

Letter from the chairman

At UnitedHealth Group, our long-standing interest — from a business, medical and social context — has been to make health care resources work better for everyone. These efforts have been engaged at many levels — advancing access to care, improving services and systems integral to a progressive health system, and facilitating development of new products and tools for health advancement — all with the intent of achieving higher quality outcomes at an affordable cost. The activities and associated results have benefited those we serve and those with whom we work. Our shareholders, in turn, have realized meaningful and continuing advances in the value of UnitedHealth Group as an investment. In that regard, our 2003 financial results and long-term growth measures speak for themselves.

We are passionate about our mission to improve how health care works, and thus gratified by the gains we have made and the benefits realized by those we serve. At the same time, and more fervently than ever, we are disappointed that as an enterprise and a society we have not achieved more. The health care challenges before us grow larger and more costly, and they are expanding. This is confirmed to us every day as we interact with business leaders, legislators, physicians, hospital administrators and people in communities across the country who express anxiety over such issues as: affordable access to services, the impact of rising numbers of uninsured Americans, the quality, effectiveness and safety of medical care, the challenges of promoting healthier lifestyles and preventing disease, and the overall complexity of the health care system and related health care administration.

Our health care system can — *must* — work better, be more efficient, and truly provide for all people. From our vantage point, we know this can happen. We see firsthand, on a day-to-day basis, the many advances that can and should be made to realize that goal. We also know that UnitedHealth Group is positioned — by its assets and expertise — to help achieve that end in concert with federal and state governments, employers, physicians, health care providers and manufacturers, and individual consumers themselves.

As our company advances on many fronts to make health care work better, we remain guided by key beliefs that have only grown stronger over the past several years:

- > **As a nation, we can and must cover everyone.** Our society must provide an essential level of health care for all people. Without such basic and universal coverage, both human suffering and economic inefficiency are inevitable. Focusing first on essential services, and delivering them optimally to all people, is integral to moderating overall health care costs. Considerable evidence suggests that we can provide timely, essential services to all at no more cost than we spend today to provide services for only a portion of our population, because ours is a frequently inefficient and oftentimes too discretionary health system.
- > **Scientifically based decisions and actions regarding health care choices are essential.** Today, it is more obvious than ever that the cornerstone for improving our health system is the adoption of evidence-based medicine as the standard for care decisions and action. Clinical care based on evidence must become a pervasive standard for the care that is delivered and that which is sought. It should underscore consumer decisions, physician action, resource organization and health care benefit coverage. The positive effect of this approach comes from our ability to conserve resources and expend fewer dollars on marginal and, at times, unsupported approaches and interventions. That in turn will increase access and resource availability, as well as affordability, for what is of proven value.
- > **Technology can significantly contribute.** The complexity and costs associated with the administration of our current health system can be dramatically improved by applying basic technology to standard processes for health care in a fashion similar to the way standards have been applied in other service sectors, such as banking and manufacturing. We have already seen — for our customers and our own business — the immense value and potential gains from efforts of this type. Steps such as these will meaningfully advance health and well-being through simplification,

increased efficiency, better information exchanges, error reduction, facilitation of optimum medical interventions, and better education tools, services and experiences for all involved. These advancements will individually and cumulatively help us to expand access, improve quality and moderate costs.

Appropriate and necessary health care made available to all people at an affordable cost is consistent with everyone's definition of success, and can clearly be viewed at the broadest level as uncompromised public good. It will require thoughtful leadership since, in this effort, changes to how we approach caring for each other within our society must occur at multiple levels and include spending more in some cases and less in others, and in all situations, advocating optimum quality for what is provided.

The magnitude of the challenges in health care, combined with ideology, lead some to propose preemptive or unilateral actions; however, as a country we can only succeed through cooperative efforts by the public and private sectors. It will require critical thinking, flexibility, willingness to make tradeoffs, greater urgency and significant financial investment to further develop many components of the health care infrastructure. To accomplish this, government should work with business; payers must work with physicians, hospitals and other care providers; and not-for-profit organizations must join together with for-profit companies. Strong national policies must form the basis for our actions.

The private sector, which has already made and is continuing to make immense investments in technology to simplify health care processes, increase efficiency, reduce errors, distribute information and organize health care delivery and support resources, should execute on these policies. We believe the results of such an approach can create sufficient capacity to provide high quality and more affordable health care for everyone. At the same time, we can continue to foster the advances in health care that our nation and its health-related enterprises are uniquely able to deliver — for our citizens, as well as for the rest of the world.



The dynamic that could be created by engaging the positive stability and breadth of responsibility of our government, coupled with the propensity to drive change and innovation embedded in private enterprise, can lead to success just as it has in many other endeavors in this country. Our nation has the ability to make this work. We must move from discussion and debate to action. Tools for improvement are available. Resolve is necessary. Implementation must occur more urgently.

Affordable health care for all Americans can become a reality. But for this to happen, we must establish a stronger footing of scientifically based decision-making, create process simplification and improvement based on modern technological capabilities, and mandate a realistic set of essential health benefits for everyone. As we move ahead in this pursuit, we at UnitedHealth Group are pleased to be at a stage where our contributions are meaningful, our capabilities are growing in a fashion that can advance innovation, and our results continue to demonstrate the value of our services to a diverse and large group of constituents.

Building on years of successful innovations and interventions to expand access, share information and make services more affordable, UnitedHealth Group again enters a new year in a very strong position. Our commitment to these efforts is unwavering, and we will continue to strive to make health care work better for everyone.

Sincerely,

A handwritten signature in black ink that reads "William W. McGuire". The signature is written in a cursive, slightly stylized font.

William W. McGuire, M.D.

Chairman and Chief Executive Officer