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## UnitedHealth Group Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions). Your first question will come from the line of Scott Fidel with Deutsche Bank.

#### Scott Fidel - Deutsche Bank

First question, just if you can give us an update on how your medical cost trends are looking in the west, particularly in California, and just on the hospital contracting, how that progressed for 2009? Just at the investor day you did spike that as an outlier and just wondering how the actual contracting is progressing for '09?

#### Stephen J. Hemsley

Gail I ask you to start it off and then may be Mike can add color.

#### Gail K. Boudreaux

In terms of our medical cost trends, let me just start with California marketplace; it remains the continuing challenging market for us. Our overall trends are where we expected them to be and we certainly continue to see some pressure on unit cost, and Mike will spend a little bit of time on that, but we have seen and made some changes obviously in that marketplace, leadership changes, and have a pretty robust focus on our affordability agenda. So, we're seeing some traction in the market, but again, we have a long-term view on the competitiveness of the California market, and I'll ask Mike to comment directly on the medical cost ratio and our view on trend there.

#### George L. (Mike) Mikan III

I want to clarify Scott we didn't spike out directly the west coast per se, but unit cost in inpatient, I think we've been talking about pressure on the west coast as well as the east coast, but we anticipate that there is going to be continued pressure on unit cost in inpatient next year. So, I want to make sure we're clear on that, and I think that's reflected in the guidance that we gave. You will note in Steve's comment favorable reserve true-ups, there was again favorable true-ups on the west coast. I would indicate that that's from our actual real models I think reconciling or true-up to the operational performance improvement that we've made. So, overall, the reserves have true-up favorably in the west coast, but nothing has changed in terms specifically in hospital contract and we still continue to see strong unit cost pressure on the west coast, and then I think we mentioned that on the investor day or on the last call that our efforts after coming into the year, around mid year to manage bad days and

implement our clinical models from Legacy UnitedHealth care have taken root in California, and that's part of the improvement that we're seeing in the California marketplace today.

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