

**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 September 30, 2021

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
(State or other jurisdiction of
incorporation or organization)

41-1321939
(I.R.S. Employer
Identification No.)

UnitedHealth Group Center
9900 Bren Road East
Minnetonka, Minnesota
(Address of principal executive offices)

55343
(Zip Code)

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

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 | New York Stock Exchange |

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

As of October 29, 2021, there were 941,851,250 shares of the registrant's Common Stock, \$.01 par value per share, issued and outstanding.

UNITEDHEALTH GROUP

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PART I

ITEM 1. FINANCIAL STATEMENTS

UnitedHealth Group Condensed Consolidated Balance Sheets (Unaudited)

| <u>(in millions, except per share data)</u> | <u>September 30, 2021</u> | <u>December 31, 2020</u> |
|--|-------------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 21,085 | \$ 16,921 |
| Short-term investments | 2,786 | 2,860 |
| Accounts receivable, net | 14,152 | 12,870 |
| Other current receivables, net | 14,080 | 12,534 |
| Assets under management | 4,304 | 4,076 |
| Prepaid expenses and other current assets | <u>5,203</u> | <u>4,457</u> |
| Total current assets | 61,610 | 53,718 |
| Long-term investments | 44,777 | 41,242 |
| Property, equipment and capitalized software, net | 8,730 | 8,626 |
| Goodwill | 75,435 | 71,337 |
| Other intangible assets, net | 10,436 | 10,856 |
| Other assets | <u>12,057</u> | <u>11,510</u> |
| Total assets | <u>\$ 213,045</u> | <u>\$ 197,289</u> |
| Liabilities, redeemable noncontrolling interests and equity | | |
| Current liabilities: | | |
| Medical costs payable | \$ 25,918 | \$ 21,872 |
| Accounts payable and accrued liabilities | 24,292 | 22,495 |
| Short-term borrowings and current maturities of long-term debt | 3,620 | 4,819 |
| Unearned revenues | 2,556 | 2,842 |
| Other current liabilities | <u>23,189</u> | <u>20,392</u> |
| Total current liabilities | 79,575 | 72,420 |
| Long-term debt, less current maturities | 43,345 | 38,648 |
| Deferred income taxes | 3,649 | 3,367 |
| Other liabilities | <u>11,844</u> | <u>12,315</u> |
| Total liabilities | <u>138,413</u> | <u>126,750</u> |
| Commitments and contingencies (Note 7) | | |
| Redeemable noncontrolling interests | 1,373 | 2,211 |
| 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; 942 and 946 issued and outstanding | 10 | 10 |
| Additional paid-in capital | — | — |
| Retained earnings | 75,124 | 69,295 |
| Accumulated other comprehensive loss | (4,856) | (3,814) |
| Nonredeemable noncontrolling interests | <u>2,981</u> | <u>2,837</u> |
| Total equity | <u>73,259</u> | <u>68,328</u> |
| Total liabilities, redeemable noncontrolling interests and equity | <u>\$ 213,045</u> | <u>\$ 197,289</u> |

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 September 30, | | Nine Months Ended September 30, | |
|--|--|-----------------|---------------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | |
| Premiums | \$56,967 | \$50,863 | \$168,686 | \$150,897 |
| Products | 8,703 | 8,777 | 25,476 | 25,455 |
| Services | 6,164 | 5,124 | 18,181 | 14,265 |
| Investment and other income | 503 | 351 | 1,511 | 1,057 |
| Total revenues | 72,337 | 65,115 | 213,854 | 191,674 |
| Operating costs: | | | | |
| Medical costs | 47,302 | 41,636 | 138,752 | 117,314 |
| Operating costs | 10,725 | 10,174 | 31,307 | 30,190 |
| Cost of products sold | 7,802 | 7,935 | 23,034 | 23,123 |
| Depreciation and amortization | 796 | 719 | 2,332 | 2,159 |
| Total operating costs | 66,625 | 60,464 | 195,425 | 172,786 |
| Earnings from operations | 5,712 | 4,651 | 18,429 | 18,888 |
| Interest expense | (422) | (395) | (1,229) | (1,262) |
| Earnings before income taxes | 5,290 | 4,256 | 17,200 | 17,626 |
| Provision for income taxes | (1,099) | (1,000) | (3,659) | (4,209) |
| Net earnings | 4,191 | 3,256 | 13,541 | 13,417 |
| Earnings attributable to noncontrolling interests | (105) | (84) | (327) | (226) |
| Net earnings attributable to UnitedHealth Group common shareholders | \$ 4,086 | \$ 3,172 | \$ 13,214 | \$ 13,191 |
| Earnings per share attributable to UnitedHealth Group common shareholders: | | | | |
| Basic | \$ 4.33 | \$ 3.34 | \$ 14.00 | \$ 13.90 |
| Diluted | \$ 4.28 | \$ 3.30 | \$ 13.82 | \$ 13.73 |
| Basic weighted-average number of common shares outstanding | 943 | 950 | 944 | 949 |
| Dilutive effect of common share equivalents | 12 | 12 | 12 | 12 |
| Diluted weighted-average number of common shares outstanding | 955 | 962 | 956 | 961 |
| Anti-dilutive shares excluded from the calculation of dilutive effect of common share equivalents... | 1 | 6 | 2 | 9 |

See Notes to the Condensed Consolidated Financial Statements

UnitedHealth Group
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

| <u>(in millions)</u> | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|--|---|-----------------------|--|------------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Net earnings | <u>\$4,191</u> | <u>\$3,256</u> | <u>\$13,541</u> | <u>\$13,417</u> |
| Other comprehensive (loss) income: | | | | |
| Gross unrealized (losses) gains on investment securities during the period..... | (192) | 148 | (705) | 919 |
| Income tax effect | <u>59</u> | <u>(37)</u> | <u>175</u> | <u>(214)</u> |
| Total unrealized (losses) gains, net of tax | <u>(133)</u> | <u>111</u> | <u>(530)</u> | <u>705</u> |
| Gross reclassification adjustment for net realized gains included in net earnings | (20) | (21) | (36) | (50) |
| Income tax effect | <u>4</u> | <u>5</u> | <u>8</u> | <u>12</u> |
| Total reclassification adjustment, net of tax..... | <u>(16)</u> | <u>(16)</u> | <u>(28)</u> | <u>(38)</u> |
| Total foreign currency translation losses..... | <u>(621)</u> | <u>(39)</u> | <u>(484)</u> | <u>(1,583)</u> |
| Other comprehensive (loss) income | <u>(770)</u> | <u>56</u> | <u>(1,042)</u> | <u>(916)</u> |
| Comprehensive income | <u>3,421</u> | <u>3,312</u> | <u>12,499</u> | <u>12,501</u> |
| Comprehensive income attributable to noncontrolling interests | <u>(105)</u> | <u>(84)</u> | <u>(327)</u> | <u>(226)</u> |
| Comprehensive income attributable to UnitedHealth Group common shareholders | <u><u>\$3,316</u></u> | <u><u>\$3,228</u></u> | <u><u>\$12,172</u></u> | <u><u>\$12,275</u></u> |

See Notes to the Condensed Consolidated Financial Statements

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

| Three months ended September 30, (in millions) | Common Stock | | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | | Nonredeemable Noncontrolling Interests | Total Equity |
|--|--------------|--------------|----------------------------------|----------------------|---|--|--|------------------|
| | Shares | Amount | | | Net Unrealized Gains (Losses) on Investments | Foreign Currency Translation Losses | | |
| Balance at June 30, 2021 | 943 | \$ 10 | \$ — | \$ 73,090 | \$ 927 | \$ (5,013) | \$ 3,008 | \$ 72,022 |
| Net earnings | | | | 4,086 | | | 86 | 4,172 |
| Other comprehensive loss | | | | | (149) | (621) | | (770) |
| Issuances of common stock, and related tax effects | 1 | — | 291 | | | | | 291 |
| Share-based compensation | | | 159 | | | | | 159 |
| Common share repurchases | (2) | — | (365) | (685) | | | | (1,050) |
| Cash dividends paid on common shares (\$1.45 per share) | | | | (1,367) | | | | (1,367) |
| Redeemable noncontrolling interests fair value and other adjustments | | | (85) | | | | | (85) |
| Acquisition and other adjustments of nonredeemable noncontrolling interests | | | | | | | (26) | (26) |
| Distribution to nonredeemable noncontrolling interests | | | | | | | (87) | (87) |
| Balance at September 30, 2021 | <u>942</u> | <u>\$ 10</u> | <u>\$ —</u> | <u>\$ 75,124</u> | <u>\$ 778</u> | <u>\$ (5,634)</u> | <u>\$ 2,981</u> | <u>\$ 73,259</u> |
| Balance at June 30, 2020 | 950 | \$ 10 | \$ 388 | \$ 67,776 | \$ 1,161 | \$ (5,711) | \$ 2,891 | \$ 66,515 |
| Net earnings | | | | 3,172 | | | 62 | 3,234 |
| Other comprehensive income (loss) | | | | | 95 | (39) | | 56 |
| Issuances of common stock, and related tax effects | 2 | — | 321 | | | | | 321 |
| Share-based compensation | | | 131 | | | | | 131 |
| Common share repurchases | (3) | — | (805) | (45) | | | | (850) |
| Cash dividends paid on common shares (\$1.25 per share) | | | | (1,188) | | | | (1,188) |
| Redeemable noncontrolling interests fair value and other adjustments | | | (35) | | | | | (35) |
| Acquisition and other adjustments of nonredeemable noncontrolling interests | | | | | | | (8) | (8) |
| Distribution to nonredeemable noncontrolling interests | | | | | | | (72) | (72) |
| Balance at September 30, 2020 | <u>949</u> | <u>\$ 10</u> | <u>\$ —</u> | <u>\$ 69,715</u> | <u>\$ 1,256</u> | <u>\$ (5,750)</u> | <u>\$ 2,873</u> | <u>\$ 68,104</u> |

See Notes to the Condensed Consolidated Financial Statements

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

| Nine months ended September 30, (in millions) | Common Stock | | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | | Nonredeemable Noncontrolling Interests | Total Equity |
|---|--------------|--------------|----------------------------------|----------------------|---|--|--|------------------|
| | Shares | Amount | | | Net Unrealized Gains (Losses) on Investments | Foreign Currency Translation Losses | | |
| Balance at January 1, 2021 | 946 | \$ 10 | \$ — | \$ 69,295 | \$ 1,336 | \$ (5,150) | \$ 2,837 | \$ 68,328 |
| Net earnings | | | | 13,214 | | | 254 | 13,468 |
| Other comprehensive loss | | | | | (558) | (484) | | (1,042) |
| Issuances of common stock, and related tax effects | 6 | — | 839 | | | | | 839 |
| Share-based compensation | | | 559 | | | | | 559 |
| Common share repurchases | (10) | — | (586) | (3,364) | | | | (3,950) |
| Cash dividends paid on common shares (\$4.15 per share) | | | | (3,915) | | | | (3,915) |
| Redeemable noncontrolling interests fair value and other adjustments | | | (812) | (106) | | | | (918) |
| Acquisition and other adjustments of nonredeemable noncontrolling interests | | | | | | | 125 | 125 |
| Distribution to nonredeemable noncontrolling interests | | | | | | | (235) | (235) |
| Balance at September 30, 2021 | <u>942</u> | <u>\$ 10</u> | <u>\$ —</u> | <u>\$ 75,124</u> | <u>\$ 778</u> | <u>\$ (5,634)</u> | <u>\$ 2,981</u> | <u>\$ 73,259</u> |
| Balance at January 1, 2020 | 948 | \$ 9 | \$ 7 | \$ 61,178 | \$ 589 | \$ (4,167) | \$ 2,820 | \$ 60,436 |
| Adjustment to Adopt ASU 2016-13 | | | | (28) | | | | (28) |
| Net earnings | | | | 13,191 | | | 159 | 13,350 |
| Other comprehensive income (loss) | | | | | 667 | (1,583) | | (916) |
| Issuances of common stock, and related tax effects | 10 | 1 | 928 | | | | | 929 |
| Share-based compensation | | | 509 | | | | | 509 |
| Common share repurchases | (9) | — | (1,315) | (1,226) | | | | (2,541) |
| Cash dividends paid on common shares (\$3.58 per share) | | | | (3,400) | | | | (3,400) |
| Redeemable noncontrolling interests fair value and other adjustments | | | (129) | | | | | (129) |
| Acquisitions and other adjustments of nonredeemable noncontrolling interests | | | | | | | 42 | 42 |
| Distribution to nonredeemable noncontrolling interests | | | | | | | (148) | (148) |
| Balance at September 30, 2020 | <u>949</u> | <u>\$ 10</u> | <u>\$ —</u> | <u>\$ 69,715</u> | <u>\$ 1,256</u> | <u>\$ (5,750)</u> | <u>\$ 2,873</u> | <u>\$ 68,104</u> |

See Notes to the Condensed Consolidated Financial Statements

UnitedHealth Group
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| (in millions) | Nine Months Ended September 30, | |
|---|------------------------------------|-------------------------|
| | 2021 | 2020 |
| Operating activities | | |
| Net earnings | \$ 13,541 | \$ 13,417 |
| Noncash items: | | |
| Depreciation and amortization | 2,332 | 2,159 |
| Deferred income taxes | 373 | 119 |
| Share-based compensation | 591 | 527 |
| Other, net | (195) | 48 |
| Net change in other operating items, net of effects from acquisitions and changes in AARP balances: | | |
| Accounts receivable | (847) | (194) |
| Other assets | (1,435) | (2,697) |
| Medical costs payable | 3,925 | (615) |
| Accounts payable and other liabilities | 1,171 | 3,441 |
| Unearned revenues | (331) | (132) |
| Cash flows from operating activities | <u>19,125</u> | <u>16,073</u> |
| Investing activities | | |
| Purchases of investments | (12,827) | (11,570) |
| Sales of investments | 2,569 | 4,887 |
| Maturities of investments | 6,556 | 5,297 |
| Cash paid for acquisitions, net of cash assumed | (4,727) | (4,326) |
| Purchases of property, equipment and capitalized software | (1,759) | (1,477) |
| Other, net | (900) | (165) |
| Cash flows used for investing activities | <u>(11,088)</u> | <u>(7,354)</u> |
| Financing activities | | |
| Common share repurchases | (3,950) | (2,541) |
| Cash dividends paid | (3,915) | (3,400) |
| Proceeds from common stock issuances | 1,077 | 1,206 |
| Repayments of long-term debt | (1,900) | (1,500) |
| Repayments of short-term borrowings, net | (1,301) | (423) |
| Proceeds from issuance of long-term debt | 6,934 | 4,864 |
| Customer funds administered | 1,402 | 249 |
| Purchases of redeemable noncontrolling interests | (1,338) | — |
| Other, net | (837) | (449) |
| Cash flows used for financing activities | <u>(3,828)</u> | <u>(1,994)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (45) | (160) |
| Increase in cash and cash equivalents | 4,164 | 6,565 |
| Cash and cash equivalents, beginning of period | <u>16,921</u> | <u>10,985</u> |
| Cash and cash equivalents, end of period | <u>\$ 21,085</u> | <u>\$ 17,550</u> |

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 with a mission to help people live healthier lives and help make the health system work better for everyone. Our two complementary business platforms—Optum and UnitedHealthcare—are driven by this unified mission and vision to improve health care access, affordability, experiences and outcomes for the individuals and organizations we are privileged to serve.

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” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 as filed with the SEC (2020 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 relate to estimates and judgments for 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.

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 |
|---|-------------------|------------------------------|-------------------------------|-----------------|
| September 30, 2021 | | | | |
| Debt securities—available-for-sale: | | | | |
| U.S. government and agency obligations | \$ 3,625 | \$ 70 | \$ (23) | \$ 3,672 |
| State and municipal obligations | 7,093 | 341 | (15) | 7,419 |
| Corporate obligations..... | 21,987 | 547 | (84) | 22,450 |
| U.S. agency mortgage-backed securities | 6,281 | 156 | (34) | 6,403 |
| Non-U.S. agency mortgage-backed securities..... | 2,763 | 63 | (13) | 2,813 |
| Total debt securities—available-for-sale | <u>41,749</u> | <u>1,177</u> | <u>(169)</u> | <u>42,757</u> |
| Debt securities—held-to-maturity: | | | | |
| U.S. government and agency obligations | 506 | 3 | (1) | 508 |
| State and municipal obligations | 30 | 2 | — | 32 |
| Corporate obligations..... | 80 | — | — | 80 |
| Total debt securities—held-to-maturity | <u>616</u> | <u>5</u> | <u>(1)</u> | <u>620</u> |
| Total debt securities | <u>\$ 42,365</u> | <u>\$ 1,182</u> | <u>\$ (170)</u> | <u>\$43,377</u> |
| December 31, 2020 | | | | |
| Debt securities—available-for-sale: | | | | |
| U.S. government and agency obligations | \$ 3,335 | \$ 133 | \$ (3) | \$ 3,465 |
| State and municipal obligations | 6,893 | 435 | — | 7,328 |
| Corporate obligations..... | 18,886 | 863 | (12) | 19,737 |
| U.S. agency mortgage-backed securities | 6,849 | 245 | (3) | 7,091 |
| Non-U.S. agency mortgage-backed securities..... | 2,116 | 95 | (4) | 2,207 |
| Total debt securities—available-for-sale | <u>38,079</u> | <u>1,771</u> | <u>(22)</u> | <u>39,828</u> |
| Debt securities—held-to-maturity: | | | | |
| U.S. government and agency obligations | 420 | 6 | — | 426 |
| State and municipal obligations | 31 | 2 | — | 33 |
| Corporate obligations..... | 187 | 1 | — | 188 |
| Total debt securities—held-to-maturity | <u>638</u> | <u>9</u> | <u>—</u> | <u>647</u> |
| Total debt securities | <u>\$ 38,717</u> | <u>\$1,780</u> | <u>\$ (22)</u> | <u>\$40,475</u> |

The Company held \$2.9 billion and \$2.3 billion of equity securities as of September 30, 2021 and December 31, 2020, respectively. The Company's investments in equity securities primarily consist of employee savings plan related investments, shares of Brazilian real denominated fixed-income funds with readily determinable fair values and other venture investments. Additionally, the Company's investments included \$1.3 billion of equity method investments in operating businesses in the health care sector as of September 30, 2021 and December 31, 2020. The allowance for credit losses on held-to-maturity securities at September 30, 2021 and December 31, 2020 was not material.

The amortized cost and fair value of debt securities as of September 30, 2021, by contractual maturity, were as follows:

| (in millions) | Available-for-Sale | | Held-to-Maturity | |
|--|--------------------|------------------|------------------|---------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Due in one year or less | \$ 2,871 | \$ 2,886 | \$ 234 | \$ 235 |
| Due after one year through five years | 13,492 | 13,826 | 333 | 334 |
| Due after five years through ten years | 12,062 | 12,406 | 26 | 27 |
| Due after ten years..... | 4,280 | 4,423 | 23 | 24 |
| U.S. agency mortgage-backed securities..... | 6,281 | 6,403 | — | — |
| Non-U.S. agency mortgage-backed securities | 2,763 | 2,813 | — | — |
| Total debt securities..... | <u>\$ 41,749</u> | <u>\$ 42,757</u> | <u>\$ 616</u> | <u>\$ 620</u> |

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

| (in millions) | Less Than 12 Months | | 12 Months or Greater | | Total | |
|--|---------------------|-------------------------|----------------------|-------------------------|-----------------|-------------------------|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| September 30, 2021 | | | | | | |
| Debt securities—available-for-sale: | | | | | | |
| U.S. government and agency obligations | \$ 1,499 | \$ (16) | \$ 117 | \$ (7) | \$ 1,616 | \$ (23) |
| State and municipal obligations | 1,226 | (15) | — | — | 1,226 | (15) |
| Corporate obligations | 6,471 | (75) | 326 | (9) | 6,797 | (84) |
| U.S. agency mortgage-backed securities..... | 2,537 | (34) | — | — | 2,537 | (34) |
| Non-U.S. agency mortgage-backed securities | 830 | (9) | 92 | (4) | 922 | (13) |
| Total debt securities—available-for-sale..... | <u>\$12,563</u> | <u>\$ (149)</u> | <u>\$ 535</u> | <u>\$ (20)</u> | <u>\$13,098</u> | <u>\$ (169)</u> |
| December 31, 2020 | | | | | | |
| Debt securities—available-for-sale: | | | | | | |
| U.S. government and agency obligations | \$ 346 | \$ (3) | \$ — | \$ — | \$ 346 | \$ (3) |
| Corporate obligations | 1,273 | (9) | 456 | (3) | 1,729 | (12) |
| U.S. agency mortgage-backed securities..... | 601 | (3) | — | — | 601 | (3) |
| Non-U.S. agency mortgage-backed securities | 195 | (1) | 93 | (3) | 288 | (4) |
| Total debt securities—available-for-sale..... | <u>\$ 2,415</u> | <u>\$ (16)</u> | <u>\$ 549</u> | <u>\$ (6)</u> | <u>\$ 2,964</u> | <u>\$ (22)</u> |

The Company's unrealized losses from debt securities as of September 30, 2021 were generated from approximately 9,000 positions out of a total of 40,000 positions. The Company believes that it will collect the timely 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 that impacted our assessment on collectability of principal and interest. At each reporting period, the Company evaluates available-for-sale debt securities for any credit-related impairment when the fair value of the investment is less than its amortized cost. The Company evaluated the expected cash flows, the underlying credit quality and credit ratings of the issuers noting no significant credit deterioration since purchase. As of September 30, 2021, the Company did not have the intent to sell any of the available-for-sale debt securities in an unrealized loss position. Therefore, the Company believes these losses to be temporary. The allowance for credit losses on available-for-sale debt securities at September 30, 2021 and December 31, 2020 was not material.

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” in the 2020 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 |
|---|--|--|-------------------------------------|--|
| September 30, 2021 | | | | |
| Cash and cash equivalents | \$ 20,944 | \$ 141 | \$ — | \$ 21,085 |
| Debt securities—available-for-sale: | | | | |
| U.S. government and agency obligations | 3,446 | 226 | — | 3,672 |
| State and municipal obligations | — | 7,419 | — | 7,419 |
| Corporate obligations..... | 62 | 22,165 | 223 | 22,450 |
| U.S. agency mortgage-backed securities | — | 6,403 | — | 6,403 |
| Non-U.S. agency mortgage-backed securities..... | — | 2,813 | — | 2,813 |
| Total debt securities—available-for-sale | <u>3,508</u> | <u>39,026</u> | <u>223</u> | <u>42,757</u> |
| Equity securities..... | 1,972 | 22 | 64 | 2,058 |
| Assets under management | 1,930 | 2,271 | 103 | 4,304 |
| Total assets at fair value | <u>\$ 28,354</u> | <u>\$ 41,460</u> | <u>\$ 390</u> | <u>\$ 70,204</u> |
| Percentage of total assets at fair value..... | <u>40%</u> | <u>59%</u> | <u>1%</u> | <u>100%</u> |
| December 31, 2020 | | | | |
| Cash and cash equivalents | \$ 16,841 | \$ 80 | \$ — | \$ 16,921 |
| Debt securities—available-for-sale: | | | | |
| U.S. government and agency obligations | 3,241 | 224 | — | 3,465 |
| State and municipal obligations | — | 7,328 | — | 7,328 |
| Corporate obligations..... | 25 | 19,424 | 288 | 19,737 |
| U.S. agency mortgage-backed securities | — | 7,091 | — | 7,091 |
| Non-U.S. agency mortgage-backed securities..... | — | 2,207 | — | 2,207 |
| Total debt securities—available-for-sale | <u>3,266</u> | <u>36,274</u> | <u>288</u> | <u>39,828</u> |
| Equity securities..... | 1,795 | 33 | — | 1,828 |
| Assets under management | 1,774 | 2,250 | 52 | 4,076 |
| Total assets at fair value | <u>\$ 23,676</u> | <u>\$ 38,637</u> | <u>\$ 340</u> | <u>\$ 62,653</u> |
| Percentage of total assets at fair value..... | <u>38%</u> | <u>61%</u> | <u>1%</u> | <u>100%</u> |

There were no transfers in or out of Level 3 financial assets or liabilities during the nine months ended September 30, 2021 or 2020.

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 |
|--|--|--|-------------------------------------|------------------------|----------------------------|
| September 30, 2021 | | | | | |
| Debt securities—held-to-maturity | \$ 525 | \$ 88 | \$ 7 | \$ 620 | \$ 616 |
| Long-term debt and other financing obligations | \$ — | \$ 53,425 | \$ — | \$53,425 | \$46,965 |
| December 31, 2020 | | | | | |
| Debt securities—held-to-maturity | \$ 466 | \$ 108 | \$ 73 | \$ 647 | \$ 638 |
| Long-term debt and other financing obligations | \$ — | \$ 51,254 | \$ — | \$51,254 | \$42,171 |

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 nine months ended September 30, 2021 or 2020.

4. Medical Costs Payable

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

| (in millions) | 2021 | 2020 |
|---|------------------|------------------|
| Medical costs payable, beginning of period..... | \$ 21,872 | \$ 21,690 |
| Acquisitions | 88 | 186 |
| Reported medical costs: | | |
| Current year | 140,052 | 118,114 |
| Prior years | (1,300) | (800) |
| Total reported medical costs..... | <u>138,752</u> | <u>117,314</u> |
| Medical payments: | | |
| Payments for current year..... | (116,135) | (98,548) |
| Payments for prior years | (18,659) | (19,475) |
| Total medical payments | <u>(134,794)</u> | <u>(118,023)</u> |
| Medical costs payable, end of period | <u>\$ 25,918</u> | <u>\$ 21,167</u> |

For the nine months ended September 30, 2021 and September 30, 2020, prior years medical cost reserve development was primarily driven by lower than expected health system utilization. Medical costs payable included reserves for claims incurred by insured customers but not yet reported to the Company of \$17.6 billion and \$14.8 billion at September 30, 2021 and December 31, 2020, respectively.

5. Short-Term Borrowings and Long-Term Debt

In May 2021, the Company issued \$7.0 billion of senior unsecured notes consisting of the following:

| (in millions, except percentages) | Par Value |
|-----------------------------------|-----------|
| 0.550% notes due May 2024..... | \$ 1,000 |
| 1.150% notes due May 2026..... | 1,000 |
| 2.300% notes due May 2031..... | 1,500 |
| 3.050% notes due May 2041..... | 1,500 |
| 3.250% notes due May 2051..... | 2,000 |

For more information on the Company’s short-term borrowings, debt covenants and long-term debt see Note 8 of Notes to the Consolidated Financial Statements in Part II, Item 8, “Financial Statements” in the 2020 10-K.

6. Dividends

In June 2021, the Company’s Board of Directors increased the Company’s quarterly cash dividend to shareholders to an annual rate of \$5.80 compared to \$5.00 per share, which the Company had paid since June 2020. 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 2021 dividend payments:

| Payment Date | Amount per Share | Total Amount Paid (in millions) |
|--------------------|------------------|------------------------------------|
| March 23 | \$ 1.25 | \$ 1,181 |
| June 29 | 1.45 | 1,367 |
| September 21 | 1.45 | 1,367 |

7. Commitments and Contingencies

Pending Acquisitions

The Company has entered into agreements to purchase companies in the health care sector, most notably Change Healthcare (NASDAQ: CHNG), subject to regulatory approvals and other customary closing conditions. The total anticipated capital required for these acquisitions, excluding the payoff of acquired indebtedness, is approximately \$9 billion.

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, 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 (DOJ), the SEC, the Internal Revenue Service, the U.S. Drug Enforcement Administration, the U.S. Department of Labor, the Federal Deposit Insurance Corporation, the Defense Contract Audit Agency and other governmental authorities. Similarly, our international businesses are also subject to investigations, audits and reviews by applicable foreign governments, including South American and other non-U.S. 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 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 14 of Notes to the Consolidated Financial Statements in Part II, Item 8, "Financial Statements" in the 2020 10-K.

The following tables present reportable segment financial information:

| (in millions) | Optum | | | | | | Corporate and Eliminations | Consolidated |
|--|------------------|------------------|-----------------|------------------|-----------------------|------------------|-------------------------------|------------------|
| | UnitedHealthcare | OptumHealth | OptumInsight | OptumRx | Optum Eliminations | Optum | | |
| Three Months Ended September 30, 2021 | | | | | | | | |
| Revenues—unaffiliated customers: | | | | | | | | |
| Premiums | \$ 53,345 | \$ 3,622 | \$ — | \$ — | \$ — | \$ 3,622 | \$ — | \$ 56,967 |
| Products | — | 8 | 37 | 8,658 | — | 8,703 | — | 8,703 |
| Services | 2,407 | 2,515 | 970 | 272 | — | 3,757 | — | 6,164 |
| Total revenues—unaffiliated customers | 55,752 | 6,145 | 1,007 | 8,930 | — | 16,082 | — | 71,834 |
| Total revenues—affiliated customers | — | 7,441 | 2,037 | 14,400 | (503) | 23,375 | (23,375) | — |
| Investment and other income | 175 | 226 | 95 | 7 | — | 328 | — | 503 |
| Total revenues | <u>\$ 55,927</u> | <u>\$ 13,812</u> | <u>\$ 3,139</u> | <u>\$ 23,337</u> | <u>\$ (503)</u> | <u>\$ 39,785</u> | <u>\$ (23,375)</u> | <u>\$ 72,337</u> |
| Earnings from operations | \$ 2,651 | \$ 1,143 | \$ 906 | \$ 1,012 | \$ — | \$ 3,061 | \$ — | \$ 5,712 |
| Interest expense | — | — | — | — | — | — | (422) | (422) |
| Earnings before income taxes | <u>\$ 2,651</u> | <u>\$ 1,143</u> | <u>\$ 906</u> | <u>\$ 1,012</u> | <u>\$ —</u> | <u>\$ 3,061</u> | <u>\$ (422)</u> | <u>\$ 5,290</u> |
| Three Months Ended September 30, 2020 | | | | | | | | |
| Revenues—unaffiliated customers: | | | | | | | | |
| Premiums | \$ 48,121 | \$ 2,742 | \$ — | \$ — | \$ — | \$ 2,742 | \$ — | \$ 50,863 |
| Products | — | 10 | 34 | 8,733 | — | 8,777 | — | 8,777 |
| Services | 2,075 | 1,834 | 974 | 241 | — | 3,049 | — | 5,124 |
| Total revenues—unaffiliated customers | 50,196 | 4,586 | 1,008 | 8,974 | — | 14,568 | — | 64,764 |
| Total revenues—affiliated customers | — | 5,748 | 1,755 | 13,102 | (424) | 20,181 | (20,181) | — |
| Investment and other income | 177 | 165 | 4 | 5 | — | 174 | — | 351 |
| Total revenues | <u>\$ 50,373</u> | <u>\$ 10,499</u> | <u>\$ 2,767</u> | <u>\$ 22,081</u> | <u>\$ (424)</u> | <u>\$ 34,923</u> | <u>\$ (20,181)</u> | <u>\$ 65,115</u> |
| Earnings from operations | \$ 2,068 | \$ 835 | \$ 785 | \$ 963 | \$ — | \$ 2,583 | \$ — | \$ 4,651 |
| Interest expense | — | — | — | — | — | — | (395) | (395) |
| Earnings before income taxes | <u>\$ 2,068</u> | <u>\$ 835</u> | <u>\$ 785</u> | <u>\$ 963</u> | <u>\$ —</u> | <u>\$ 2,583</u> | <u>\$ (395)</u> | <u>\$ 4,256</u> |

| (in millions) | Optum | | | | | | Corporate and Eliminations | Consolidated |
|---|-------------------|------------------|-----------------|------------------|-----------------------|-------------------|-------------------------------|-------------------|
| | UnitedHealthcare | OptumHealth | OptumInsight | OptumRx | Optum Eliminations | Optum | | |
| Nine Months Ended September 30, 2021 | | | | | | | | |
| Revenues—unaffiliated customers: | | | | | | | | |
| Premiums | \$ 158,761 | \$ 9,925 | \$ — | \$ — | \$ — | \$ 9,925 | \$ — | \$ 168,686 |
| Products | — | 25 | 107 | 25,344 | — | 25,476 | — | 25,476 |
| Services | 7,197 | 7,312 | 2,861 | 811 | — | 10,984 | — | 18,181 |
| Total revenues—unaffiliated customers | 165,958 | 17,262 | 2,968 | 26,155 | — | 46,385 | — | 212,343 |
| Total revenues—affiliated customers | — | 21,614 | 5,779 | 41,196 | (1,456) | 67,133 | (67,133) | — |
| Investment and other income | 557 | 639 | 201 | 114 | — | 954 | — | 1,511 |
| Total revenues | <u>\$ 166,515</u> | <u>\$ 39,515</u> | <u>\$ 8,948</u> | <u>\$ 67,465</u> | <u>\$ (1,456)</u> | <u>\$ 114,472</u> | <u>\$ (67,133)</u> | <u>\$ 213,854</u> |
| Earnings from operations | \$ 9,854 | \$ 3,233 | \$ 2,447 | \$ 2,895 | \$ — | \$ 8,575 | \$ — | \$ 18,429 |
| Interest expense | — | — | — | — | — | — | (1,229) | (1,229) |
| Earnings before income taxes | <u>\$ 9,854</u> | <u>\$ 3,233</u> | <u>\$ 2,447</u> | <u>\$ 2,895</u> | <u>\$ —</u> | <u>\$ 8,575</u> | <u>\$ (1,229)</u> | <u>\$ 17,200</u> |
| Nine Months Ended September 30, 2020 | | | | | | | | |
| Revenues—unaffiliated customers: | | | | | | | | |
| Premiums | \$ 143,753 | \$ 7,144 | \$ — | \$ — | \$ — | \$ 7,144 | \$ — | \$ 150,897 |
| Products | — | 26 | 90 | 25,339 | — | 25,455 | — | 25,455 |
| Services | 6,248 | 4,607 | 2,629 | 781 | — | 8,017 | — | 14,265 |
| Total revenues—unaffiliated customers | 150,001 | 11,777 | 2,719 | 26,120 | — | 40,616 | — | 190,617 |
| Total revenues—affiliated customers | — | 16,623 | 5,140 | 38,843 | (1,275) | 59,331 | (59,331) | — |
| Investment and other income | 547 | 430 | 34 | 46 | — | 510 | — | 1,057 |
| Total revenues | <u>\$ 150,548</u> | <u>\$ 28,830</u> | <u>\$ 7,893</u> | <u>\$ 65,009</u> | <u>\$ (1,275)</u> | <u>\$ 100,457</u> | <u>\$ (59,331)</u> | <u>\$ 191,674</u> |
| Earnings from operations | \$ 11,963 | \$ 2,388 | \$ 1,882 | \$ 2,655 | \$ — | \$ 6,925 | \$ — | \$ 18,888 |
| Interest expense | — | — | — | — | — | — | (1,262) | (1,262) |
| Earnings before income taxes | <u>\$ 11,963</u> | <u>\$ 2,388</u> | <u>\$ 1,882</u> | <u>\$ 2,655</u> | <u>\$ —</u> | <u>\$ 6,925</u> | <u>\$ (1,262)</u> | <u>\$ 17,626</u> |

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 2020 10-K, including the Consolidated Financial Statements and Notes in Part II, Item 8, “Financial Statements” 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 2020 10-K and in the discussion below.

EXECUTIVE OVERVIEW

General

UnitedHealth Group is a diversified health care company with a mission to help people live healthier lives and help make the health system work better for everyone. Our two complementary businesses—Optum and UnitedHealthcare—are driven by this unified mission and vision to improve health care access, affordability, experiences and outcomes for the individuals and organizations we are privileged to serve.

We have four reportable segments across our two business platforms, Optum and UnitedHealthcare:

- OptumHealth;
- OptumInsight;
- OptumRx; and
- UnitedHealthcare, which includes UnitedHealthcare Employer & Individual, UnitedHealthcare Medicare & Retirement, UnitedHealthcare Community & State and UnitedHealthcare Global.

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 2020 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.

COVID-19 Trends and Uncertainties

The COVID-19 pandemic continues to evolve and the ultimate impact on our business, results of operations, financial condition and cash flows remains uncertain. In the quarter ended September 30, 2021, overall care activity continued to increase, including a mix of temporary deferral of care activity and COVID-19 related care costs. The temporary deferral of care was more than offset by COVID-19 related care and testing costs, rebate requirements, and general economic impacts. In future periods, care patterns may moderately exceed normal baselines as previously deferred care is obtained and acuity temporarily rises due to missed regular care. From time to time, health system capacity may be subject to possible increased volatility due to the pandemic. Specific trends and uncertainties related to our two business platforms are as follows:

Optum. COVID-19 related care costs continued to impact our OptumHealth risk-based care delivery businesses, which were partially offset by the continued temporary deferral of care. The temporary deferral of care reduced fee-for-service care delivery

volume, as well as OptumInsight and OptumRx volume-based business activity, although we expect the impact to continue decreasing as care returns to, and potentially exceeds, normal levels. We believe COVID-19 will continue to influence customer and consumer behavior, both during and after the pandemic, which could impact how and where care is delivered and the manner in which consumers wish to receive their prescription drugs or infusion services. As a result of the dynamic situation and broad-reaching impact to the health system, the ultimate impact of COVID-19 on our Optum businesses is uncertain.

UnitedHealthcare. In 2021, we have continued expanded benefit coverage in areas such as COVID-19 related care and testing, telemedicine, and pharmacy; continuing to assist our customers, care providers, members and communities in addressing the COVID-19 crisis. UnitedHealthcare's results of operations were negatively impacted by COVID-19 related care and testing, rebate requirements and other revenue impacts, as well as broader economic impacts, partially offset by the continued deferral of care. The increase in people served through Medicaid was attributable in part to continuing action by states to ease redetermination requirements due to the COVID-19 public health emergency.

Disrupted care patterns, as a result of the pandemic, have and may continue to temporarily affect the ability to obtain complete member health status information, impacting revenue in businesses utilizing risk adjustment methodologies. The ultimate overall impact is uncertain and dependent on the future pacing and intensity of the pandemic, the duration of policies and initiatives to address COVID-19, and general economic uncertainty.

Business Trends

Our businesses participate in the United States, South American and certain other international health markets. Overall spending on health care is impacted by inflation; utilization; medical technology and pharmaceutical advancement; regulatory requirements; demographic trends in the population; and national interest in health and well-being. The rate of market growth may be affected by a variety of factors, including macro-economic conditions, such as the impacts of COVID-19, and regulatory changes, which could impact our results of operations, including our continued efforts to control health care costs.

Pricing Trends. To price our health care benefit products, we start with our view of expected future costs, including any potential impacts from COVID-19. 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 and similar revenue adjustments. We will continue seeking to balance growth and profitability across all 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.

Government programs in the community 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. COVID-19 related care costs as well as the deferral of care have also impacted medical cost trends in the current year and may continue in future years. Future medical cost trends may be impacted by increased consumer demand for care, potentially even higher acuity care, due to the temporary deferral of care since the onset of the pandemic. 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. The continued uncertain impact of COVID-19 may impact our ability to estimate medical costs payable, which has resulted in, and could result in, increased variability to medical cost reserve development.

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 I, Item 1A, "Risk Factors," Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2020 10-K.

Medicare Advantage Rates. Final 2022 Medicare Advantage rates resulted in an increase in industry base rates of approximately 4.1%, short of the industry forward medical cost trend. We continue to manage costs through improving and expanding our coordinated care models, value-based care arrangements and various consumer engagement tools.

Affordable Care Act (ACA) Tax. The Health Insurance Tax was permanently repealed by Congress, effective January 1, 2021. The permanent repeal of the tax 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 third quarter 2021 year-over-year operating comparisons to third quarter 2020.

- Consolidated revenues grew 11%, UnitedHealthcare revenues grew 11% and Optum revenues grew 14%.
- UnitedHealthcare served 2.0 million more people domestically, driven by growth in community and senior programs.
- Earnings from operations increased at both UnitedHealthcare and Optum.
- Diluted earnings per common share were \$4.28.
- Cash flows from operations for the nine months ended September 30, 2021 were \$19.1 billion.
- Return on equity was 23.5%.

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 September 30, | | Increase/ (Decrease) | | Nine Months Ended September 30, | | Increase/ (Decrease) | |
|--|-------------------------------------|-----------------|-------------------------|-----|------------------------------------|------------------|-------------------------|------|
| | 2021 | 2020 | 2021 vs. 2020 | | 2021 | 2020 | 2021 vs. 2020 | |
| Revenues: | | | | | | | | |
| Premiums | \$56,967 | \$50,863 | \$6,104 | 12% | \$168,686 | \$150,897 | \$17,789 | 12% |
| Products | 8,703 | 8,777 | (74) | (1) | 25,476 | 25,455 | 21 | — |
| Services | 6,164 | 5,124 | 1,040 | 20 | 18,181 | 14,265 | 3,916 | 27 |
| Investment and other income | 503 | 351 | 152 | 43 | 1,511 | 1,057 | 454 | 43 |
| Total revenues..... | <u>72,337</u> | <u>65,115</u> | <u>7,222</u> | 11 | <u>213,854</u> | <u>191,674</u> | <u>22,180</u> | 12 |
| Operating costs: | | | | | | | | |
| Medical costs..... | 47,302 | 41,636 | 5,666 | 14 | 138,752 | 117,314 | 21,438 | 18 |
| Operating costs..... | 10,725 | 10,174 | 551 | 5 | 31,307 | 30,190 | 1,117 | 4 |
| Cost of products sold..... | 7,802 | 7,935 | (133) | (2) | 23,034 | 23,123 | (89) | — |
| Depreciation and amortization | 796 | 719 | 77 | 11 | 2,332 | 2,159 | 173 | 8 |
| Total operating costs | <u>66,625</u> | <u>60,464</u> | <u>6,161</u> | 10 | <u>195,425</u> | <u>172,786</u> | <u>22,639</u> | 13 |
| Earnings from operations..... | 5,712 | 4,651 | 1,061 | 23 | 18,429 | 18,888 | (459) | (2) |
| Interest expense | (422) | (395) | (27) | 7 | (1,229) | (1,262) | 33 | (3) |
| Earnings before income taxes | 5,290 | 4,256 | 1,034 | 24 | 17,200 | 17,626 | (426) | (2) |
| Provision for income taxes..... | (1,099) | (1,000) | (99) | 10 | (3,659) | (4,209) | 550 | (13) |
| Net earnings | 4,191 | 3,256 | 935 | 29 | 13,541 | 13,417 | 124 | 1 |
| Earnings attributable to noncontrolling interests | (105) | (84) | (21) | 25 | (327) | (226) | (101) | 45 |
| Net earnings attributable to UnitedHealth Group common shareholders | <u>\$ 4,086</u> | <u>\$ 3,172</u> | <u>\$ 914</u> | 29% | <u>\$ 13,214</u> | <u>\$ 13,191</u> | <u>\$ 23</u> | —% |
| Diluted earnings per share attributable to UnitedHealth Group common shareholders | \$ 4.28 | \$ 3.30 | \$ 0.98 | 30% | \$ 13.82 | \$ 13.73 | \$ 0.09 | 1% |
| Medical care ratio (a) | 83.0% | 81.9% | 1.1% | | 82.3% | 77.7% | 4.6% | |
| Operating cost ratio | 14.8 | 15.6 | (0.8) | | 14.6 | 15.8 | (1.2) | |
| Operating margin | 7.9 | 7.1 | 0.8 | | 8.6 | 9.9 | (1.3) | |
| Tax rate..... | 20.8 | 23.5 | (2.7) | | 21.3 | 23.9 | (2.6) | |
| Net earnings margin (b) | 5.6 | 4.9 | 0.7 | | 6.2 | 6.9 | (0.7) | |
| Return on equity (c)..... | 23.5% | 19.7% | 3.8% | | 26.0% | 28.9% | (2.9)% | |

(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.

2021 RESULTS OF OPERATIONS COMPARED TO 2020 RESULTS OF OPERATIONS

Consolidated Financial Results

Revenue

The increases in revenue were primarily driven by the increase in the number of individuals served through Medicare Advantage, Medicaid and commercial offerings; pricing trends; and organic and acquisition growth across the Optum business, primarily due to expansion in care delivery and managed services.

Medical Costs and MCR

Medical costs increased as a result of growth in people served through Medicare Advantage, Medicaid and commercial offerings, as well as increased COVID-19 related care costs and medical cost trends, partially offset by higher temporary care deferrals. The MCR increased due to the permanent repeal of the Health Insurance Tax and increased COVID-19 related care costs, partially offset by increased deferral of care. For the nine months ended September 30, 2021, medical costs and the MCR were also impacted by increased prior year favorable reserve development.

Operating Cost Ratio

The operating cost ratio decreased primarily due to the permanent repeal of the Health Insurance Tax and operating efficiency gains, partially offset by business mix. For the nine months ended September 30, 2021, the operating cost ratio also decreased due to COVID-19 impacts on revenue and operating costs in the prior year.

Income Tax Rate

Our effective tax rate decreased primarily due to the permanent repeal of the nondeductible Health Insurance 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. We utilize various metrics to evaluate and manage our reportable segments, including individuals served by UnitedHealthcare by major market segment and funding arrangement, people served by OptumHealth and adjusted scripts for OptumRx. These metrics are the main drivers of revenue, earnings and cash flows at each business. The metrics also allow management and investors to evaluate and understand business mix, customer penetration and pricing trends when comparing the metrics to revenue by segment.

The following table presents a summary of the reportable segment financial information:

| (in millions, except percentages) | Three Months Ended September 30, | | Increase/ (Decrease) | | Nine Months Ended September 30, | | Increase/ (Decrease) | | |
|---|-------------------------------------|------------------|-------------------------|-----|------------------------------------|------------------|-------------------------|-------|--|
| | 2021 | 2020 | 2021 vs. 2020 | | 2021 | 2020 | 2021 vs. 2020 | | |
| Revenues | | | | | | | | | |
| UnitedHealthcare | \$ 55,927 | \$ 50,373 | \$ 5,554 | 11% | \$166,515 | \$150,548 | \$15,967 | 11% | |
| OptumHealth | 13,812 | 10,499 | 3,313 | 32 | 39,515 | 28,830 | 10,685 | 37 | |
| OptumInsight | 3,139 | 2,767 | 372 | 13 | 8,948 | 7,893 | 1,055 | 13 | |
| OptumRx | 23,337 | 22,081 | 1,256 | 6 | 67,465 | 65,009 | 2,456 | 4 | |
| Optum eliminations | (503) | (424) | (79) | 19 | (1,456) | (1,275) | (181) | 14 | |
| Optum | 39,785 | 34,923 | 4,862 | 14 | 114,472 | 100,457 | 14,015 | 14 | |
| Eliminations | (23,375) | (20,181) | (3,194) | 16 | (67,133) | (59,331) | (7,802) | 13 | |
| Consolidated revenues | <u>\$ 72,337</u> | <u>\$ 65,115</u> | <u>\$ 7,222</u> | 11% | <u>\$213,854</u> | <u>\$191,674</u> | <u>\$22,180</u> | 12% | |
| Earnings from operations | | | | | | | | | |
| UnitedHealthcare | \$ 2,651 | \$ 2,068 | \$ 583 | 28% | \$ 9,854 | \$ 11,963 | \$ (2,109) | (18)% | |
| OptumHealth | 1,143 | 835 | 308 | 37 | 3,233 | 2,388 | 845 | 35 | |
| OptumInsight | 906 | 785 | 121 | 15 | 2,447 | 1,882 | 565 | 30 | |
| OptumRx | 1,012 | 963 | 49 | 5 | 2,895 | 2,655 | 240 | 9 | |
| Optum | 3,061 | 2,583 | 478 | 19 | 8,575 | 6,925 | 1,650 | 24 | |
| Consolidated earnings from operations | <u>\$ 5,712</u> | <u>\$ 4,651</u> | <u>\$ 1,061</u> | 23% | <u>\$ 18,429</u> | <u>\$ 18,888</u> | <u>\$ (459)</u> | (2)% | |
| Operating margin | | | | | | | | | |
| UnitedHealthcare | 4.7% | 4.1% | 0.6% | | 5.9% | 7.9% | (2.0)% | | |
| OptumHealth | 8.3 | 8.0 | 0.3 | | 8.2 | 8.3 | (0.1) | | |
| OptumInsight | 28.9 | 28.4 | 0.5 | | 27.3 | 23.8 | 3.5 | | |
| OptumRx | 4.3 | 4.4 | (0.1) | | 4.3 | 4.1 | 0.2 | | |
| Optum | 7.7 | 7.4 | 0.3 | | 7.5 | 6.9 | 0.6 | | |
| Consolidated operating margin | <u>7.9%</u> | <u>7.1%</u> | <u>0.8%</u> | | <u>8.6%</u> | <u>9.9%</u> | <u>(1.3)%</u> | | |

UnitedHealthcare

The following table summarizes UnitedHealthcare revenues by business:

| (in millions, except percentages) | Three Months Ended September 30, | | Increase/ (Decrease) | | Nine Months Ended September 30, | | Increase/ (Decrease) | |
|--|-------------------------------------|-----------------|-------------------------|-----|------------------------------------|------------------|-------------------------|-----|
| | 2021 | 2020 | 2021 vs. 2020 | | 2021 | 2020 | 2021 vs. 2020 | |
| UnitedHealthcare Employer & Individual | \$15,094 | \$14,081 | \$1,013 | 7% | \$ 44,668 | \$ 41,324 | \$ 3,344 | 8% |
| UnitedHealthcare Medicare & Retirement | 24,931 | 22,606 | 2,325 | 10 | 75,709 | 68,613 | 7,096 | 10 |
| UnitedHealthcare Community & State | 13,763 | 11,820 | 1,943 | 16 | 39,846 | 34,796 | 5,050 | 15 |
| UnitedHealthcare Global | 2,139 | 1,866 | 273 | 15 | 6,292 | 5,815 | 477 | 8 |
| Total UnitedHealthcare revenues | <u>\$55,927</u> | <u>\$50,373</u> | <u>\$5,554</u> | 11% | <u>\$166,515</u> | <u>\$150,548</u> | <u>\$15,967</u> | 11% |

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

| (in thousands, except percentages) | September 30, | | Increase/ (Decrease) | |
|---|---------------|---------------|-------------------------|------|
| | 2021 | 2020 | 2021 vs. 2020 | |
| Commercial: | | | | |
| Risk-based | 7,960 | 7,950 | 10 | —% |
| Fee-based | 18,595 | 18,400 | 195 | 1 |
| Total commercial | 26,555 | 26,350 | 205 | 1 |
| Medicare Advantage | 6,455 | 5,670 | 785 | 14 |
| Medicaid | 7,510 | 6,435 | 1,075 | 17 |
| Medicare Supplement (Standardized) | 4,405 | 4,450 | (45) | (1) |
| Total community and senior | 18,370 | 16,555 | 1,815 | 11 |
| Total UnitedHealthcare—domestic medical | 44,925 | 42,905 | 2,020 | 5 |
| Global | 5,490 | 5,285 | 205 | 4 |
| Total UnitedHealthcare—medical | <u>50,415</u> | <u>48,190</u> | <u>2,225</u> | 5% |
| Supplemental Data: | | | | |
| Medicare Part D stand-alone | 3,725 | 4,075 | (350) | (9)% |

Commercial business increased primarily due to acquisitions in risk-based and fee-based offerings. Medicare Advantage increased due to growth in people served through individual and group Medicare Advantage plans. The increase in people served through Medicaid was primarily driven by states continuing to ease redetermination requirements due to COVID-19, new state-based awards and growth in people served through Dual Special Needs Plans.

UnitedHealthcare's revenue increased due to growth in the number of individuals served through Medicare Advantage and Medicaid, including a greater mix of people with higher acuity needs, and an increase in the number of individuals served through commercial benefits, partially offset by the permanent repeal of the Health Insurance Tax and the impacts of COVID-19 on risk adjusted business. Earnings from operations for the three months ended September 30, 2021 increased primarily due to the higher temporary deferral of care and growth in people served across our domestic businesses, partially offset by COVID-19 related care costs and other economic factors. For the nine months ended September 30, 2021, earnings from operations decreased due to COVID-19 related care costs and the impacts of COVID-19 on risk adjusted business, partially offset by higher temporary deferral of care and growth in people served across our domestic businesses.

Optum

Total revenues and earnings from operations increased due to growth across the Optum businesses. The results by segment were as follows:

OptumHealth

Revenue at OptumHealth increased primarily due to organic growth and acquisitions in care delivery and the impact of COVID-19 at our fee-based businesses as consumers resumed elective care. Earnings from operations increased due to organic growth and acquisitions and cost management initiatives. COVID-19 related care costs and temporary care deferrals affected earnings from operations at our risk-based and fee-based businesses in offsetting manners. OptumHealth served approximately 99 million people as of September 30, 2021 compared to 98 million people as of September 30, 2020.

OptumInsight

Revenue and earnings from operations at OptumInsight increased due to growth in technology and managed services and increased activity levels in our volume-based services as a result of care activity normalizing for payer and care provider clients. Earnings from operations also increased due to productivity gains and cost management initiatives.

OptumRx

Revenue and earnings from operations at OptumRx increased due to higher script volumes from growth in people served, increased utilization and organic growth in pharmacy care services. Revenue for the nine months ended September 30, 2021 also increased due to acquisitions. Earnings from operations also increased as a result of continued supply chain management initiatives. OptumRx fulfilled 344 million and 325 million adjusted scripts in the third quarters of 2021 and 2020, respectively. In addition to the factors contributing to revenue growth, adjusted scripts also increased due to the dispensing of COVID-19 vaccines.

LIQUIDITY, FINANCIAL CONDITION AND CAPITAL RESOURCES

Liquidity

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

| (in millions) | Nine Months Ended September 30, | | Increase (Decrease) |
|---|------------------------------------|-----------|------------------------|
| | 2021 | 2020 | 2021 vs. 2020 |
| Sources of cash: | | | |
| Cash provided by operating activities..... | \$ 19,125 | \$ 16,073 | \$ 3,052 |
| Issuances of short-term borrowings and long-term debt, net of repayments..... | 3,733 | 2,941 | 792 |
| Proceeds from common stock issuances..... | 1,077 | 1,206 | (129) |
| Customer funds administered..... | 1,402 | 249 | 1,153 |
| Total sources of cash..... | 25,337 | 20,469 | |
| Uses of cash: | | | |
| Common stock repurchases..... | (3,950) | (2,541) | (1,409) |
| Cash paid for acquisitions, net of cash assumed..... | (4,727) | (4,326) | (401) |
| Purchases of investments, net of sales and maturities..... | (3,702) | (1,386) | (2,316) |
| Purchases of property, equipment and capitalized software..... | (1,759) | (1,477) | (282) |
| Cash dividends paid..... | (3,915) | (3,400) | (515) |
| Purchases of redeemable noncontrolling interests..... | (1,338) | — | (1,338) |
| Other..... | (1,737) | (614) | (1,123) |
| Total uses of cash..... | (21,128) | (13,744) | |
| Effect of exchange rate changes on cash and cash equivalents..... | (45) | (160) | 115 |
| Net increase in cash and cash equivalents..... | \$ 4,164 | \$ 6,565 | \$ (2,401) |

2021 Cash Flows Compared to 2020 Cash Flows

Increased cash flows provided by operating activities were primarily driven by changes in working capital accounts. Other significant changes in sources or uses of cash year-over-year included increased net purchases of investments, increased share repurchases and purchases of redeemable noncontrolling interests, partially offset by increased customer funds administered.

Financial Condition

As of September 30, 2021, our cash, cash equivalent, available-for-sale debt securities and equity securities balances of \$66.8 billion included approximately \$21.1 billion of cash and cash equivalents (of which \$3.7 billion was available for general corporate use), \$42.8 billion of debt securities and \$2.9 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 securities portfolio had a weighted-average duration of 3.8 years and a weighted-average credit rating of “Double A” as of September 30, 2021. 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:

Cash Requirements. A summary of our cash requirements as of December 31, 2020 was disclosed in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2020 10-K. During the nine months ended September 30, 2021, there were no material changes to this previously disclosed information outside the ordinary course of business. We believe our capital resources are sufficient to meet future, short-term and long-term, liquidity needs. We continually evaluate opportunities to expand our operations, including through internal development of new products, programs and technology applications and acquisitions.

Short-Term Borrowings. Our revolving bank credit facilities provide liquidity support for our commercial paper borrowing program, which facilitates the private placement of unsecured debt through independent broker-dealers, and are available for general corporate purposes. For more information on our commercial paper and bank credit facilities, see Note 8 of Notes to the Consolidated Financial Statements included in Part II, Item 8, “Financial Statements” in our 2020 10-K.

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 September 30, 2021, our debt to debt-plus-shareholders’ equity ratio, as defined and calculated under the credit facilities, was approximately 38%.

Long-Term Debt. Periodically, we access capital markets and issue long-term debt for general corporate purposes, such as, to meet our working capital requirements, to refinance debt, to finance acquisitions or for share repurchases. 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 and Note 8 of Notes to the Consolidated Financial Statements included in Part II, Item 8, “Financial Statements” in our 2020 10-K.

Credit Ratings. Our credit ratings as of September 30, 2021 were as follows:

| | <u>Moody’s</u> | | <u>S&P Global</u> | | <u>Fitch</u> | | <u>A.M. Best</u> | |
|-----------------------------|----------------|----------------|-----------------------|----------------|----------------|----------------|------------------|----------------|
| | <u>Ratings</u> | <u>Outlook</u> | <u>Ratings</u> | <u>Outlook</u> | <u>Ratings</u> | <u>Outlook</u> | <u>Ratings</u> | <u>Outlook</u> |
| Senior unsecured debt | A3 | Stable | A+ | Stable | A | Stable | A- | Positive |
| 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. 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 nine months ended September 30, 2021, we repurchased approximately 10 million shares at an average price of \$376.93 per share. As of September 30, 2021, we had Board authorization to purchase up to 48 million shares of our common stock.

Dividends. In June 2021, the Company's Board of Directors increased our quarterly cash dividend to shareholders to an annual rate of \$5.80 compared to \$5.00 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.

Pending Acquisitions. We have entered into agreements to purchase companies in the health care sector, most notably Change Healthcare (NASDAQ: CHNG), subject to regulatory approvals and other customary closing conditions. The total anticipated capital required for these acquisitions, excluding the payoff of acquired indebtedness, is approximately \$9 billion.

For additional liquidity discussion, see Note 10 of Notes to the Consolidated Financial Statements in Part II, Item 8, "Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 in our 2020 10-K.

RECENTLY ISSUED ACCOUNTING STANDARDS

There are no recently issued accounting standards that are expected to have a material impact on our Condensed Consolidated Financial Statements.

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 2020 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" in our 2020 10-K.

FORWARD-LOOKING STATEMENTS

The statements, estimates, projections, guidance or outlook contained in this document include "forward-looking" statements which are intended to take advantage of the "safe harbor" provisions of the federal securities law. The words "believe," "expect," "intend," "estimate," "anticipate," "forecast," "outlook," "plan," "project," "should" and similar expressions identify forward-looking statements. These statements may contain information about financial prospects, economic conditions and trends and involve risks and uncertainties. Actual results could differ materially from those that management expects, depending on the outcome of certain factors including: risks associated with public health crises, large-scale medical emergencies and pandemics, such as the COVID-19 pandemic; our ability to effectively estimate, price for and manage medical costs; new or changes in existing health care laws or regulations, or their enforcement or application; the DOJ's legal action relating to the risk adjustment submission matter; our ability to maintain and achieve improvement in quality scores impacting revenue; reductions in revenue or delays to cash flows received under government programs; changes in Medicare, the CMS star ratings

program or the application of risk adjustment data validation audits; failure to maintain effective and efficient information systems or if our technology products do not operate as intended; cyberattacks, other privacy/data security incidents, or our failure to comply with related regulations; risks and uncertainties associated with the pharmacy benefits management industry; competitive pressures; changes in or challenges to our public sector contract awards; our ability to contract on competitive terms with physicians, hospitals and other service providers; failure to attract, develop, retain, and manage the succession of key employees and executives; the impact of potential changes in tax laws and regulations (including any increase in the U.S. income tax rate applicable to corporations); failure to achieve targeted operating cost productivity improvements; increases in costs and other liabilities associated with litigation, government investigations, audits or reviews; failure to manage successfully our strategic alliances or complete or receive anticipated benefits of strategic transactions; fluctuations in foreign currency exchange rates; downgrades in our credit ratings; our investment portfolio performance; impairment of our goodwill and intangible assets; and our ability to obtain sufficient funds from our regulated subsidiaries or from external financings to fund our obligations, maintain our debt to total capital ratio at targeted levels, maintain our quarterly dividend payment cycle, or continue repurchasing shares of our common stock. This above list is not exhaustive. We discuss these matters, and certain risks that may affect our business operations, financial condition and results of operations more fully in our filings with the SEC, including our reports on Forms 10-K, 10-Q and 8-K. 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 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 law.

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 matching a portion of our floating-rate assets and liabilities, 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 September 30, 2021 on our investment income and interest expense per annum, and the fair value of our investments and debt (in millions, except percentages):

| <u>Increase (Decrease) in Market Interest Rate</u> | <u>September 30, 2021</u> | | | |
|--|--|---|---|--|
| | <u>Investment Income Per Annum</u> | <u>Interest Expense Per Annum</u> | <u>Fair Value of Financial Assets</u> | <u>Fair Value of Financial Liabilities</u> |
| 2% | \$ 496 | \$ 171 | \$ (3,245) | \$ (8,646) |
| 1 | 248 | 85 | (1,639) | (4,711) |
| (1) | (85) | (7) | 1,310 | 5,525 |
| (2) | (85) | (7) | 1,723 | 11,273 |

Note: Given the low absolute level of short-term market rates on our floating-rate assets and liabilities as of September 30, 2021, the assumed hypothetical change in interest rates does not reflect the full 100 and 200 basis point reduction in interest income or interest expense, as the rates are assumed not to fall below zero. As of September 30, 2021 some of our investments had interest rates below 1% so the assumed hypothetical change in the fair value of investments does not reflect the full 100 and 200 basis point reduction.

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 September 30, 2021. 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 September 30, 2021.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2021 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 2020 10-K, which could materially affect our business, financial condition or future results. The risks described in our 2020 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 as disclosed in our 2020 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 third quarter 2021, we repurchased approximately 2 million shares at an average price of \$414.23 per share. As of September 30, 2021, we had Board authorization to purchase up to 48 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 Amended and Restated Bylaws of UnitedHealth Group Incorporated, effective February 23, 2021 (incorporated by reference to Exhibit 3.2 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on February 26, 2021)
- 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)
- 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 Inline XBRL Taxonomy Extension Schema Document.
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and embedded within Exhibit 101).

* 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/ ANDREW P. WITTY

Andrew P. Witty

Chief Executive Officer
(principal executive officer)

Dated: November 3, 2021

/s/ JOHN F. REX

John F. Rex

Executive Vice President and
Chief Financial Officer
(principal financial officer)

Dated: November 3, 2021

/s/ THOMAS E. ROOS

Thomas E. Roos

Senior Vice President and
Chief Accounting Officer
(principal accounting officer)

Dated: November 3, 2021