October 7, 2019

Shayne Kuhaneck
Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Via email: director@fasb.org


Dear Mr. Kuhaneck:

This letter is submitted on behalf of UnitedHealth Group Incorporated (“UnitedHealth Group” or the “Company”); a diversified health care company dedicated to helping people live healthier lives and making the health system work better for everyone through two distinct business platforms – UnitedHealthcare, our health benefits business, and Optum, our health services business. Our workforce of more than 320,000 people serves the health care needs of 143 million people worldwide, funding and arranging health care on behalf of individuals, employers, and the government. UnitedHealth Group is a Fortune 6 company with annual expected revenues of over $240 billion in 2019. We are writing in response to your request for comments regarding the changes to the current accounting for identifiable intangible assets and subsequent accounting for goodwill.

Overview

The Financial Accounting Standards Board (“FASB” or the “Board”) is requesting input from stakeholders on the subsequent accounting for goodwill and accounting for certain identifiable intangible assets that would allow for amortization of goodwill and would potentially subsume certain indefinable intangible assets into goodwill.

UnitedHealth Group commends the Board’s intentions to obtain input from stakeholders by issuing the ITC Proposal (“the Proposal”) prior to issuing an exposure draft. We also support the efforts of the Board to simplify the accounting for goodwill and intangible assets and appreciate the simplification provided in recent Generally Accepted Accounting Principles (“GAAP”) updates to eliminate Step 2 of the goodwill impairment test and to include a qualitative screen. The current Proposal, however, does not appear to meet the Board’s broader simplification efforts whereby the benefits exceed the costs and users of the financial statements maintain or receive enhanced information.

The following outlines our primary concerns with respect to the Proposal. We have also provided our “yes” or “no” answers to Question 12 of the ITC in Appendix A.
Current GAAP Provides Relevant and Useful Information to Financial Statement Users

The current standard provides users of the financial statements with relevant information on the performance of a segment, or reporting unit, in particular when underperforming against management’s original expectations at the time of an acquisition. Adopting a model where goodwill is required to be amortized will reduce visibility into underperforming aspects of a company’s businesses. Additionally, significant and sustained goodwill balances represent balance sheet strength and enhanced capital. Requiring or allowing for the amortization of goodwill would artificially erode assets and understate capital. This would be particularly misleading in industries such as ours where capital is a key focus of users of the financial statements, as it demonstrates our ability to pay claims and satisfy our obligations. Goodwill is an income producing asset that can be monetized, if needed, to satisfy obligations.

Potential Implications and Unintended Consequences

The current Proposal will result in a number of potential unintended consequences. Debt covenants, based on balance sheet metrics such as debt to debt-plus-shareholders’ equity ratio, will be negatively impacted. It is likely that related agreements will need to be renegotiated and processes for monitoring compliance revamped, resulting in additional costs for preparers as well as outside lending organizations. The Proposal will also impact certain financial statement metrics which analysts and investors rely on, such as return on equity, return on assets, market value/book value, and return on invested capital. In addition, the Proposal will adversely affect period over period comparability and trend analysis. Furthermore, the proposed changes could impact other required disclosures, and may actually lead to increased disclosures, as elimination of the goodwill asset on the balance sheet lowers total assets. This could result in additional ramifications, including but not limited to:

- The metrics used to determine a significant subsidiary under S-X 210.1-02(w) will be impacted, due to the impact on total assets, potentially requiring a different determination of a company’s significant subsidiaries.
  - The determination of a significant business combination under S-X 210.3-05 is based on the significant subsidiary test. A change to total assets could cause acquisition reporting requirements to change under this standard.
  - Reporting requirements for equity method investments under S-X 210.3-09 are also based on this test. A change to total assets could impact the required disclosures for companies’ equity method investments.
- The captions for interim balance sheets under S-X 210.10-01(a)2 will be impacted due to the use of a total asset test, requiring interim financial statements to change, and potentially requiring restatement of prior periods, which could be costly.
- Companies may be required to separately disclose amounts currently reported within other assets as the total asset test under S-X 210.5-02.17 will be impacted.
- The determination of reportable segments under ASC 280 could be impacted if the CODM reviews asset information on a GAAP basis. This could cause reportable segments to change, which would require restatement of prior periods, creating additional costs.
- Materiality assessments and conclusions may be impacted when companies consider total assets in their assessment of materiality.
UNITEDHEALTH GROUP

These downstream ramifications will likely require further consideration and potential rulemaking within SEC and/or GAAP rules.

Additionally, the Proposal will have a direct and recurring impact to reported GAAP earnings. The requirement to amortize goodwill will penalize companies who have historically grown through acquisitions and will make comparability difficult for users. If the Proposal is adopted, we would expect many preparers to include a non-GAAP adjustment when reporting earnings, excluding goodwill amortization. This additional non-GAAP metric would be additive to the current concerns over the frequency and prominence of other non-GAAP disclosures being used by preparers in presentations or SEC filings.

Cost Versus Benefit Considerations

The Proposal appears to be largely derived from a desire to reduce costs for preparers by proposing accounting alternatives which would allow for amortization of goodwill and either remove the annual impairment test requirement or only require the test upon a triggering event. While we acknowledge the Proposal could reduce costs associated with an annual impairment test, we do not believe such cost savings will outweigh the unintended consequences nor lost benefits to users of the financial statements as noted above. Previous GAAP updates, including the addition of the Step 0 impairment screen, already provide relief to the cost and effort involved for the annual goodwill impairment test, while retaining the transparency and disclosure of information regarding goodwill to users of the financial statements. Additionally, implementation of the Proposal will require system, process, and control changes and the associated audit costs that accompany such changes.

If changes are made to adopt a method to amortize goodwill and alter the frequency of the impairment assessment, we believe the users of the financial statements will lose valuable metrics in tracking the performance of acquired businesses. Current GAAP provides users a window into the profitability of acquisitions and their subsequent performance. An impairment also provides insight into underperforming areas of the business. Additionally, just as users frequently adjust or eliminate any impact of goodwill impairments under current GAAP, it’s expected that a similar adjustment for goodwill amortization expense would be made to GAAP results, thereby creating another frequently used non-GAAP adjustment.

Election of Alternatives will Result in Lack of Comparability Across Companies

Allowing an election of amortizing goodwill, or an election as to the frequency or type of impairment model, will reduce comparability between companies. Within industries, different companies may elect a different alternative, which would further limit comparability and force investors to try to bridge the gaps in an effort to show comparability and perform analyses. Depending on the extent of disclosures provided, deriving comparable metrics may not be possible, may be incomplete or may be done incorrectly by the user. This would result in inaccurate and potentially misleading metrics across companies, industries and amongst peer groups. Therefore, we believe current GAAP should be retained.

Additional Disclosures are Unnecessary

The Proposal discusses the potential for additional disclosures around the agreements underpinning identified intangible assets and goodwill. Current GAAP already requires that significant qualitative disclosures be made for significant acquisitions. This requirement focuses
on providing users with relevant information for material transactions. Further, if additional disclosures regarding valuation methodologies are required to be included, these disclosures could be misleading and could include competitively sensitive information. The extent and the amount of disclosures that would be required to fully understand these specific and detailed valuation methodologies would be overly onerous for a user to understand and interpret. Lastly, requiring such additional disclosures would go against the Board’s simplification efforts and would lessen the emphasis and importance around management’s ability to utilize professional judgements and decisions. These detailed disclosures would further detract the reader from more meaningful and important financial statement considerations elsewhere.

**Conclusion**

While we appreciate the Board’s efforts in attempting to reduce the effort and costs associated with goodwill accounting and reporting, allowing for amortization of goodwill or changing the impairment assessment requirements does not broadly achieve this objective. Adopting the Proposal will also result in other unintended consequences that will increase overall costs, create reporting inconsistencies, reduce financial statement user information, and be contrary to the recent GAAP simplification efforts. Thus, we strongly urge the Board to maintain current GAAP and not pursue further rulemaking as outlined in the Proposal.

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We appreciate your consideration of our input on the Invitation to Comment. If we can provide further information or clarification of our comments, please call me.

Sincerely,

Thomas E. Roos
Senior Vice President and Chief Accounting Officer
UnitedHealth Group, Incorporated
(952) 936-1875
Question 12: Please indicate whether you support the following alternatives by answering “yes” or “no” to the questions in the table below.

<table>
<thead>
<tr>
<th>Model Type</th>
<th>Do You Support the Indicated Model? [Yes/No]</th>
<th>Do You Support Requiring an Impairment Assessment Only upon a Triggering Event? [Yes/No]</th>
<th>Do You Support Allowing Testing at the Entity Level or a Level Other Than the Reporting Unit? [Yes/No]</th>
</tr>
</thead>
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<tr>
<td>Impairment only</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Amortization with impairment</td>
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<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Amortization only</td>
<td>No</td>
<td>Not applicable</td>
<td>Not applicable</td>
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</tbody>
</table>