, filed on February 4, 2008)
10.1	UnitedHealth Group Executive Savings Plan (2019 Statement)
31.1	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

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

SIGNATURES

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

UNITEDHEALTH GROUP INCORPORATED

/s/ DAVID S. WICHMANN **David S. Wichmann**	Chief Executive Officer (principal executive officer)	Dated:	August 6, 2019
/s/ JOHN F. REX **John F. Rex**	Executive Vice President and Chief Financial Officer (principal financial officer)	Dated:	August 6, 2019
/s/ THOMAS E. ROOS **Thomas E. Roos**	Senior Vice President and Chief Accounting Officer (principal accounting officer)	Dated:	August 6, 2019