

1999 was an outstanding year for UnitedHealth Group.

- Revenues rose nearly 13 percent, reflecting strong and balanced growth in all business segments.
- Earnings per share grew by 22 percent, with more than 40 percent of operating income coming from outside of our health plan business.
- Cash flows from operations well exceeded \$1 billion for the second consecutive year.
- Return on equity rose to 14.1 percent for the year, a significant advance over 11.9 percent in 1998, and on track to reach 16 percent or more by year-end 2000.
- For the full year, our stock price increased 23 percent.

This strong and broad-based performance suggests the emerging potential of strategies put in place more than two years ago, when we realigned our company into five independent, market-defined operating businesses. UnitedHealthcare, Ovations, Uniprise, Specialized Care Services and Ingenix today constitute a powerful portfolio of leading businesses that establish UnitedHealth Group as the preeminent and most diversified health and well-being company in America.

The formation of our separate businesses reignited an entrepreneurial spirit that dates back to when UnitedHealth Group was a start-up company working with physicians to create local health plans. We continue to harness the creativity and innovation that established our long-standing leadership. In today's dynamic marketplace, those qualities, coupled with a customer-defined commitment to operational excellence, provide a competitive advantage and should accelerate our growth.

As we enter the next century, we intend to continue our leadership by investing intellect, energy and dollars in research and development to create better, more informed consumer-oriented offerings for the broad health services market. Our actions will be characterized by three key principles: market-driven focus, consumer-defined value and operating excellence.

Market-Driven Focus

With revenues of nearly \$20 billion and more than 40 percent of operating income contributed from outside of our health plan business, UnitedHealth Group operates far beyond the bounds and traditions of either insurance or managed care.

We are committed to being the best at forming and operating orderly, efficient markets for the exchange of high quality health and well-being services. This is possible because of UnitedHealth Group's proven competencies in network creation and coordination, sophisticated and complex large-scale transaction processing, and data and knowledge analysis and application. These are three core competencies we can apply to improve virtually any market within the vast health and well-being landscape.

These competencies transcend organizational boundaries and create building blocks for our current businesses and future ventures. Today, UnitedHealth Group is a diverse, market-focused enterprise composed of five distinct, yet strategically aligned businesses:

- UnitedHealthcare, which organizes health markets serving the needs of individuals and employers in local geographic regions;
- Ovations, which offers health and well-being services for Americans in the second half of life;
- Uniprise, which provides leading-edge support services and health and benefit solutions to large corporations and employers, other payers and health plans;
- Specialized Care Services, which organizes highly specialized markets for services to meet the needs of individuals and businesses of all sizes; and,
- Ingenix, which provides health information and research to virtually all participants in the health care system.



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Each of these businesses is focused on responding to important basic human needs that aggregate into major market segments within a health and wellness economy that today exceeds \$1 trillion. These businesses are now separated, so as to be market-focused and independently branded and managed, but are fully able to draw on each other's strengths to better — and often uniquely — meet

the needs of their respective customers. This means ongoing change and evolution that is more dedicated and better focused on meeting market needs. It also is a modular structure, designed to react quickly to emerging and changing markets, along with changes in the health care environment itself.

Consumer-Defined Value

UnitedHealth Group has consistently sought ways to provide tangible value to its customers — whether individual consumers, businesses, governments or other health care institutions. In that pursuit, our view of value in the marketplace has included not just the measurement of the price of services, but also their convenience, quality and consistency with the underlying values of the customer. Innovations such as direct access to medical specialists, health plan report cards, broad and open physician networks, and multi-tiered prescription drug formularies were introduced to the market by UnitedHealthcare.

In our society, access to basic health care is placed above the economic dynamics of its supply. Personal control over one's individual health and well-being has become increasingly important, and we expect that private sector systems will continue to evolve, giving individual consumers greater accountability — intellectually, financially and otherwise. In that environment, each consumer will require — and demand — more

information along with better performance and accountability from purchasers as well as providers of care.

In 1999 we moved dramatically toward bringing these concepts of consumerism and value closer to reality. Most notable was the launch of the Care Coordination concept, a major step in rethinking the evolving role of health care systems. Care Coordination helps define a new standard for advancing health and well-being. It directs resources into patient education, coordination of efforts for specific complex cases, support services to help people understand and comply with treatment plans and medications, and help in obtaining timely access to needed resources and services.

Similar advances were brought forth in other businesses — all consistently focused on delivering tangible value to better-defined customer segments. Uniprise emerged as a preeminent coordinator of health care services to large, multi-site employers and other organizations in need of technology and unique transactional solutions to complex health care service needs. And Ovations translated its administrative efficiencies and creative product designs for the AARP Medicare Supplement program into bottom line value for AARP members — specifically, the lowest premium rate increases in a decade. This in turn translated into stronger customer retention for AARP.

Health care costs remain a major challenge to our nation, its employers and individual consumers. In 1999 we were successful in helping balance cost trends and customer demand for access, choice and critical benefit needs. For example, we again achieved particularly positive results in the area of pharmaceutical costs, continuing a tradition of one of the lowest cost trends in the industry while offering customers access to a broad array of drugs. And, in the face of tremendous advances in medical technology, an aging population and strong consumer demand for elective medical interventions, we were able to moderate, on a comparative basis, health care costs for our customers in virtually all market segments.

What will shape health and well-being services in the next decade? Clearly, demand for information will increase dramatically, paralleling the expansion in medical advances and services. New technologies will continue to provide us with wondrous ways to anticipate and diagnose disease, fight illness and correct heretofore untreatable medical problems. Our population will continue to age, and access to desired services will be at a premium. With new capabilities, changing demographics and our society's commitment to health and well-being, costs associated with health care will continue to grow at a rate above that of other economic sectors. This will intensify the challenges for all of us — with particular pressure on those unable to afford or even access all of our nation's health care capabilities. Cost, access and quality will continue as challenging issues for our society.

UnitedHealth Group has positioned itself to be an increasingly important participant in this new environment. It is a position achieved because of the combined clinical expertise and technology capabilities we direct toward improving service and facilitating care; because of critical information we report to users, providers and payers of health care services; and because of our unrelenting focus on helping people get what they need at the right time and the right place at a fair price. It is a strong position because our business model enables us to focus on specific needs of different market segments at different times — all while leveraging the expertise and capabilities of other companies within our family.

Operating Excellence

Our vision for the future can be fulfilled only through excellence in execution. Sound business practices and discipline set the foundation for how we work, and we are committed to operating at a level demonstrated by our nation's greatest enterprises. Our clients should expect nothing less.

Meeting this goal demands proper organization and a focus on accountability and performance. Our independent but strategically linked business model has pointed the way to that end. More essential — and highlighted by our diversification — are our people. Even as we continue to foster growth among our core employees, we have made conscious efforts to add people, particularly senior management, with deep operating experience outside the health and insurance worlds. We are using their skills and experience to move us quickly into management approaches and service levels that, when viewed by our customers and the broad business community, establish us at the same level as any well-built, well-managed company, regardless of market.

The intent of such actions is to continuously enhance service levels — particularly to improve key interactions between providers of care and patients. In 1999, we achieved fundamental improvements in response time and problem resolution across all of our businesses. These gains were rewarded by strong customer retention, business expansion to existing customers, and record new business sales in UnitedHealthcare, Uniprise, United Resource Networks and United Behavioral Health.

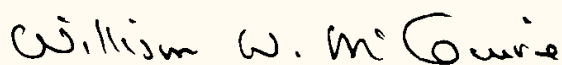
Looking Ahead

In 1999, for the first time, we were listed as one of the Fortune 100 companies. And while we are proud that we have built this company into such a significant force, we also are aware that the challenge is to continue to advance and be willing to change and reshape even our most recent efforts. When measured against the scope of the market opportunity that stands before us, our work has just begun.

The strength and breadth of our organization offers significant advantages we will exploit. Yet the new millennium's fast-paced, global marketplace values speed more than size, flexibility and adaptability more than stability. Recognition of that fact is at the crux of the changes we sketched in 1997, applied in 1998, refined in 1999, and will accelerate in 2000.

From the start, we have had confidence in our broad focus. We are convinced that creating distinct market-facing businesses allows us to serve the aggregate needs of people — the essence of any market — with greater effectiveness through support of an agile and energetic culture. In so doing, UnitedHealth Group will become an even stronger performer.

Last year, we made tremendous strides and achieved record results. We enter the dynamic marketplace of 2000 excited by the opportunities, committed to helping improve the health and well-being of the individuals we serve, and — most importantly — steadfast in our resolve to apply ourselves creatively in order to optimize whatever the future holds.



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Chairman and Chief Executive Officer