Alphatec Holdings, Inc.
Form 8-K
August 08, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 4, 2008

Alphatec Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**000-52024**	**20-2463898**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

5818 El Camino Real

Carlsbad, CA 92008

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: (760) 431-9286

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02. Results of Operations and Financial Condition.

On August 4, 2008, Alphatec Holdings, Inc. (the Company) issued a press release announcing its preliminary financial results for the second quarter ended June 30, 2008. The Company also held a conference call to discuss these preliminary results. Pursuant to General Instruction F to Form 8-K, a copy of the transcript from the conference call is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained in this Current Report, including Exhibit 99.1, is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, unless it is specifically incorporated by reference therein.

ITEM 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1 Transcript of conference call held on August 4, 2008 at 1:30 p.m. PT.

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 hereunto duly authorized.

Alphatec Holdings, Inc.

By: /s/ Ebun S. Garner, Esq.
Name: Ebun S. Garner, Esq.
Title: General Counsel and VP

Date: August 8, 2008

EXHIBIT INDEX

Exhibit Number	Description
99.1	Transcript of conference call held on August 4, 2008 at 1:30 p.m. PT.

font-family:inherit;font-size:8pt;font-weight:bold;">Valuation Technique

Unobservable Input

Low

High
December 31, 2012

Equity securities - available-for-sale

Venture capital portfolios

$
193

Market approach - comparable companies

Revenue multiple

1.0

10.0

EBITDA multiple

8.0

10.0

31

Market approach - recent transactions

Inactive market transactions

N/A

N/A
Total equity securities
available-for-sale

$
224

Also included in the Company's assets measured at fair value on a recurring basis using Level 3 inputs were $17 million of available-for-sale debt securities at December 31, 2012, which were not significant.

The Company elected to measure the entirety of the AARP Assets Under Management at fair value pursuant to the fair value option. See Note 2 for further detail on AARP. The following table presents fair value information about the AARP Program-related financial assets and liabilities:

(in millions)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Total Fair and Carrying Value
December 31, 2012			
Cash and cash equivalents	$230	$—	$230
Debt securities:			
U.S. government and agency obligations	545	244	789
State and municipal obligations	—	51	51
Corporate obligations	—	1,118	1,118
U.S. agency mortgage-backed securities	—	427	427
Non-U.S. agency mortgage-backed securities	—	155	155
Total debt securities	545	1,995	2,540
Equity securities - available-for-sale	—	3	3
Total assets at fair value	$775	$1,998	$2,773
Other liabilities	$23	$58	$81
December 31, 2011			
Cash and cash equivalents	$257	$10	$267
Debt securities:			
U.S. government and agency obligations	566	214	780
State and municipal obligations	—	25	25
Corporate obligations	—	1,048	1,048
U.S. agency mortgage-backed securities	—	436	436
Non-U.S. agency mortgage-backed securities	—	150	150
Total debt securities	566	1,873	2,439
Equity securities - available-for-sale	—	2	2
Total assets at fair value	$823	$1,885	$2,708
Other liabilities	$27	$49	$76

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5. Property, Equipment and Capitalized Software

A summary of property, equipment and capitalized software is as follows:

(in millions)	December 31, 2012	December 31, 2011
Land and improvements	$358	$45
Buildings and improvements	1,910	1,052
Computer equipment	1,447	1,345
Furniture and fixtures	488	274
Less accumulated depreciation	(1,542)	(1,424)
Property and equipment, net	2,661	1,292
Capitalized software	2,300	2,239
Less accumulated amortization	(1,022)	(1,016)
Capitalized software, net	1,278	1,223
Total property, equipment and capitalized software, net	$3,939	$2,515

Depreciation expense for property and equipment for 2012, 2011 and 2010 was $449 million, $386 million and $398 million, respectively. Amortization expense for capitalized software for 2012, 2011 and 2010 was $412 million, $377 million and $349 million, respectively.

6. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill, by reportable segment, were as follows:

(in millions)	UnitedHealthcare	OptumHealth	OptumInsight	OptumRx	Consolidated
Balance at January 1, 2011	$ 17,837	$ 760	$3,308	$840	$22,745
Acquisitions	101	1,353	—	—	1,454
Dispositions	(2)	—	(214)	—	(216)
Adjustments, net	(4)	—	(4)	—	(8)
Balance at December 31, 2011	17,932	2,113	3,090	840	23,975
Acquisitions	6,557	705	98	—	7,360
Adjustments and foreign currency effects, net	(30)	—	(19)	—	(49)
Balance at December 31, 2012	$ 24,459	$ 2,818	$3,169	$840	$31,286

In October 2012, the Company purchased approximately 60% of the outstanding shares of Amil for approximately $3.2 billion in a private transaction. Later in the fourth quarter of 2012, the Company purchased an additional 17.8 million shares of Amil for $0.3 billion, bringing the stake in Amil attributable to the Company to approximately 65% of Amil's outstanding shares. Amil is a health care company located in Brazil, providing health and dental benefits, hospital and clinical services, and advanced care management resources to more than 5 million people. The total consideration paid and fair value of the noncontrolling interest exceeded the estimated fair value of the net tangible assets acquired by $5.9 billion, of which $1.0 billion has been allocated to finite-lived intangible assets, $0.6 billion to indefinite-lived intangible assets and $4.3 billion to goodwill. To estimate the acquisition date fair value of the noncontrolling interest of $2.2 billion, the Company utilized the public share price as of the date of acquisition. Contingent liabilities were measured based on the probable amount that could be reasonably estimated. The results of operations and financial condition of Amil have been included in the Company's consolidated results and the results of the UnitedHealthcare reportable segment since the acquisition date. The pro-forma effects of this acquisition on the Company's results of operations were not material. In conjunction with the 2012 purchases, the Company generated Brazilian tax deductible goodwill of approximately $2.7 billion.

Because of the acquisition of a controlling interest in Amil, the Company is required by Brazilian law to commence a mandatory tender offer for the remaining publicly traded shares. The Company expects to acquire an additional 25% ownership interest during the first half of 2013 through this tender offer. The tender offer price will be at the same price paid to Amil's controlling shareholders, adjusted for statutory interest under Brazilian law from the date of payment to the controlling shareholders to the date of payment to the tendering minority shareholders. The remaining 10% stake in Amil is held by shareholders, including Amil's CEO, who has been a member of the Company's Board of Directors since October 2012, who have committed to retain the shares for at least five years. They have the right to put the shares to the Company and the Company has the right to call these shares upon expiration of the five year term, unless accelerated upon certain events, at fair market value. Related to this acquisition, Amil's CEO invested approximately $470 million in unregistered UnitedHealth Group

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common shares in the fourth quarter of 2012 and has committed to hold those shares for the same five year term, subject to certain exceptions.

Acquired net tangible assets and liabilities for Amil at acquisition date were:

(in millions)	
Cash and cash equivalents	$240
Investments	341
Accounts receivable and other current assets	207
Property, equipment and other long-term assets	1,266
Medical costs payable	586
Other current liabilities	638
Contingent liabilities	270
Long-term debt and other long-term liabilities	569

Since the Amil acquisition occurred in the fourth quarter, the purchase price allocation is subject to adjustment as valuation
analyses, primarily related to intangible and fixed assets and contingent and tax liabilities, are finalized.

For the years ended December 31, 2012, 2011 and 2010, aggregate consideration paid, net of cash assumed, for acquisitions excluding Amil was $3.3 billion, $1.8 billion and $2.3 billion, respectively. These acquisitions were not material to the Company's Consolidated Financial Statements.

The gross carrying value, accumulated amortization and net carrying value of other intangible assets were as follows:

	December 31, 2012			December 31, 2011		
(in millions)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Customer-related	$5,229	$ (1,629)	$3,600	$3,766	$ (1,310)	$2,456
Trademarks and technology	445	(146)	299	368	(98)	270
Trademarks - indefinite-lived	611	—	611	—	—	—
Other	221	(49)	172	112	(43)	69
Total	$6,506	$ (1,824)	$4,682	$4,246	$ (1,451)	$2,795

The acquisition date fair values and weighted-average useful lives assigned to finite-lived intangible assets acquired in business combinations consisted of the following by year of acquisition:

	2012		2011	
(in millions, except years)	Fair Value	Weighted-Average Useful Life	Fair Value	Weighted-Average Useful Life
Customer-related	$1,530	8 years	$187	9 years
Trademarks and technology	79	4 years	49	5 years
Other	111	15 years	5	15 years
Total acquired finite-lived intangible assets	$1,720	9 years	$241	9 years

Estimated full year amortization expense relating to intangible assets for each of the next five years ending December 31 is as follows:

(in millions)	
2013	$545
2014	527
2015	506
2016	480
2017	456

Amortization expense relating to intangible assets for 2012, 2011 and 2010 was $448 million, $361 million and $317 million, respectively.

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7. Medical Costs and Medical Costs Payable

The following table provides details of the Company's favorable medical reserve development:

	For the Years Ended December 31,		
(in millions)	2012	2011	2010
Related to Prior Years	$860	$720	$800

The favorable development for 2012, 2011 and 2010 was driven by lower than expected health system utilization levels and increased efficiency in claims handling and processing. The favorable development for 2010 was also impacted by a reduction in reserves needed for disputed claims from care providers; and favorable resolution of certain state-based assessments.

The following table shows the components of the change in medical costs payable for the years ended December 31:

(in millions)	2012	2011	2010
Medical costs payable, beginning of period	$9,799	$9,220	$9,362
Acquisitions	1,029	155	—
Reported medical costs:			
Current year	81,086	75,052	69,641
Prior years	(860)	(720)	(800)
Total reported medical costs	80,226	74,332	68,841
Claim payments:			
Payments for current year	(71,832)	(65,763)	(60,949)
Payments for prior year	(8,218)	(8,145)	(8,034)
Total claim payments	(80,050)	(73,908)	(68,983)
Medical costs payable, end of period	$11,004	$9,799	$9,220

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8. Commercial Paper and Long-Term Debt

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

	December 31, 2012			December 31, 2011		
(in millions, except percentages)	Par Value	Carrying Value	Fair Value	Par Value	Carrying Value	Fair Value
Commercial Paper	$1,587	$1,587	$1,587	$—	$—	$—
5.500% senior unsecured notes due November 2012	—	—	—	352	363	366
4.875% senior unsecured notes due February 2013	534	534	536	534	540	556
4.875% senior unsecured notes due April 2013	409	411	413	409	421	427
4.750% senior unsecured notes due February 2014	172	178	180	172	184	185
5.000% senior unsecured notes due August 2014	389	411	414	389	423	424
4.875% senior unsecured notes due March 2015 (a)	416	444	453	416	458	460
0.850% senior unsecured notes due October 2015 (a)	625	623	627	—	—	—
5.375% senior unsecured notes due March 2016	601	660	682	601	678	689
1.875% senior unsecured notes due November 2016	400	397	412	400	397	400
5.360% senior unsecured notes due November 2016	95	95	110	95	95	110
6.000% senior unsecured notes due June 2017	441	489	528	441	499	518
1.400% senior unsecured notes due October 2017 (a)	625	622	626	—	—	—
6.000% senior unsecured notes due November 2017	156	170	191	156	173	183
6.000% senior unsecured notes due February 2018	1,100	1,120	1,339	1,100	1,123	1,308
3.875% senior unsecured notes due October 2020	450	442	499	450	442	478
4.700% senior unsecured notes due February 2021	400	417	466	400	419	450
3.375% senior unsecured notes due November 2021 (a)	500	512	533	500	497	517
2.875% senior unsecured notes due March 2022	1,100	998	1,128	—	—	—
0.000% senior unsecured notes due November 2022	15	9	11	1,095	619	696
2.750% senior unsecured notes due February 2023 (a)	625	619	631	—	—	—
5.800% senior unsecured notes due March 2036	850	845	1,025	850	844	1,017
6.500% senior unsecured notes due June 2037	500	495	659	500	495	636

6.625% senior unsecured notes due November 2037	650	645	860	650	645	834
6.875% senior unsecured notes due February 2038	1,100	1,084	1,510	1,100	1,084	1,475
5.700% senior unsecured notes due October 2040	300	298	364	300	298	359
5.950% senior unsecured notes due February 2041	350	348	440	350	348	430
4.625% senior unsecured notes due November 2041	600	593	641	600	593	631
4.375% senior unsecured notes due March 2042	502	486	521	—	—	—
3.950% senior unsecured notes due October 2042	625	611	622	—	—	—
Total U.S. Dollar denominated debt	16,117	16,143	18,008	11,860	11,638	13,149
Cetip Interbank Deposit Rate (CDI) + 1.3% Subsidiary floating debt due October 2013	147	148	150	—	—	—
CDI + 1.45 % Subsidiary floating debt due October 2014	147	149	150	—	—	—
110% CDI Subsidiary floating debt due December 2014	147	151	147	—	—	—
CDI + 1.6% Subsidiary floating debt due October 2015	74	76	76	—	—	—
Brazilian Extended National Consumer Price Index (IPCA) + 7.61% Subsidiary floating debt due October 2015	73	87	90	—	—	—
Total Brazilian Real denominated debt (in U.S. Dollars)	588	611	613	—	—	—
Total commercial paper and long-term debt	$16,705	$16,754	$18,621	$11,860	$11,638	$13,149

(a) In 2012, the Company entered into interest rate swap contracts with a notional amount of $2.8 billion hedging these fixed-rate debt instruments. See below for more information on the Company’s interest rate swaps.

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Maturities of commercial paper and long-term debt for the years ending December 31 are as follows:

(in millions)	
2013 (a)	$2,713
2014	920
2015	1,175
2016	1,152
2017	1,281
Thereafter	9,513

(a) Includes $33 million of debt subject to acceleration clauses.

Long-Term Debt

In August 2012, the Company completed an exchange of $1.1 billion of its zero coupon senior unsecured notes due November of 2022 for $0.5 billion additional issuance of its 2.875% notes due in March 2022, $0.1 billion additional issuance of its 4.375% notes due March 2042 and $0.1 billion in cash.

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 December 31, 2012, the Company's outstanding commercial paper had a weighted-average annual interest rate of 0.3%.

The Company has $3.0 billion five-year and $1.0 billion 364-day revolving bank credit facility with 21 banks, which mature in November 2017 and November 2013, respectively. These facilities provide liquidity support for the Company's $4.0 billion commercial paper program and are available for general corporate purposes. There were no amounts outstanding under these facilities as of December 31, 2012. The interest rates on borrowings are variable based on term and are calculated based on the London Interbank Offered Rate (LIBOR) plus a credit spread based on the Company's senior unsecured credit ratings. As of December 31, 2012, the annual interest rates on both of the credit facilities, had they been drawn, would have ranged from 1.0% to 1.3%.

Debt Covenants

The Company's bank credit facilities contain various covenants including requiring the Company to maintain a debt to debt-plus-equity ratio not more than 50%. The Company was in compliance with its debt covenants as of December 31, 2012.

Interest Rate and Currency Swap Contracts

In 2012, the Company entered into interest rate swap contracts to convert a portion of its interest rate exposure from fixed rates to floating rates to more closely align interest expense with interest income received on its cash equivalent and variable rate investment balances. The floating rates are benchmarked to LIBOR. The swaps are designated as fair value hedges on the Company's fixed-rate debt. Since the critical terms of the swaps match those of the debt being hedged, they are assumed to be highly effective hedges and all changes in fair value of the swaps are recorded as an adjustment to the carrying value of the related debt with no net impact recorded in the Consolidated Statements of Operations. Both the hedge fair value changes and the offsetting debt adjustments are recorded in Interest Expense on the Consolidated Statements of Operations. The net fair value of these swaps was $3 million at December 31, 2012 and is recorded in Other Long-Term Assets for $14 million and Other Long-Term Liabilities for $11 million in the Consolidated Balance Sheets.

In December 2012, the Company entered into currency swap contracts to hedge the foreign currency exposure on the principal amount of intercompany borrowings denominated in Brazilian Real. The currency swaps have a notional amount of $256 million and mature on December 31, 2013. As of December 31, 2012, the fair value of the currency swap liability was $3 million, which was recorded in Other Current Liabilities in the Company's Consolidated Balance Sheets.

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9. Income Taxes

The components of the provision for income taxes for the years ended December 31 are as follows:

(in millions)	2012	2011	2010
Current Provision:			
Federal	$2,638	$2,608	$2,524
State and local	150	150	180
Total current provision	2,788	2,758	2,704
Deferred provision	308	59	45
Total provision for income taxes	$3,096	$2,817	$2,749

The reconciliation of the tax provision at the U.S. Federal Statutory Rate to the provision for income taxes for the years ended December 31 is as follows:

(in millions, except percentages)	2012		2011		2010	
Tax provision at the U.S. federal statutory rate	$3,018	35.0 %	$2,785	35.0 %	$2,584	35.0 %
State income taxes, net of federal benefit	143	1.7	136	1.7	129	1.7
Settlement of state exams, net of federal benefit	2	—	(29)	(0.4)	(3)	—
Tax-exempt investment income	(59)	(0.7)	(63)	(0.8)	(65)	(0.9)
Non-deductible compensation	22	0.2	10	0.1	64	0.9
Other, net	(30)	(0.3)	(22)	(0.2)	40	0.5
Provision for income taxes	$3,096	35.9 %	$2,817	35.4 %	$2,749	37.2 %

The higher effective income tax rate for 2012 as compared to 2011 resulted from the favorable resolution of various tax matters in 2011. The 2010 effective income tax rates were at higher levels due to the cumulative implementation of changes under the Health Reform Legislation.

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The components of deferred income tax assets and liabilities as of December 31 are as follows:

(in millions)	2012	2011
Deferred income tax assets:		
Accrued expenses and allowances	$306	$259
U.S. Federal and State net operating loss carryforwards	276	247
Share-based compensation	238	417
Long term liabilities	160	155
Medical costs payable and other policy liabilities	149	166
Non-U.S. tax loss carryforwards	126	—
Unearned revenues	64	56
Unrecognized tax benefits	25	44
Domestic other	93	192
Foreign other	142	—
Subtotal	1,579	1,536
Less: valuation allowances	(271)	(184)
Total deferred income tax assets	1,308	1,352
Deferred income tax liabilities:		
U.S. Federal and State intangible assets	(1,335)	(1,148)
Non-U.S. goodwill and intangible assets	(640)	—
Capitalized software development	(482)	(465)
Net unrealized gains on investments	(296)	(275)
Depreciation and amortization	(249)	(256)
Prepaid expenses	(113)	(86)
Foreign other	(179)	—
Total deferred income tax liabilities	(3,294)	(2,230)
Net deferred income tax liabilities	$(1,986)	$(878)

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. The valuation allowances primarily relate to future tax benefits on certain federal, state and non-U.S. net operating loss carryforwards. Federal net operating loss carryforwards of $105 million expire beginning in 2019 through 2032, state net operating loss carryforwards expire beginning in 2013 through 2032. Substantially all of the non-U.S. tax loss carryforwards have indefinite carryforward periods.

As of December 31, 2012 the Company had $94 million of undistributed earnings from non-U.S. subsidiaries that are intended to be reinvested in non-U.S. operations. Because these earnings are considered permanently reinvested, no U.S. tax provision has been accrued related to the repatriation of these earnings. It is not practicable to estimate the amount of U.S. tax that might be payable on the eventual remittance of such earnings.

A reconciliation of the beginning and ending amount of unrecognized tax benefits as of December 31 is as follows:

(in millions)	2012	2011	2010
Gross unrecognized tax benefits, beginning of period	$129	$220	$220
Gross increases:			
Current year tax positions	6	11	13
Prior year tax positions	18	10	30
Gross decreases:			
Prior year tax positions	(48)	(34)	—
Settlements	(10)	(25)	—
Statute of limitations lapses	(14)	(53)	(43)
Gross unrecognized tax benefits, end of period	$81	$129	$220

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The Company classifies interest and penalties associated with uncertain income tax positions as income taxes within its Consolidated Financial Statements. The Company recognized tax benefits from the net reduction of interest and penalties accrued of $20 million and $12 million during the years ended December 31, 2012 and 2011, respectively. During the year ended December 31, 2010, the Company recognized $15 million of interest expense and penalties. The Company had $23 million and $41 million of accrued interest and penalties for uncertain tax positions as of December 31, 2012 and 2011, respectively. These amounts are not included in the reconciliation above. As of December 31, 2012, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate, was $77 million.

The Company currently files income tax returns in the U.S., various states and foreign jurisdictions. The U.S. Internal Revenue Service (IRS) has completed exams on the consolidated income tax returns for fiscal years 2011 and prior. The Company's 2012 tax year is under advance review by the IRS under its Compliance Assurance Program. With the exception of a few states, the Company is no longer subject to income tax examinations prior to 2007. The Brazilian federal revenue service - Secretaria da Receita Federal (SRF) may audit the Company's Brazilian subsidiaries for a period of five years from the date on which corporate income taxes should have been paid and/or the date when the tax return was filed. Estimated taxes are paid monthly or quarterly with an annual return due on June 30 following the end of the taxable year.

The Company believes it is reasonably possible that its liability for unrecognized tax benefits will decrease in the next twelve months by $37 million as a result of audit settlements and the expiration of statutes of limitations in certain major jurisdictions.

10. Shareholders' Equity

Regulatory Capital and Dividend Restrictions

The Company's regulated subsidiaries are subject to regulations and standards in their respective jurisdictions. These standards, among other things, require these subsidiaries to maintain specified levels of statutory capital, as defined by each jurisdiction, and restrict the timing and amount of dividends and other distributions that may be paid to their parent companies. In the United States, most of these regulations and standards are generally consistent with model regulations established by the National Association of Insurance Commissioners. Except in the case of extraordinary dividends, these standards generally permit dividends to be paid from statutory unassigned surplus of the regulated subsidiary and are limited based on the regulated subsidiary's level of statutory net income and statutory capital and surplus. These dividends are referred to as "ordinary dividends" and generally can be paid without prior regulatory approval. If the dividend, together with other dividends paid within the preceding twelve months, exceeds a specified statutory limit or is paid from sources other than earned surplus, it is generally considered an "extraordinary dividend" and must receive prior regulatory approval. In 2012, based on the 2011 statutory net income and statutory capital and surplus levels, the maximum amount of ordinary dividends that could have been paid by the Company's U.S. regulated subsidiaries to their parent companies was $4.6 billion.

For the year ended December 31, 2012, the Company's regulated subsidiaries paid their parent companies dividends of $4.9 billion, including $1.2 billion of extraordinary dividends. For the year ended December 31, 2011, the Company's regulated subsidiaries paid their parent companies dividends of $4.5 billion, including $1.1 billion of extraordinary dividends. As of December 31, 2012, $1.1 billion of the Company's $8.4 billion of cash and cash equivalents was held by non-regulated entities.

The Company's regulated subsidiaries had estimated aggregate statutory capital and surplus of approximately $13 billion as of December 31, 2012; regulated entity statutory capital exceeded aggregate minimum capital requirements. Optum Bank must meet minimum requirements for Tier 1 leverage capital, Tier 1 risk-based capital, and Total risk-based capital of the Federal Deposit Insurance Corporation (FDIC) to be considered "Well Capitalized" under the capital adequacy rules to which it is subject. At December 31, 2012, the Company believes that Optum Bank met the FDIC requirements to be considered "Well Capitalized."

Share Repurchase Program

Under its Board of Directors' authorization, the Company maintains a share repurchase program. The objectives of the share repurchase program are to optimize the Company's capital structure and cost of capital, thereby improving returns to shareholders, as well as to offset the dilutive impact of share-based awards. Repurchases may be made from time to time in open market purchases or other types of transactions (including prepaid or structured share repurchase programs), subject to certain Board restrictions. In June 2012, the Board renewed and expanded the Company's share repurchase program with an authorization to repurchase up to 110 million shares of its common stock. During the year ended December 31, 2012, the Company repurchased 57 million shares at an average price of $54.45 per share and an aggregate cost of $3.1 billion. As of December 31, 2012, the Company had Board authorization to purchase up to an additional 85 million shares of its common stock.

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Dividends

In June 2012, the Company's Board of Directors increased the Company's cash dividend to shareholders to an annual dividend rate of $0.85 per share, paid quarterly. Since May 2011, the Company had paid an annual dividend of $0.65 per share, paid quarterly. 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 dividend payments:

Payment Date	Amount per Share	Total Amount Paid (in millions)
2010	$ 0.4050	$ 449
2011	0.6125	651
2012	0.8000	820

11. Share-Based Compensation

The Company's outstanding share-based awards consist mainly of non-qualified stock options, SARs and restricted shares. As of December 31, 2012, the Company had 43 million shares available for future grants of share-based awards under its share-based compensation plan, including, but not limited to, incentive or non-qualified stock options, SARs and up to 16 million of awards in restricted shares. As of December 31, 2012, there were also 20 million shares of common stock available for issuance under the ESPP.

Stock Options and SARs

Stock option and SAR activity for the year ended December 31, 2012 is summarized in the table below:

	Shares (in millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at beginning of period	91	$42		
Granted	2	55		
Exercised	(29)	36		
Forfeited	(1)	43		
Outstanding at end of period	63	45	4.0	$625
Exercisable at end of period	53	46	3.5	460
Vested and expected to vest, end of period	62	45	4.0	622

Restricted Shares

Restricted share activity for the year ended December 31, 2012 is summarized in the table below:

(shares in millions)	Shares	Weighted-Average Grant Date Fair Value per Share
Nonvested at beginning of period	17	$ 36
Granted	7	52
Vested	(14)	37
Forfeited	(1)	44
Nonvested at end of period	9	46

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Other Share-Based Compensation Data

(in millions, except per share amounts)	For the Years Ended December 31, 2012	2011	2010
Stock Options and SARs			
Weighted-average grant date fair value of shares granted, per share	$18	$15	$13
Total intrinsic value of stock options and SARs exercised	559	327	164
Restricted Shares			
Weighted-average grant date fair value of shares granted, per share	52	42	32
Total fair value of restricted shares vested	716	113	99
Employee Stock Purchase Plan			
Number of shares purchased	3	3	4
Share-Based Compensation Items			
Share-based compensation expense, before tax	$421	$401	$326
Share-based compensation expense, net of tax effects	299	260	278
Income tax benefit realized from share-based award exercises	461	170	78

(in millions, except years)	December 31, 2012
Unrecognized compensation expense related to share awards	$307
Weighted-average years to recognize compensation expense	1.1

Share-Based Compensation Recognition and Estimates

The principal assumptions the Company used in calculating grant-date fair value for stock options and SARs were as follows:

	2012	2011	2010
Risk free interest rate	0.7% - 0.9%	0.9% - 2.3%	1.0% - 2.1%
Expected volatility	43.2% - 44.0%	44.3% - 45.1%	45.4% - 46.2%
Expected dividend yield	1.2% - 1.7%	1.0% - 1.4%	0.1% - 1.7%
Forfeiture rate	5.0%	5.0%	5.0%
Expected life in years	5.3 - 5.6	4.9 - 5.0	4.6 - 5.1

Risk-free interest rates are based on U.S. Treasury yields in effect at the time of grant. Expected volatilities are based on the historical volatility of the Company's common stock and the implied volatility from exchange-traded options on the Company's common stock. Expected dividend yields are based on the per share cash dividend paid by the Company's Board of Directors. The Company uses historical data to estimate option and SAR exercises and forfeitures within the valuation model. The expected lives of options and SARs granted represents the period of time that the awards granted are expected to be outstanding based on historical exercise patterns.

Other Employee Benefit Plans

The Company also offers a 401(k) plan for all employees. Compensation expense related to this plan was not material for the years 2012, 2011 and 2010.

In addition, the Company maintains non-qualified, unfunded deferred compensation plans, which allow certain members of senior management and executives to defer portions of their salary or bonus and receive certain Company contributions on such deferrals, subject to plan limitations. The deferrals are recorded within Long-Term Investments with an approximately equal amount in Other Liabilities in the Consolidated Balance Sheets. The total deferrals are distributable based upon termination of employment or other periods, as elected under each plan and were $348 million and $281 million as of December 31, 2012 and 2011, respectively.

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12. Commitments and Contingencies

The Company leases facilities and equipment under long-term operating leases that are non-cancelable and expire on various dates through 2028. Rent expense under all operating leases for 2012, 2011 and 2010 was $334 million, $295 million and $297 million, respectively.

As of December 31, 2012, future minimum annual lease payments, net of sublease income, under all non-cancelable operating leases were as follows:

(in millions)	Future Minimum Lease Payments
2013	$380
2014	357
2015	319
2016	277
2017	233
Thereafter	556

The Company provides guarantees related to its service level under certain contracts. If minimum standards are not met, the Company may be financially at risk up to a stated percentage of the contracted fee or a stated dollar amount. None of the amounts accrued, paid or charged to income for service level guarantees were material as of or for the years ended December 31, 2012, 2011 and 2010.

As of December 31, 2012, the Company had outstanding, undrawn letters of credit with financial institutions of $45 million and surety bonds outstanding with insurance companies of $432 million, primarily to bond contractual performance.

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, 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.

Litigation Matters

Out-of-Network Reimbursement Litigation. The Company is involved in a number of lawsuits challenging reimbursement amounts for non-network health care services based on the Company's use of a database previously maintained by Ingenix, Inc. (now known as OptumInsight), including putative class actions and multidistrict litigation brought on behalf of members of Aetna and WellPoint. These suits allege, among other things, that the database licensed to these companies by Ingenix was flawed and that Ingenix conspired with these companies to underpay their members' claims and seek unspecified damages and treble damages, injunctive and declaratory relief, interest, costs and attorneys' fees. The Company is vigorously defending these suits. In 2012, the Company was dismissed as a party from a similar lawsuit involving Cigna and its members. The Company cannot reasonably estimate the range of loss, if any, that may result from these matters due to the procedural status of the cases, dispositive motions that remain pending, the absence of class certification in any of the cases, the lack of a formal demand on the Company by the plaintiffs, and the involvement of other insurance companies as defendants.

California Claims Processing Matter. On January 25, 2008, the California Department of Insurance (CDI) issued an Order to Show Cause to PacifiCare Life and Health Insurance Company, a subsidiary of the Company, alleging violations of certain insurance statutes and regulations related to an alleged failure to include certain language in standard claims correspondence,

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timeliness and accuracy of claims processing, interest payments, care provider contract implementation, care provider dispute resolution and other related matters. The matter has been the subject of an administrative hearing before a California administrative law judge since December 2009. Although the Company believes that CDI has never issued a penalty in excess of $8 million, CDI is seeking a penalty of approximately $325 million in this matter. The Company is vigorously defending against the claims in this matter and believes that the penalty requested by CDI is excessive and without merit. After the administrative law judge issues a ruling at the conclusion of the administrative proceeding, expected in early 2013, the California Insurance Commissioner may accept, reject or modify the administrative law judge's ruling, issue his own decision, and impose a fine or penalty. The Commissioner's decision is subject to challenge in court. The Company cannot reasonably estimate the range of loss, if any, that may result from this matter given the procedural status of the dispute, the novel legal issues presented (including the legal basis for the majority of the alleged violations), the inherent difficulty in predicting regulatory fines and penalties, and the various remedies and levels of judicial review available to the Company in the event a fine or penalty is assessed.

Government Investigations, Audits and Reviews

The Company has been and is currently involved in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments, state attorneys general, the Office of the Inspector General (OIG), the Office of Personnel Management, the Office of Civil Rights, the Federal Trade Commission (FTC), U.S. Congressional committees, the U.S. Department of Justice (DOJ), U.S. Attorneys, the Securities and Exchange Commission (SEC), the Brazilian securities regulator - Comissão de Valores Mobiliários (CVM), IRS, SRF, the U.S. Department of Labor (DOL), the FDIC and other governmental authorities. Certain of the Company's businesses have been reviewed or are currently under review, including for, among other things, compliance with coding and other requirements under the Medicare risk-adjustment model.

In February 2012, CMS announced a final RADV audit and payment adjustment methodology and that it will conduct RADV audits beginning with the 2011 payment year. These audits involve a review of medical records maintained by care providers and may result in retrospective adjustments to payments made to health plans. CMS has not communicated how the final payment adjustment under its methodology will be implemented.

Government actions can result in assessment of damages, civil or criminal fines or penalties, or other sanctions, including loss of licensure or exclusion from participation in government programs and could have a material effect on the Company's results of operations, financial position and cash flows.

13. Segment Financial Information

Factors used to determine the Company's reportable segments include the nature of operating activities, economic characteristics, existence of separate senior management teams and the type of information presented to the Company's chief operating decision maker to evaluate its results of operations. Reportable segments with similar economic characteristics are combined.

The following is a description of the types of products and services from which each of the Company's four reportable segments derives its revenues:

- UnitedHealthcare includes the combined results of operations of UnitedHealthcare Employer & Individual, UnitedHealthcare Medicare & Retirement, UnitedHealthcare Community & State and UnitedHealthcare International because they have similar economic characteristics, products and services, customers, distribution methods and operational processes and operate in a similar regulatory environment. The U.S. businesses also share significant common assets, including a contracted network of physicians, health care professionals, hospitals and other facilities, information technology infrastructure and other resources. UnitedHealthcare Employer & Individual offers an array of consumer-oriented health benefit plans and services for large national employers, public sector employers, mid-sized employers, small businesses and individuals nationwide and will serve TRICARE West Region members beginning April 1, 2013. UnitedHealthcare Medicare & Retirement provides health care coverage and health and well-being services to individuals age 50 and older, addressing their unique needs for preventive and acute health care services as well as services dealing with chronic disease and other specialized issues for older individuals. UnitedHealthcare

Community & State provides health plans and care programs to beneficiaries of acute and long-term care Medicaid plans, the Children's Health Insurance Program (CHIP), Special Needs Plans, Medicare-Medicaid Eligible beneficiaries eligible for both Medicare and Medicaid and other federal, state and community health care programs. UnitedHealthcare International is a diversified global health services business with a variety of offerings, including international commercial health and dental benefits.

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- OptumHealth serves the physical, emotional and financial needs of individuals, enabling consumer health management and integrated care delivery through programs offered by employers, payers, government entities and directly with the care delivery system. OptumHealth offers access to networks of care provider specialists, health management services, integrated care delivery services, consumer relationship management and sales distribution platform services and financial services.
- OptumInsight is a health care information, technology, operational services and consulting company providing software and information products, advisory consulting services, and business process outsourcing services and support to participants in the health care industry. Hospitals, physicians, commercial health plans, government agencies, life sciences companies and other organizations that comprise the health care system work with OptumInsight to reduce costs, meet compliance mandates, improve clinical performance and adapt to the changing health system landscape.
- OptumRx offers a multitude of pharmacy benefit management services and programs including claims processing, retail network contracting, rebate contracting and management, clinical programs, such as step therapy, formulary management and disease/drug therapy management programs to achieve a low-cost, high-quality pharmacy benefit. OptumRx also provides patient support programs and dispensing of prescribed medications, including specialty medications, through its mail order pharmacies for its clients' members.

The Company's accounting policies for reportable segment operations are consistent with those described in the Summary of Significant Accounting Policies (see Note 2). Transactions between reportable segments principally consist of sales of pharmacy benefit products and services to UnitedHealthcare customers by OptumRx, certain product offerings and care management and integrated care delivery services sold to UnitedHealthcare by OptumHealth, and health information and technology solutions, consulting and other services sold to UnitedHealthcare by OptumInsight. These transactions are recorded at management's estimate of fair value. Intersegment transactions are eliminated in consolidation. Assets and liabilities that are jointly used are assigned to each reportable segment using estimates of pro-rata usage. Cash and investments are assigned such that each reportable segment has working capital and/or at least minimum specified levels of regulatory capital.

As a percentage of the Company's total consolidated revenues, premium revenues from CMS were 29% for the year ended
December 31, 2012, 28% for year ended December 31, 2011, and 27% for the year ended December 31, 2010, most of which were generated by UnitedHealthcare Medicare & Retirement and included in the UnitedHealthcare segment. U.S. customer revenue represented approximately 99% of consolidated total revenues during 2012. Long-lived fixed assets located in the U.S. represented approximately 70% of the total long-lived fixed assets as of December 31, 2012.

Corporate and intersegment elimination amounts are presented to reconcile the reportable segment results to the consolidated results. The following table presents the reportable segment financial information:

		Optum					
(in millions)	UnitedHealthcare	OptumHealth	OptumInsight	OptumRx	Total Optum	Corporate and Intersegment Eliminations	Consolidated
2012							
Revenues - external customers:							
Premiums	$ 97,985	$ 1,743	$ —	$ —	$ 1,743	$ —	$ 99,728
Services	4,867	767	1,720	83	2,570	—	7,437
Products	—	21	87	2,665	2,773	—	2,773
Total revenues - external customers	102,852	2,531	1,807	2,748	7,086	—	109,938
Total revenues - intersegment	—	5,503	1,075	15,611	22,189	(22,189)	—

Investment and other income	567	113	—	—	113	—	680
Total revenues	$ 103,419	$ 8,147	$ 2,882	$ 18,359	$ 29,388	$ (22,189)	$ 110,618
Earnings from operations	$ 7,815	$ 561	$ 485	$ 393	$ 1,439	$ —	$ 9,254
Interest expense	—	—	—	—	—	(632)	(632)
Earnings before income taxes	$ 7,815	$ 561	$ 485	$ 393	$ 1,439	$ (632)	$ 8,622
Total Assets	$ 63,591	$ 8,274	$ 5,463	$ 3,466	$ 17,203	$ 91	$ 80,885
Purchases of property, equipment and capitalized software	$ 585	$ 184	$ 165	$ 136	$ 485	$ —	$ 1,070
Depreciation and amortization	$ 794	$ 193	$ 210	$ 112	$ 515	$ —	$ 1,309

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		Optum					
(in millions)	UnitedHealthcare	OptumHealth	OptumInsight	OptumRx	Total Optum	Corporate and Intersegment Eliminations	Consolidated
2011							
Revenues - external customers:							
Premiums	$ 90,487	$1,496	$ —	$—	$ 1,496	$ —	$ 91,983
Services	4,291	628	1,616	78	2,322	—	6,613
Products	—	24	96	2,492	2,612	—	2,612
Total revenues - external customers	94,778	2,148	1,712	2,570	6,430	—	101,208
Total revenues - intersegment	—	4,461	958	16,708	22,127	(22,127)	—
Investment and other income	558	95	1	—	96	—	654
Total revenues	$ 95,336	$6,704	$ 2,671	$19,278	$ 28,653	$ (22,127)	$ 101,862
Earnings from operations	$ 7,203	$423	$ 381	$457	$ 1,261	$ —	$ 8,464
Interest expense	—	—	—	—	—	(505)	(505)
Earnings before income taxes	$ 7,203	$423	$ 381	$457	$ 1,261	$ (505)	$ 7,959
Total Assets	$ 52,618	$6,756	$ 5,308	$3,503	$ 15,567	$ (296)	$ 67,889
Purchases of property, equipment and capitalized software	$ 635	$168	$ 175	$89	$ 432	$ —	$ 1,067
Depreciation and amortization	$ 680	$154	$ 195	$95	$ 444	$ —	$ 1,124
2010							
Revenues - external customers:							
Premiums	$ 84,158	$1,247	$ —	$—	$ 1,247	$ —	$ 85,405
Services	4,021	331	1,403	64	1,798	—	5,819
Products	—	19	93	2,210	2,322	—	2,322
Total revenues - external customers	88,179	1,597	1,496	2,274	5,367	—	93,546
Total revenues - intersegment	—	2,912	845	14,449	18,206	(18,206)	—
Investment and other income	551	56	1	1	58	—	609
Total revenues	$ 88,730	$4,565	$ 2,342	$16,724	$ 23,631	$ (18,206)	$ 94,155
Earnings from operations	$ 6,740	$511	$ 84	$529	$ 1,124	$ —	$ 7,864
Interest expense	—	—	—	—	—	(481)	(481)
Earnings before income taxes	$ 6,740	$511	$ 84	$529	$ 1,124	$ (481)	$ 7,383
Total Assets	$ 50,913	$3,897	$ 5,435	$3,087	$ 12,419	$ (269)	$ 63,063
Purchases of property, equipment and capitalized software	$ 525	$117	$ 156	$80	$ 353	$ —	$ 878

Depreciation and amortization	$ 725	$100	$ 159	$80	$ 339	$ —	$ 1,064
Goodwill impairment	$ —	$—	$ 172	$—	$ 172	$ —	$ 172

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14. Quarterly Financial Data (Unaudited)

Selected quarterly financial information for all quarters of 2012 and 2011 is as follows:

	For the Quarter Ended			
(in millions, except per share data)	March 31	June 30	September 30	December 31
2012				
Revenues	$27,282	$27,265	$27,302	$28,769
Operating costs	24,965	25,039	24,692	26,668
Earnings from operations	2,317	2,226	2,610	2,101
Net earnings	1,388	1,337	1,557	1,244
Net earnings per share attributable to UnitedHealth Group common shareholders:				
Basic	1.34	1.30	1.52	1.22
Diluted	1.31	1.27	1.50	1.20
2011				
Revenues	$25,432	$25,234	$25,280	$25,916
Operating costs	23,211	23,135	23,210	23,842
Earnings from operations	2,221	2,099	2,070	2,074
Net earnings	1,346	1,267	1,271	1,258
Basic net earnings per common share	1.24	1.18	1.19	1.19
Diluted net earnings per common share	1.22	1.16	1.17	1.17

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 Form 10-K, 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 December 31, 2012. 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 December 31, 2012.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Report of Management on Internal Control over Financial Reporting as of December 31, 2012

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system is designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Management's assessment of the effectiveness of our internal control over financial reporting excluded an assessment of the effectiveness of our internal control over financial reporting of Amil Participações S.A and its subsidiaries (Amil). Such exclusion was in accordance with Securities and Exchange Commission guidance that an assessment of a recently acquired business may be omitted in management's report on internal control over financial reporting in the year of acquisition. We acquired a controlling interest in Amil during October 2012. Amil represented 10% of our consolidated total assets and 1% of our consolidated total revenues as of and for the year ended December 31, 2012. Based on our assessment and the COSO criteria, we believe that, as of December 31, 2012, the Company maintained effective internal control over financial reporting.

The Company's independent registered public accounting firm has audited the Company's internal control over financial reporting as of December 31, 2012, as stated in the Report of Independent Registered Public Accounting Firm, appearing under Item 9A, which expresses an unqualified opinion on the effectiveness of the Company's internal controls over financial reporting as of December 31, 2012.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of UnitedHealth Group Incorporated and Subsidiaries:

We have audited the internal control over financial reporting of UnitedHealth Group Incorporated and Subsidiaries (the "Company") as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Report of Management on Internal Control over Financial Reporting as of December 31, 2012, management excluded from its assessment the internal control over financial reporting at Amil Participações S.A and its subsidiaries (Amil), which was acquired during October 2012 and whose financial statements collectively constitute approximately 10% of total assets and 1% of total revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2012. Accordingly, our audit did not include the internal control over financial reporting at Amil. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting as of December 31, 2012. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2012 of the Company and our reports dated February 6, 2013 expressed as an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
February 6, 2013

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Pursuant to General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K, information regarding our executive officers is provided in Item 1 of Part I of this Annual Report on Form 10-K under the caption "Executive Officers of the Registrant."

The remaining information required by Items 401, 405, 406 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K will be included under the headings "Corporate Governance," "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement for our 2013 Annual Meeting of Shareholders, and such required information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Items 402, 407(e)(4) and (e)(5) of Regulation S-K will be included under the headings "Executive Compensation," "Director Compensation," "Corporate Governance - Risk Oversight" and "Compensation Committee Interlocks and Insider Participation" in our definitive proxy statement for our 2013 Annual Meeting of Shareholders, and such required information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table sets forth certain information, as of December 31, 2012, concerning shares of common stock authorized for issuance under all of our equity compensation plans:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights [3] (in millions)	(b) Weighted-average exercise price of outstanding options, warrants and rights [3]	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (in millions)	
Equity compensation plans approved by shareholders [1]	51	$43	63	[4]
Equity compensation plans not approved by shareholders [2]	—	—	—	
Total [2]	51	$43	63	

(1) Consists of the UnitedHealth Group Incorporated 2011 Stock Incentive Plan, as amended, and the UnitedHealth Group 1993 Employee Stock Purchase Plan, as amended.

(2) Excludes 0.1 million shares underlying stock options assumed by us in connection with our acquisition of the companies under whose plans the options originally were granted. These options have a weighted-average exercise price of $41 and an average remaining term of approximately 2.1 years. The options are administered pursuant to the terms of the plan under which the option originally was granted. No future awards will be granted under these acquired plans.

(3) Excludes stock appreciation rights (SARs) to acquire 12 million shares of common stock of the Company with exercise prices above $54.24, the closing price of a share of our common stock as reported on the NYSE on December 31, 2012.

(4) Includes 20 million shares of common stock available for future issuance under the Employee Stock Purchase Plan as of December 31, 2012, and 43 million shares available under the 2011 Stock Incentive Plan as of December 31, 2012. Shares available under the 2011 Stock Incentive Plan may become the subject of future awards in the form of

stock options, SARs, restricted stock, restricted stock units, performance awards and other stock-based awards, except that only 16 million of these shares are available for future grants of awards other than stock options or SARs.

The information required by Item 403 of Regulation S-K will be included under the heading "Security Ownership of Certain Beneficial Owners and Management" in our definitive proxy statement for our 2013 Annual Meeting of Shareholders, and such required information is incorporated herein by reference.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Items 404 and 407(a) of Regulation S-K will be included under the headings “Certain Relationships and Transactions” and “Corporate Governance” in our definitive proxy statement for our 2013 Annual Meeting of Shareholders, and such required information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 9(e) of Schedule 14A will be included under the heading “Independent Registered Public Accounting Firm” in our definitive proxy statement for our 2013 Annual Meeting of Shareholders, and such required information is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The financial statements are included under Item 8 of this report:

- Reports of Independent Registered Accounting Firm.
- Consolidated Balance Sheets as of December 31, 2012 and 2011.
- Consolidated Statement of Operations for the years ended December 31, 2012, 2011, and 2010.
- Consolidated Statement of Comprehensive Income for the years ended December 31, 2012, 2011, and 2010.
- Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2012, 2011, and 2010.
- Consolidated Statement of Cash Flows for the years ended December 31, 2012, 2011, and 2010.
- Notes to the Consolidated Financial Statements.

2. Financial Statement Schedules

The following financial statement schedule of the Company is included in Item 15(c):

- Schedule I - Condensed Financial Information of Registrant (Parent Company Only).

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions, are inapplicable, or the required information is included in the consolidated financial statements, and therefore have been omitted.

(b) The following exhibits are filed in response to Item 601 of Regulation S-K.

EXHIBIT INDEX**

3.1	Third Restated Articles of Incorporation of UnitedHealth Group Incorporated (incorporated by reference to Exhibit 3.1 to UnitedHealth Group Incorporated’s Current Report on Form 8-K dated May 29, 2007)
3.2	Fourth Amended and Restated Bylaws of UnitedHealth Group Incorporated (incorporated by reference to Exhibit 3.1 to UnitedHealth Group Incorporated’s Current Report on Form 8-K dated October 23, 2009)
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*10.26	Amendment to Employment Agreement, dated as of December 14, 2010, between UnitedHealth Group Incorporated and Stephen J. Hemsley (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated’s Current Report on Form 8-K dated December 15, 2010)
*10.27	Amended and Restated Employment Agreement, dated as of August 8, 2011, between United HealthCare Services, Inc. and Gail K. Boudreaux (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011)
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*10.31	Amended and Restated Employment Agreement, dated as of March 26, 2012, between United HealthCare Services, Inc. and Larry C. Renfro (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)
*10.32	Amended Employment Agreement, effective as of November 1, 2012, between Amil Assistência Médica Internacional S.A. and Dr. Edson de Godoy Bueno
*10.33	Employment Agreement, effective as of June 29, 2007, and amendment thereto, effective as of December 31, 2008, between United HealthCare Services, Inc. and Lori Sweere
*10.34	Employment Agreement, effective as of April 12, 2007, between United HealthCare Services, Inc. and Anthony Welters (incorporated by reference to Exhibit 10.28 to UnitedHealth Group Incorporated’s Annual Report on Form 10-K for the year ended December 31, 2007)
*10.35	Amendment to Employment Agreement, effective as of December 31, 2008, between United HealthCare Services, Inc. and Anthony Welters (incorporated by reference to Exhibit 10.35 to UnitedHealth Group Incorporated’s Annual Report on Form 10-K for the year ended December 31, 2008)
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*10.37	Form of Addendum for Non-Qualified Stock Option Award Agreement for International Participants under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan
11.1	Statement regarding computation of per share earnings (incorporated by reference to the information contained under the heading “Net Earnings Per Common Share” in Note 2 of Notes to the Consolidated Financial Statements included in Item 8, “Financial Statements”)
12.1	Ratio of Earnings to Fixed Charges
21.1	Subsidiaries of UnitedHealth Group Incorporated
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney
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	The following materials from UnitedHealth Group Incorporated’s Annual Report on Form 10-K for the year ended December 31, 2012, filed on February 6, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Shareholders’ Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to the Consolidated Financial Statements.

* Denotes management contracts and compensation plans in which certain directors and named executive officers participate and which are being filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.

** 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.

(c) Financial Statement Schedule

Schedule I - Condensed Financial Information of Registrant (Parent Company Only).

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Schedule I

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of UnitedHealth Group Incorporated and Subsidiaries:

We have audited the consolidated financial statements of UnitedHealth Group Incorporated and Subsidiaries (the "Company") as of December 31, 2012 and 2011, and for each of the three years in the period ended December 31, 2012, and the Company's internal control over financial reporting as of December 31, 2012, and have issued our reports thereon dated February 6, 2013; such consolidated financial statements and reports are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
February 6, 2013

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Schedule I
Condensed Financial Information of Registrant
(Parent Company Only)
UnitedHealth Group
Condensed Balance Sheets

(in millions, except per share data)	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$1,025	$1,506
Notes receivable from subsidiaries	2,889	—
Deferred income taxes, prepaid expenses and other current assets	225	179
Total current assets	4,139	1,685
Equity in net assets of subsidiaries	43,724	38,688
Other assets	106	77
Total assets	$47,969	$40,450
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$356	$351
Note payable to subsidiary	175	145
Commercial paper and current maturities of long-term debt	2,541	982
Total current liabilities	3,072	1,478
Long-term debt, less current maturities	13,602	10,656
Deferred income taxes and other liabilities	117	24
Total liabilities	16,791	12,158
Commitments and contingencies (Note 4)		
Shareholders' equity:		
Preferred stock, $0.001 par value -10 shares authorized; no shares issued or outstanding	—	—
Common stock, $0.01 par value - 3,000 shares authorized; 1,019 and 1,039 issued and outstanding	10	10
Additional paid-in capital	66	—
Retained earnings	30,664	27,821
Accumulated other comprehensive income	438	461
Total UnitedHealth Group shareholders' equity	31,178	28,292
Total liabilities and shareholders' equity	$47,969	$40,450

See Notes to the Condensed Financial Statements of Registrant

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Schedule I
Condensed Financial Information of Registrant
(Parent Company Only)
UnitedHealth Group
Condensed Statements of Comprehensive Income

	For the Years Ended December 31,		
(in millions)	2012	2011	2010
Revenues:			
Investment and other income	$28	$3	$2
Total revenues	28	3	2
Operating costs:			
Operating costs	(2)	25	54
Interest expense	566	451	433
Total operating costs	564	476	487
Loss before income taxes	(536)	(473)	(485)
Benefit for income taxes	192	167	180
Loss of parent company	(344)	(306)	(305)
Equity in undistributed income of subsidiaries	5,870	5,448	4,939
Net earnings	5,526	5,142	4,634
Other comprehensive (loss) income	(23)	209	(1)
Comprehensive income	$5,503	$5,351	$4,633

See Notes to the Condensed Financial Statements of Registrant

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Schedule I
Condensed Financial Information of Registrant
(Parent Company Only)
UnitedHealth Group
Condensed Statements of Cash Flows

	For the Years Ended December 31,		
(in millions)	2012	2011	2010
Operating activities			
Cash flows from operating activities	$6,116	$5,560	$3,731
Investing activities			
Cash paid for acquisitions	(3,737)	(2,081)	(2,470)
Capital contributions to subsidiaries	(99)	(171)	(104)
Cash flows used for investing activities	(3,836)	(2,252)	(2,574)
Financing activities			
Common stock repurchases	(3,084)	(2,994)	(2,517)
Issuance of notes to subsidiaries	(4,149)	—	—
Proceeds from common stock issuance	1,078	381	272
Cash dividends paid	(820)	(651)	(449)
Proceeds from commercial paper, net	1,587	(933)	930
Proceeds from issuance of long term debt	3,966	2,234	747
Repayments of long-term debt	(986)	(955)	(1,583)
Interest rate swap termination	—	132	—
Proceeds of note from subsidiary	30	15	30
Other	(383)	53	20
Cash flows used for financing activities	(2,761)	(2,718)	(2,550)
(Decrease) increase in cash and cash equivalents	(481)	590	(1,393)
Cash and cash equivalents, beginning of period	1,506	916	2,309
Cash and cash equivalents, end of period	$1,025	$1,506	$916
Supplemental cash flow disclosures			
Cash paid for interest	$547	$418	$459
Cash paid for income taxes	2,666	2,739	2,725

See Notes to the Condensed Financial Statements of Registrant

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Schedule I
Condensed Financial Information of Registrant
(Parent Company Only)
UnitedHealth Group
Notes to Condensed Financial Statements

1. Basis of Presentation

UnitedHealth Group's parent company financial information has been derived from its consolidated financial statements and should be read in conjunction with the consolidated financial statements included in this Form 10-K. The accounting policies for the registrant are the same as those described in the Summary of Significant Accounting Policies in Note 2 of Notes to the Consolidated Financial Statements included in Item 8, "Financial Statements."

2. Subsidiary Transactions

Investment in Subsidiaries. UnitedHealth Group's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries.

Notes Receivable from Subsidiaries. Notes issued to subsidiaries were used primarily to fund acquisitions. During 2012, the parent company completed a non-cash exchange of a $3.9 billion intercompany note to a subsidiary for a new term note of $2.6 billion and an equity interest of $1.3 billion.

Dividends. Cash dividends received from subsidiaries and included in Cash Flows from Operating Activities in the Condensed Statements of Cash Flows were $7.8 billion, $5.6 billion and $4.3 billion in 2012, 2011 and 2010, respectively.

3. Commercial Paper and Long-Term Debt

Maturities of commercial paper and long-term debt for the years ending December 31 are as follows:

(in millions)	
2013 (a)	$2,541
2014	589
2015	1,067
2016	1,152
2017	1,281
Thereafter	9,513

(a) Includes $9 million of debt subject to acceleration clauses.

Long-term debt obligations of the parent company do not include Brazilian real denominated debt of a subsidiary with a total par value of $588 million. Further information on commercial paper and long-term debt can be found in Note 8 of Notes to the Consolidated Financial Statements included in Item 8, "Financial Statements."

4. Commitments and Contingencies

For a summary of commitments and contingencies, see Note 12 of Notes to the Consolidated Financial Statements included in Item 8, "Financial Statements."

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: February 6, 2013

UNITEDHEALTH GROUP INCORPORATED

By /s/ STEPHEN J. HEMSLEY

Stephen J. Hemsley
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ STEPHEN J. HEMSLEY Stephen J. Hemsley	Director, President and Chief Executive Officer (principal executive officer)	February 6, 2013
/s/ DAVID S. WICHMANN David S. Wichmann	Executive Vice President and Chief Financial Officer of UnitedHealth Group and President of UnitedHealth Group Operations (principal financial officer)	February 6, 2013
/s/ ERIC S. RANGEN Eric S. Rangen	Senior Vice President and Chief Accounting Officer (principal accounting officer)	February 6, 2013
* William C. Ballard, Jr.	Director	February 6, 2013
* Richard T. Burke	Director	February 6, 2013
* Edson Bueno	Director	February 6, 2013
* Robert J. Darretta	Director	February 6, 2013
* Michele J. Hooper	Director	February 6, 2013
* Rodger A. Lawson	Director	February 6, 2013
* Douglas W. Leatherdale	Director	February 6, 2013
* Glenn M. Renwick	Director	February 6, 2013
* Kenneth I. Shine	Director	February 6, 2013
* Gail R. Wilensky	Director	February 6, 2013

*By	/s/ MARIANNE D. SHORT
	Marianne D. Short, As Attorney-in-Fact

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*10.29	Employment Agreement, effective as of December 1, 2006, between United HealthCare Services, Inc. and David S. Wichmann (incorporated by reference to Exhibit 10.2 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008)

*10.30	Amendment to Employment Agreement, effective as of December 31, 2008, between United HealthCare Services, Inc. and David S. Wichmann (incorporated by reference to Exhibit 10.37 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)
*10.31	Amended and Restated Employment Agreement, dated as of March 26, 2012, between United HealthCare Services, Inc. and Larry C. Renfro (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)
*10.32	Amended Employment Agreement, effective as of November 1, 2012, between Amil Assistência Médica Internacional S.A. and Dr. Edson de Godoy Bueno
*10.33	Employment Agreement, effective as of June 29, 2007, and amendment thereto, effective as of December 31, 2008, between United HealthCare Services, Inc. and Lori Sweere
*10.34	Employment Agreement, effective as of April 12, 2007, between United HealthCare Services, Inc. and Anthony Welters (incorporated by reference to Exhibit 10.28 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2007)

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*10.35	Amendment to Employment Agreement, effective as of December 31, 2008, between United HealthCare Services, Inc. and Anthony Welters (incorporated by reference to Exhibit 10.35 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)
*10.36	Form of Agreement for Non-Qualified Stock Option Award for International Participants under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan
*10.37	Form of Addendum for Non-Qualified Stock Option Award Agreement for International Participants under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan
11.1	Statement regarding computation of per share earnings (incorporated by reference to the information contained under the heading "Net Earnings Per Common Share" in Note 2 of Notes to the Consolidated Financial Statements included in Item 8, "Financial Statements")
12.1	Ratio of Earnings to Fixed Charges
21.1	Subsidiaries of UnitedHealth Group Incorporated
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney
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	The following materials from UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2012, filed on February 6, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to the Consolidated Financial Statements.

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* Denotes management contracts and compensation plans in which certain directors and named executive officers participate and which are being filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.

** 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.