

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF THE APPLICATION
FOR APPROVAL OF THE ACQUISITION
OF CONTROL OF PHYSICIANS
HEALTH CHOICE OF ARKANSAS, INC.
BY UNITED HEALTHCARE SERVICES, INC.**

A.I.D. NO. 2010- 103

ORDER

On October 22, 2010, in accordance with the provisions of Ark. Code Ann. §§ 23-61-109, 23-63-506, 23-76-107(d)(1) and other pertinent provisions of the Arkansas Insurance Code, an Acquisition Statement was filed with the Arkansas Insurance Department (“Department”) by United HealthCare Services, Inc. (“Applicant”), seeking approval of the acquisition of control of Physicians Health Choice of Arkansas, Inc. (“PHC-AR”), as detailed in the Acquisition Statement.

FINDINGS OF FACT

From the Acquisition Statement, including exhibits in connection therewith, reports, correspondence, financial information, business plans, statements on file with the Department, representations of counsel, and other matters and things considered (collectively hereinafter the “Acquisition Documentation”), the Commissioner finds as follows:

1. PHC-AR, NAIC No. 13160, is an Arkansas domiciled health maintenance organization.
2. The Applicant is a Minnesota corporation which provides health benefit plans and services for individuals, families, and companies, and operates as a subsidiary of UnitedHealth Group, Incorporated (“UnitedHealth Group”).
3. The Acquisition Statement, and the biographical affidavits filed as part of the

Acquisition Statement, provide evidence that the Applicant has extensive prior experience in the health insurance and health maintenance organization industry.

4. The control of PHC-AR and PHC Subsidiary Holdings, LLC, (“PHC”) a Texas limited liability company, is to be acquired pursuant to an Equity Purchase Agreement (the “Purchase Agreement”), dated October 11, 2010, by and among United HealthCare Services, Inc., a Minnesota Corporation, WellMed Medical Management, Inc., a Texas corporation (“WellMed”), and PHC, whereby Applicant will purchase one hundred percent (100%) of the issued and outstanding equity interests of PHC, for an amount equal to approximately thirty million dollars (\$30,000,000) of fixed consideration. No funds will be borrowed.
5. Pursuant to the Purchase Agreement, the Applicant intends to purchase from WellMed one hundred percent (100%) of the issued and outstanding equity interests of PHC. WellMed holds one hundred percent (100%) of the equity interests of PHC, which owns one hundred percent (100%) of PHC-AR, which consists of: (i) one hundred thousand (100,000) shares authorized; (ii) no par value; and (iii) fifty-one thousand (51,000) shares outstanding. Through the purchase of one hundred percent (100%) of the issued and outstanding equity interests of PHC, the Applicant will also become the sole owner of the following subsidiaries of PHC: Physicians Health Choice of Texas, LLC, a duly licensed Texas health maintenance organization, Physicians Health Choice of New Mexico, Inc., a duly licensed New Mexico health maintenance organization, and Physicians Health Choice of Arkansas, Inc., a duly licensed Arkansas health maintenance organization. PHC also owns one hundred percent (100%) of the

issued and outstanding equity interests in PHC Holdings of Florida, Inc. (“PHCH”). PHCH is a holding company that is the sole shareholder of Physicians Health Choice of Florida, Inc. (“PHC-FL”), a duly licensed Florida health maintenance organization, and Citrus Health Care, Inc. (“Citrus”), a duly licensed Florida health maintenance organization.

6. According to the Acquisition Documentation, all agreements currently in effect between PHC-AR, WellMed of Arkansas and PHC-AR and WellMed of Arkansas and WellMed will remain effective, without amendment, after the closing. With the exception of the Tax Sharing Agreement previously submitted to the Department for approval, no new affiliated agreements with UnitedHealth Group entities are planned that include PHC-AR as a party.
7. The Acquisition Documentation shows that PHC-AR intends to enter into a Tax Sharing Agreement with UnitedHealth Group and its affiliates.
8. Based on the Acquisition Documentation, the terms of the acquisition are fair and reasonable to PHC-AR. No PHC-AR policyholders will be affected in a negative manner by this change in control.
9. Based on the Acquisition Documentation, the proposed acquisition will not have a negative financial impact on PHC-AR.
10. Based on the Acquisition Documentation, the Applicant intends to run off the business of PHC-AR over the course of 2011. The Applicant and its parent, UnitedHealth Group, are in the process of evaluating various plans for PHC-AR after the 2011 run-off period. Ultimately, this business decision will be largely dictated by resulting tax consequences.

11. Based on the Acquisition Documentation, the proposed transaction is not contrary to law.
12. Based on the Acquisition Documentation, the proposed transaction would not substantially reduce the security of, and service to be rendered to, policyholders of PHC-AR in this state or elsewhere.
13. No director, officer, agent or employee of PHC-AR will receive any fee, commission, compensation or other valuable consideration whatsoever for in any manner acting, promoting or assisting in the proposed acquisition except as set forth in the Acquisition Documentation.
14. PHC-AR has agreed to provide full cooperation with the Department in its upcoming examination conducted pursuant to Ark. Code Ann. §§ 23-61-201, *et seq.*

CONCLUSIONS OF LAW

Based upon the foregoing Findings of Fact, and other matters and facts before him, the Commissioner concludes as follows:

1. The Commissioner has jurisdiction over the parties and subject matter herein.
2. The Acquisition Statement submitted by the Applicant is properly supported by the required documents and meets all the requirements of law for its approval.
3. The requirements for approval of the proposed acquisition by the Applicant, as required by Ark. Code Ann. § 23-76-107(d)(1) have been met.

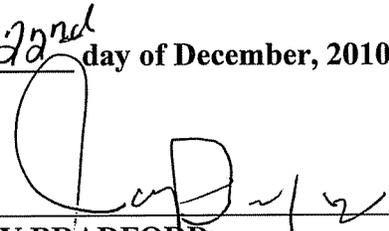
NOW, THEREFORE, IT IS ORDERED AS FOLLOWS:

1. Based upon the foregoing Findings of Facts, Conclusions of Law and other matters before the Commissioner, the acquisition of control of PHC-AR by the Applicant, United HealthCare Services, Inc., as described in the Acquisition

Statement and exhibits thereto, the Commissioner finds no reason to disapprove the proposed acquisition of PHC-AR, subject to the condition that all requisite background reports in connection with the acquisition are submitted to the Department.

2. The Applicant and PHC-AR shall coordinate and produce all information requested by the Department as required by Ark. Code Ann. §§ 23-61-201, et seq. Further, the Applicant and PHC-AR shall not remove PHC-AR's books and records from their current location until the Department has completed its upcoming examination.

IT IS THEREFORE ORDERED this 22nd day of December, 2010.



JAY BRADFORD
INSURANCE COMMISSIONER
STATE OF ARKANSAS