



Nevada Division of Insurance

Alice A. Molasky-Arman, Commissioner

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Commissioner Approves UnitedHealth Group's Acquisition of Health Plan of Nevada Subject to Market Conduct Conditions

(Carson City) - Nevada Commissioner of Insurance Alice A. Molasky-Arman issued an order today approving UnitedHealth Group's application to acquire Health Plan of Nevada, Inc. as part of its acquisition of Sierra Health Services, Inc. The order approving the acquisition, which is available on the Division of Insurance Web page (<http://doi.state.nv.us/>), contains numerous conditions with which the companies must comply in order to address concerns raised by members of the public in writing and at hearings that were held throughout Nevada in June and July of this year. In addition, the approval is conditioned on the acquisition closing on or before February 29, 2008.

Molasky-Arman said, "I especially thank Governor Jim Gibbons for his role in this process and for encouraging public involvement. Many valid concerns were raised by residents of Nevada, my staff, and others. Both United and Sierra were cooperative and proactive in working with the Division to create ways to protect consumers in this State and satisfy all relevant statutory requirements. I am convinced that Health Plan of Nevada will continue to offer the same high quality of products and services that it has historically offered, and that the costs of the acquisition will *not* be borne by Nevadans. With the conditions in the order, this is good news for Nevada health care consumers and providers."

Under relevant Nevada law, the Commissioner is required to approve the acquisition unless the record demonstrated that the acquisition would actually result in one or more of seven specific negative impacts. The order describes how the companies met the statutory burden, including a series of commitments that the companies made to the Commissioner on behalf of all Nevadans. These commitments are expressly made conditions of the Commissioner's approval.

The conditions to the approval include the following:

- No acquisition costs, including executive bonuses and severance packages, will be passed to health care consumers or providers;
- Premiums paid to, and provider fees paid by, Health Plan of Nevada will not be increased as a result of the costs of the acquisition;
- Sierra's system of claims handling will continue after the acquisition, and will not degrade as a result of the acquisition;
- Benefit plans will not be scaled back as a result of the acquisition;

- Local home office, management, and employment will continue; and
- United's affiliates will take specific actions to help reduce the number of uninsured Nevadans.

The companies also made additional commitments to address concerns raised by the Division and others:

- United and Sierra will continue, and build on, their charitable giving and philanthropic activities; and
- No debt rating factor incurred in the acquisition will be included Health Plan of Nevada's practices and methodologies;
- Health Plan of Nevada's post-acquisition administrative expense ratio will not materially exceed pre-acquisition levels without prior notice to the Commissioner;
- Health Plan of Nevada and PacifiCare of Nevada will provide prior notice to the Commissioner of any and all dividends during the two years following the acquisition and no extraordinary dividends can be paid without the Commissioner's approval;
- United's affiliates will not abandon service areas except to eliminate duplication or upon demonstration to the Commissioner of material market changes;
- Health Plan of Nevada's medical expense ratio assumptions will not materially vary from pre-acquisition assumptions;
- Health Plan of Nevada will not rescind coverage based on nonmaterial mistakes, errors, or other unintentional application inconsistencies;
- Health Plan of Nevada's books and records will continue to be maintained in Nevada;
- Health Plan of Nevada will obtain prior approval from the Commissioner before amending any of its administrative service agreements;
- United will not implement in Nevada either a previously-announced physician protocol relating to laboratory services pursuant to which physicians could be fined for referrals to out-of-network laboratories or certain of its computerized claim payment systems or platforms that have been controversial in other jurisdictions.

The United States Department of Justice continues to conduct its independent investigation into potential anti-trust implications of the acquisition. Laws governing the Department of Justice review can result in a longer and more exhaustive investigation than is permitted under laws governing the Nevada hearing and order process. With respect to the competitive issues regarding the federal Medicare program, the Commissioner has deferred to the Department of Justice.

Molasky-Arman said, "The expertise of my professional advisers, Sonnenschein Nath & Rosenthal LLP and Milliman Inc. greatly assisted the Division in this complex and significant acquisition. Their input was invaluable to protecting Nevada consumers and service providers."

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