



May 29, 2015

Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Via email: director@fasb.org

Re: File Reference No 2015-240 – Proposed Accounting Standards Update – *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*

Dear Ms. Cospers:

We are the five leading managed care companies in the United States: Aetna, Inc., Anthem, Inc., Cigna Corporation, Humana, Inc. and UnitedHealth Group, Incorporated. As a group, we provide health insurance products and related services to more than 118 million individuals. Our customers include employer groups, individuals, college students, part-time and hourly workers, governmental units, government-sponsored plans, labor groups and expatriates. We also provide other insurance products, such as dental, term life, disability and supplemental health insurance coverage and related services. Collectively, we reported annual revenues of approximately \$339 billion in 2014 (equivalent to roughly 2% of the GDP of the United States).

Summary

We appreciate the opportunity to provide our comments in response to the Financial Accounting Standards Board's ("FASB" or the "Board's") Proposed Accounting Standards Update--*Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* (the "Proposed ASU"). We commend the Board for its tentative decision to defer the effective date of the guidance in ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09" or "the Standard") for one year for public business entities for:

- the practical reasons that the Board noted in paragraph BC6 of the Proposed ASU, and
- to allow sufficient time for interpretive questions to be identified and addressed.

We agree with deferral of the effective date for ASU 2014-09, but believe that one year is insufficient and that a further extension is warranted. This further extension should be in place for all entities regardless of the adoption method selected. We do not object to permitting early adoption for those entities in industries that may be closer to resolving how the Standard will be applied to their contracts.

Question 1: Should the effective date of the guidance in Update 2014-09 be deferred for one year for public business entities, certain not-for-profits, and certain employee benefit plans? Please explain why.

Yes. For the reasons cited below we support the Board's view that the effective date of the Standard should be deferred for the stated entities. We believe that one year is insufficient and that a further extension is warranted.

First, as stated by the Board in paragraph BC6 of the Proposed ASU, the Standard was issued approximately nine months later than the FASB had anticipated when it selected the effective date. Consequently, the implementation period intended by the Board is less than originally expected and in our opinion does not provide sufficient time for entities to work through the complexities of the new and still developing guidance, particularly for industries that carry a large number of contracts that have unique terms. Extending the effective date by one year is essentially only providing a three month extension as a result of the initial nine month delay in the issuance of the Standard. Consequently, we believe that a two year deferral is warranted.

Secondly, the guidance and related interpretation continue to evolve as entirely new concepts are being applied to existing arrangements. We believe adequate time should be provided to accommodate this process. Critical questions related to "scoping" and "identifying the contract" continue to be debated. These fundamental questions could significantly affect how health and other insurers apply the remainder of the model in the Standard. Our understanding is that some of these issues have been debated by the Big 4 public accounting firms and various American Institute of Certified Public Accountants ("AICPA") working groups for some time without consensus (highlighting their complexity) and are ultimately expected to be brought to the Transition Resource Group ("TRG"). For example, there are questions involving the scoping exclusion in Topic 606, including:

- whether certain service elements of insurance contracts are required to be bifurcated from an insurance arrangement and accounted for under Topic 606. This was not previously thought by insurers to be an intended consequence of applying this literature;
- whether an insurance contract entered into contemporaneously with a service contract should be evaluated as a combined contract under Topic 606-10-25-9 and 606-10-15-4. This also was not previously thought by insurers to be an intended consequence of applying this literature, and
- whether HMO contracts which are currently under Topic 954, that have significant similarities to indemnity insurance (both types of contracts insulate a participant from medical cost, are subject to the insurer provisions of the Affordable Care Act and subject the issuer to both frequency and severity risk) should be accounted for under insurance guidance or the new Standard.

Given these questions, companies in our industry are trying to determine whether they must evaluate contracts representing most or all of their customer revenues under the new model, or if service-only contracts representing the minority of customer revenue, are in scope. Combining or bifurcating contracts typically thought of as insurance would unexpectedly and significantly increase the extent of efforts and implementation costs to insurers without, in our opinion, any perceived benefits to the users of financial statements. Contracts previously considered out of scope would be subject to unexplored concepts as insurance arrangements were not generally considered for multiple element accounting.

In addition to the questions about scoping and identifying contracts, many other topics continue to be debated by the TRG, FASB and various AICPA working groups. The outcome of these debates may have implications to our business models and therefore, given this uncertainty, we believe an extension to the implementation date is prudent. As the process used to consider significant industry issues and develop guidance or recommendations for the TRG or FASB to deliberate begins at the AICPA industry working group level and then travels across and up the AICPA organization hierarchy, we believe that it is imperative that the Board provide adequate time for industries to vet and address open questions related to implementation and application.

Lastly, as the Board states, as of the date of the Proposed ASU, information technology solutions to facilitate implementation of the new guidance are generally unavailable. Manually processing transactions associated with potentially thousands of contracts would result in significantly increased implementation costs. We appreciate the Board's acknowledgement that adequate time should be provided to allow automated implementation solutions to be developed.

Question 2: Should the effective date of the guidance in Update 2014-09 be deferred for one additional year for all other entities? Please explain why.

No objection or comment.

Question 3: In addition to providing a one-year deferral of the effective date of the guidance in Update 2014-09, should the Board also provide an optional two-year deferral for all entities that apply the guidance retrospectively to each reporting period presented? Please explain why.

As shared in our response to Question 1, additional time is required to implement and adopt ASU 2014-09. Because the users of our financial statements value comparability, particularly within industries, we would prefer a two-year deferral irrespective of the adoption method a company elects.

Question 4: Should earlier application of the guidance in Update 2014-09 be permitted as of the effective date originally included in Update 2014-9? Please explain why.

As shared in our response to Question 1, we strongly believe that companies require more time to implement and adopt ASU 2014-09 than was provided in the issued Standard. While it is our preference that companies adopt on the same extended timeline to promote comparability, we do not object to the proposal that companies be permitted to early adopt as of the original effective date, because we believe that most companies within our industry will not make this election.

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We appreciate your consideration of our comments on the Proposed ASU. If we can provide further information or clarification of our comments, please call any of the signatories listed below.

Sincerely,



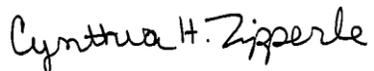
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