

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402, and
	:	1403 of the Insurance Holding
Application of UnitedHealth Group	:	Companies Act, Article XIV of the
Incorporated in Support of the Request for	:	Insurance Company Law of 1921,
Approval to Acquire Control of all the	:	Act of May 17, 1921, P.L. 682,
Issued and Outstanding Capital Stock of	:	as amended, 40 P.S. §§991.1401,
Optimum Choice, Inc. of Pennsylvania	:	991.1402, and 991.1403.
	:	
	:	Order No. ID-RC-04-01

DECISION AND ORDER

AND NOW, on this ___15th___ day of January, 2004, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Company Law and the Insurance Holding Company Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

1. Optimum Choice, Inc. of Pennsylvania, Inc. (“Optimum Choice of PA”) is a for-profit health maintenance organization (“HMO”) organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Rockville, Maryland.
2. Mid Atlantic Medical Services, Inc. (“MAMSI”) is a publicly traded business corporation organized under the laws of the state of Maryland with its principal place of business located in Rockville, Maryland. MAMSI currently holds 100% of the issued and outstanding voting stock of Optimum Choice of PA.

3. UnitedHealth Group Incorporated (“UnitedHealth”) is a general business corporation organized under the laws of the state of Minnesota with its principal place of business located in Minnetonka, Minnesota. UnitedHealth is a publicly traded company on the New York Stock Exchange. No entity is an ultimate controlling person of UnitedHealth.

Acquisition Filing

4. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1992, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that any transaction involving control of a domestic HMO must be filed with the Commissioner for approval or disapproval.
5. On November 10, 2003, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from UnitedHealth for approval to acquire control of Optimum Choice of PA.
6. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

7. On November 29, 2003, the Department published notice in the Pennsylvania Bulletin that the Application was submitted by UnitedHealth and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty day period, ending December 29, 2003.
8. The Department received no comments regarding the Application during the thirty day comment period.

Description of the Proposed Acquisition

9. As described in the Application, on October 26, 2003, UnitedHealth and MAMSI entered into a Agreement and Plan of Merger (“Agreement”) whereby MAMSI would merge with and into a subsidiary of UnitedHealth (“Merger Sub”), with Merger Sub the surviving entity.
10. As described in the Application and pursuant to the Agreement, the consideration to be paid the current stockholders of MAMSI will be in the form of UnitedHealth stock and cash.

Standards for Review

11. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic HMO.
12. The application for a change in control must be approved unless the Commissioner finds any one of certain enumerated conditions to be present.

Licensing Requirements

13. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic HMO being acquired.
14. The minimum net worth of an HMO is \$1,000,000, as required by Section 301.121 of Title 31 of the Pennsylvania Code (31 Pa. Code §301.121).
15. Upon completion of the acquisition, Optimum Choice of PA will have a net worth in an amount that will satisfy the minimum net worth requirement for a licensed HMO.

Competitive Impact

16. The acquisition of control of the Optimum Choice of PA is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
17. The acquisition of control of the Optimum Choice of PA will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of UnitedHealth, as stated in the Application, does not exceed the market share levels established in Section 1403.

Financial Condition of UnitedHealth

18. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring persons.

19. UnitedHealth reported December 31, 2002, GAAP account balances of:

Assets:	\$ 14,164,000,000
Liabilities:	\$ 9,736,000,000
Shareholder's Equity:	\$ 4,428,000,000
Net Income:	\$ 1,352,000,000

20. The financial condition of UnitedHealth would not pose any impediments to the change in control nor jeopardize the financial condition of the Optimum Choice of PA.

Plans for the Acquired Insurer

21. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the HMO.

22. As provided in the Application, UnitedHealth has disclosed that it intends to maintain the current business activities of Optimum Choice of PA.

Management

23. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired HMOs.

24. Biographical affidavits for all directors and executive officers of UnitedHealth were provided as part of the Application and the Department reviewed all affidavits that were submitted.

25. The Department is satisfied that the persons who would control the operations of the Optimum Choice of PA have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.

26. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has jurisdiction to review and approve the change in control of the Optimum Choice of PA.
2. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner must approve an application for a change in control unless the Department has found that:
 - a) The HMO will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which it is presently licensed;
 - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
 - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the HMO or prejudice the interests of its policyholders;
 - d) Any plans to liquidate the HMO, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the HMOs and not in the public interest;
 - e) The competence, experience and integrity of those persons who would control the operation of the HMO are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control;
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,
 - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of Optimum Choice of PA.
4. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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	:	
	:	Order No. ID-RC-04-01

ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

The acquisition of control by UnitedHealth Group Incorporated (“UnitedHealth”) of all the issued and outstanding shares of common stock of Optimum Choice, Inc. of Pennsylvania (“Optimum Choice of PA”) is hereby approved, subject to this Order and the following conditions:

1. All necessary regulatory filings and approvals are obtained prior to consummation of the Stock Purchase Agreement.
2. UnitedHealth shall provide a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.
3. UnitedHealth shall either submit a request to surrender Optimum Choice of PA’s Certificate of Authority to act as a health maintenance organization or cause the company to file a business plan by December 31, 2004, outlining a plan to resume active business.

This Order is effective immediately and valid for one year, provided no material changes are made to the transaction prior to consummation.

M. DIANE KOKEN
Insurance Commissioner
Commonwealth of Pennsylvania