

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

April 19, 2010

Steve Hemsley
President and Chief Executive Officer
UnitedHealth Group
9900 Bren Road East
MN008-T010
Minnetonka, MN 55343

Mr. Hemsley,

Members of the Ways and Means Committee have repeatedly attempted to obtain information regarding UnitedHealth Group's (United) financial relationship with AARP in regard to the marketing of Medicare Medigap and Medicare Advantage (MA) insurance products. As you are aware, both the MA and Medigap programs are within the Committee's legislative and oversight jurisdiction. Further, the Committee has direct oversight of United's business partner, AARP, given its tax preferred status.

United-AARP insurance products cover more Medicare enrollees than any other insurer. It is squarely within the Committee's purview and responsibility to understand the financial relationship between United and AARP in order to protect taxpayers' interests.

Unfortunately, United and AARP have refused to cooperate and have provided only the most elementary details of this business arrangement, all of which are publicly available in annual financial reports and tax filings. Both United and AARP have repeatedly obstructed the Committee's oversight investigation regarding the hundreds of millions of dollars in annual royalty payments AARP receives from United primarily for the use of AARP's brand name.

United has stated that its failure to oblige the Committee Members' inquiry is due to the proprietary nature of the information and contractual obligations that require both entities to agree to its disclosure. However, this argument ignores the fact that United has often, and voluntarily, complied with Congressional requests to disclose such information about its insurance product lines, including contracts with AARP.

Given your history of openness and transparency, your decision to deny the members of this Committee access to contracts and the financial information therein, raises the question: What are United and AARP trying to conceal? If these contracts are

appropriate, why would United and AARP go to such lengths to hide the information from Congressional investigators?

Below is a summary, including the date of the request, of the most recent examples where United shared contractual and proprietary information in order to comply with other Congressional investigations:

- August 31, 2009: United responded and fulfilled a request from Chairmen Waxman and Stupak to provide the Committee on Energy and Commerce with detailed proprietary information regarding small group policies and premium rates;
- August 17, 2009: United provided detailed proprietary information regarding its employee compensation as well as information regarding its Medicare Advantage plan's premium revenue, claims payments, sales expenses, other general or administrative expenses, and profits to Chairmen Waxman and Stupak;
- May 2009: United provided proprietary information regarding its underwriting guidelines and samples of rescinded policies in response to the Energy and Commerce Committee's Subcommittee on Oversight and Investigations;
- October 10, 2008: United provided detailed and proprietary information in response to a request from Chairman Waxman regarding underwriting of individual insurance policies;
- May 2008: United provided proprietary and contractually-protected information regarding prescription drug negotiated rebates in their AARP Medicare prescription drug plan to Chairman Waxman;
- November 2008: AARP provided information regarding its indemnity insurance plans, which are underwritten by United, in response to several requests from Senator Grassley;
- May 4, 2007: United responded to several requests from the House Oversight and Government Reform, Domestic Policy Subcommittee Chairman Kucinich regarding its contracts with dental providers in its Maryland Medicaid dental plan; and
- February 9, 2007: United provided detailed financial and actuarial information on its Medicare prescription drug plan, which is marketed with AARP, in response to Chairman Waxman.

Again, United's history of providing Congressional Committees with the necessary information, even when they deem it to be "proprietary" or "confidential," to

conduct proper oversight stands in stark contrast to the repeated denials given to Members of the Ways and Means Committee asking for similar information.

In particular, United and AARP have jointly refused to provide detailed information specifying how payments for marketing United's Medicare Advantage and Medigap policies are structured, the amount of money United pays AARP to partner in the MA and Medigap insurance business, and risk-bearing arrangements entered into by both parties.

It is our understanding that United pays AARP a negotiated royalty fee to use the AARP brand name while marketing Medicare Advantage plans. We understand this seven-year financial arrangement ends in 2014 and that AARP does not bear any financial risk for the medical expenses incurred by seniors enrolled in United/AARP Medicare Advantage insurance plans.

In light of the foregoing, we repeat our request for disclosure of the amount of money United has paid, or will pay, AARP to comply with the Medicare Advantage contract in each year over this seven year period. Additionally, please indicate what factors went in to determining this pre-arranged royalty fee.

Furthermore, it is our understanding that AARP members who are enrolled in a United/AARP Medigap plan pay their monthly premiums directly to AARP. AARP retains a portion of this premium before passing the money along to United. We also understand that AARP bears a level of financial risk for the Medigap insurance products, meaning that if Medigap medical claims are high, AARP might lose money, but if claims are low, AARP stands to gain financially. We understand that unlike the Medicare Advantage arrangement, AARP collects a percentage of the actual Medigap premium in accordance with an 11 year contract that expires in 2017. What percentage of Medigap premiums will, or did, AARP retain in each year of this 11 year period? What is the dollar amount of Medigap premiums that AARP will, or did, retain in each year of this 11 year period? Please provide a detailed analysis of the risk-sharing agreement between United and AARP for the Medigap insurance product line, including how many years since 2007 has AARP financially benefited, or suffered, from this risk-sharing arrangement and to what degree.

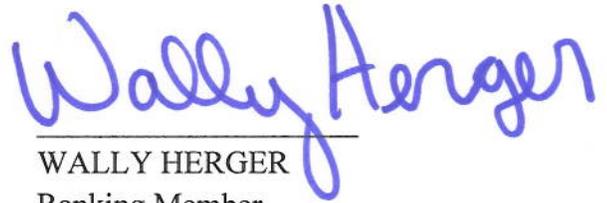
Lastly, we understand that United sells Secure Horizon's Medigap plans in addition to the AARP Medigap plans. Does United actively market the Secure Horizon's Medigap products? If so, please provide the total dollar amount spent on marketing and advertising Secure Horizon's Medigap plans versus what was spent marketing and advertising the AARP Medigap plans. Additionally, does United's financial arrangement with AARP preclude Secure Horizon plans from being offered in geographic areas where a United-AARP plan is available, thus limiting seniors' choice of Medigap plans? If so, please describe these limitations in great detail.

The information we are requesting is not materially different than the information United has repeatedly provided to comply with other Congressional investigations. Please provide comprehensive answers to each of our questions no later than April 26, 2010.

Sincerely



DAVE CAMP
Ranking Member
Committee on Ways and Means



WALLY HERGER
Ranking Member
Subcommittee on Health



GINNY BROWN-WAITE
Member of Congress



DAVID REICHERT
Member of Congress

Cc: A. Barry Rand, CEO, AARP