PERSHING YOAKLEY & ASSOCIATES, P.C.
One Cherokee Mills, 2220 Sutherland Avenue
Knoxville, TN 37919
p: (865) 673-0844 | f: (865) 673-0173
www.pyapc.com

REDACTED VERSION

July 20, 2016

Edward K. White, Esq.
Nelson Mullins Riley & Scarborough LLP
1320 Main Street
Columbia, SC 29201

Board of Directors of the Rocky Mountain Health Plans Foundation and
Board of Directors of the Rocky Mountain Health Maintenance Organization
c/o Rocky Mountain Health Maintenance Organization, Incorporated
2775 Crossroads Boulevard
Grand Junction, CO 81506-8712

Dear Mr. White and Directors:

We have prepared this opinion of fairness, from a financial standpoint, related to the proposed acquisition of Rocky Mountain Health Maintenance Organization, Inc. ("RMHMO") by United HealthCare Services, Inc. ("UHCS"). This opinion letter is prepared for the exclusive and confidential use of RMHMO, the Rocky Mountain Health Plans Foundation (the "Foundation"), and Nelson Mullins Riley & Scarborough LLP ("NMRS") in connection with its provision of legal advice to the Board of Directors of RMHMO and the Board of Directors of the Foundation, and is not to be disclosed to other outside parties, in whole or in part, without our prior written approval except in conjunction with the transactions disclosed herein. This opinion is strictly limited to the fairness of the proposed transaction from the perspective of RMHMO and the Foundation as the sellers. We do not express any opinion as to the fairness of the transaction from the perspective of UHCS as the buyer.

Summary of the Proposed Transaction

According to a draft of the Stock Purchase Agreement (the "Agreement") provided to Pershing Yoakley & Associates, P.C. ("PYA") by David Scanga, General Counsel for RMHMO, on July 20, 2016, between the Foundation, RMHMO, and UHCS, the proposed transaction is anticipated to be structured as follows:

Immediately prior to the closing, RMHMO will convert from a Colorado tax-exempt, non-profit corporation to a Colorado for-profit corporation (the "Conversion"). Upon completion of the Conversion, the Foundation will own all of the issued and outstanding shares of RMHMO's capital stock and indirectly own all of the capital stock or membership interests of RMHMO's subsidiaries. The Foundation will then sell all shares of RMHMO to UHCS for $36.5 million ("Base Purchase Price") plus or minus certain purchase price adjustments as more fully articulated below. The transaction is currently anticipated to close on December 31, 2016 subject to the right to extend the closing for up to six months.

RMHMO and Related Entities

The Foundation is a Colorado non-profit corporation exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is operated as a public charity under Section 509(a) of the Code.

RMHMO is an independent, 501(c)(4) nonprofit entity headquartered in Grand Junction, Colorado. Formed in 1974, RMHMO provides healthcare insurance products and related services to large and small employer groups, Medicare and Medicaid recipients, and to children enrolled in the Child Health Plan Plus ("CHP+") program. Individuals receive healthcare services through RMHMO's contracts with physicians, physician groups and associations, hospitals, and other healthcare providers.

RMHMO is the sole member of Rocky Mountain HealthCare Options, Inc. ("RMHCO"), a nonprofit medical-surgical health service corporation that provides a variety of healthcare insurance products primarily to large and small employer groups in Colorado. Although RMHCO is a nonprofit entity, it is organized as a taxable C-corporation. RMHCO is the sole shareholder of CNIC Health Solutions, Inc. ("CNIC"), a taxable Colorado corporation. CNIC provides third party administrative services for various types of health plans and related services.

RMHMO is the sole stockholder of Rocky Mountain Health Management Corporation ("RMHMC"), a for-profit corporation also based in Grand Junction, Colorado. RMHMC employs substantially all of the employee work force that works in RMHMO's and RMHCO's business operations and provides management services to those two entities. RMHMO also holds a 45% membership interest in Monument Health, LLC, which is a network of health care providers formed to provide cost effective, quality medical care.

United HealthCare Services, Inc.

UHCS is a subsidiary of UnitedHealth Group Incorporated ("UGI"), which is a large publicly traded health care company that trades on the New York Stock Exchange under the symbol UNH. For the three months ended March 31, 2016, UGI generated revenues and net earnings of $44.5 billion and $1.6 billion, respectively.[1] UHCS offers a wide range of health benefit plans to employers and individuals in the United States and other countries. As of March 31, 2016, UGI's total assets and net equity totaled $117 billion and $35 billion, respectively.[2]

---

[1] UnitedHealthcare Group Facts 2016 Q1 per www.unitedhealthgroup.com.
[2] Ibid.

Key Transaction Terms

As indicated above, immediately prior to the closing, RMHMO will convert to a for profit corporation owned by the Foundation. Afterwards, the Foundation will own all of the issued and outstanding shares of RMHMO's capital stock and indirectly own all of the capital stock or membership interests of RMHMO's subsidiaries. The Foundation will then sell all shares of RMHMO to UHCS for the agreed upon purchase price.

According to the Agreement, the Purchase Price is defined[3] as follows:

Base Purchase Price

less the amount, if any, that the Surplus Target Amount exceeds the Closing Surplus

OR

plus the amount, if any, that the Surplus Target Amount is less than the Closing Surplus

AND

less Closing Indebtedness

less Transaction Expense Payoff Amount

less Taxes Payable

less Transaction Escrow Amount

The agreed upon Base Purchase Price is $36.5 million. The Surplus Target Amount is set to meet a Surplus requirement equal to 180% of the Authorized Control Level ("ACL") Risk Based Capital as of December 31, 2015. The Transaction Escrow Amount is defined in the Agreement as $7.5 million.

The above purchase price adjustment provisions are expected to be performed three times: 1) at the Closing Date, 2) 90 days after the Closing Date, and 3) fourteen months after the Closing Date. The Agreement describes how each party is to receive the appropriate consideration at each occurrence of the Purchase Price determination. The adjustment provisions used to determine the Purchase Price are similar except for the calculation performed 14 months following the closing. At that occurrence, the adjustments to Purchase Price are limited to IBNR and ACA adjustments. The process for each of the Purchase Price calculations is described below.

Three business days prior to the Closing Date, the Estimated Purchase Price will be calculated by RMHMO based on an initial estimate of each adjustment to the Base Purchase Price. Following a good faith negotiation, if necessary, the Estimated Purchase Price will be paid by UHCS to the Foundation for all the Shares of RMHMO on the Closing Date. The Estimated Purchase Price

[3] All capitalized terms are defined in the Agreement.

will include an estimated Closing Surplus calculation that uses the Estimated IBNR ("Incurred but Not Reported") Amount and the Estimated ACA ("Affordable Care Act") Amount.

The ACA Amount is defined in the Agreement as the ACA Related Assets minus the ACA Related Liabilities, both of which include assets or liabilities related to the Transitional Reinsurance Program, the Permanent Risk Adjustment Program, Advanced Premium Tax Credits Reconciliation, and Cost-Sharing Reduction Reconciliation. The Risk Corridor Receivables[4] and the Medicare Audit Receivables[5] are specifically excluded from the calculation of the ACA Amount.

With respect to the Medicare Audit Receivables, RMHMO will assign its interest in any Medicare Audit Receivables to the Foundation immediately after the Closing Date. Upon the receipt of any Medicare Audit Receivables, 20% of such amount will be deposited into the Transaction Escrow Account and the remaining amount will be retained by the Foundation.

With respect to the Risk Corridor Receivables, UHCS will consider making a contribution to the Foundation related to any Risk Corridor Receivables collected. The determination of any contribution amount is in the sole and absolute discretion of UHCS.

At the Closing Date, UHCS will also pay RMHMO an amount necessary to satisfy RMHMO's employee payables as described below. The payment of such amounts does not reduce or impact the Base Purchase Price.

Within 90 days of the Closing Date, UHCS will prepare a Closing Statement with a Final Purchase Price. If the Foundation does not object to the Closing Statement within 30 days of receipt, then the Closing Statement is considered final. The transaction terms outline a methodology using an accounting firm to resolve any objections. If the agreed upon Final Purchase Price is less than the Estimated Purchase Price, then the Escrow Agent will disburse the difference to UHCS from the Transaction Escrow Account. If sufficient funds are not available in the Transaction Escrow Account, the Foundation will pay the deficit directly to UHCS. If the Final Purchase Price is more than the Estimated Purchase Price, UHCS will pay the excess amount to the Foundation.

Approximately fourteen months[6] following the Closing Date, UHCS will prepare and deliver the IBNR and ACA Closing Statement. At such time, UHCS will provide a recalculation of the Final Purchase Price that replaces the Estimated IBNR Amount and the Estimated ACA Amount with the Actual IBNR Amount and Actual ACA Amount. This Final IBNR and ACA Adjusted

[4] Risk Corridor Receivables are the amounts due to either RMHMO or RMHCO related to the temporary risk-corridor programs under the Affordable Care Act.

[5] Medicare Audit Receivables are the claims related to RMHMO's appeal of its Medicare audit for the years 2006 through 2011, which amount is estimated at approximately $21 million.

[6] The Final IBNR and ACA Adjustment Time is defined as approximately twelve months following the Closing Date. The Buyer's authorized representative has 60 days after the Final IBNR and ACA Adjustment Time to complete the IBNR and ACA Closing Statement.

Purchase Price can be contested in a manner similar to the methodology described previously for the Closing Statement. Upon agreement by the parties to the Final IBNR and ACA Adjusted Purchase Price, the appropriate consideration must be paid by the applicable party.

Consideration of Fairness from a Financial Perspective of the Proposed Transaction

We have reviewed the proposed transaction for fairness to RMHMO from a financial perspective. The following summarizes our findings and observations related to this review.

Base Purchase Price

According to the Agreement, the Base Purchase Price is $36.5 million. PYA was engaged by NMRS, on behalf of RMHMO and the Foundation, to perform an independent valuation analysis of RMHMO for purposes of negotiating the potential transaction with UHCS. Our analysis and opinion of value for RMHMO, as of June 30, 2016, is documented in a separate discussion document dated June 24, 2016 (the "PYA Valuation Analysis"). As summarized in the PYA Valuation Analysis, we estimated RMHMO's value to be within the range of $32.7 million to $40.3 million on a net equity basis. Therefore, the proposed Base Purchase Price falls within our fair market value range for RMHMO.

Purchase Price Adjustments

The Agreement includes certain adjustments to the Base Purchase Price to arrive at a Final Purchase Price. These adjustments include additions or deductions related to the Closing Surplus and deductions related to the Closing Indebtedness, Transaction Expenses, Taxes Payable, and Transaction Escrow.

- Closing Surplus Adjustment – The Base Purchase Price will either be reduced by the amount the Surplus Target Amount exceeds the Closing Surplus or increased by the amount the Closing Surplus exceeds the Surplus Target Amount. The Surplus Target Amount is defined as $38,134,836 which is 180% of the ACL reported to the Colorado Division of Insurance in RMHMO's year ending ("YE") 2015 Statutory Statements. For these purposes, RMHMO is combined with RMHCO. For purposes of evaluating the fairness of this Surplus Target Amount, we estimated the Closing Surplus assuming a Closing Date of December 31, 2016, as reflected in ***Table I***.

Table I: Calculation of Estimated Surplus as of December 31, 2016

	Formula

Redacted. See Vaughn Index.

[redacted]

In our view, the Surplus Target Amount of 180% of the ACL is reasonable relative to RMHMO's historical operations and financial performance. As reflected in ***Table I***, we have estimated the Closing Surplus at December 31, 2016 to be approximately 176% of the ACL, which is slightly below the Surplus Target Amount of 180%.[7]

- Closing Indebtedness – The Base Purchase Price will be reduced for any Closing Indebtedness of RMHMO. Per our review of RMHMO's balance sheet as of April 30, 2016 (most recent available) and discussion with RMHMO management and

[7] PYA understands the Colorado Health Insurance Cooperative has become insolvent which places a portion of the Risk Adjustment Pool for Colorado at risk. This collection risk is currently not factored into the PYA Valuation Analysis or the Estimated Surplus calculated in ***Table I***. If RMHMO's Risk Adjusted Pool receivable is not collected, the Estimated Surplus in ***Table I*** will be adversely impacted resulting in a lower adjusted purchase price; however, such purchase price reduction would also have a similar impact on RMHMO's value. Therefore, this factor will not impact our opinion in this letter.

representatives, RMHMO does not have any Indebtedness as defined in the Agreement. From a fairness perspective, closing indebtedness would also reduce the net equity value of RMHMO; therefore, this adjustment, if applicable, would be consistent with our valuation of RMHMO.

- Transaction Expenses and Taxes Payable – According to the Agreement, UHCS will pay, on behalf of RMHMO, the Transaction Expenses and Taxes Payable recognized as a RMHMO liability at the time of closing. Payment of these amounts will result in a reduction of the Purchase Price consistent with the amount of the liability. The amount of this adjustment is not known at this time.
- Transaction Escrow Amount – The Transaction Escrow Amount of $7.5 million will be deducted from the proceeds at closing and will be paid to an escrow agent. This escrow amount represents approximately 13% of the Base Purchase Price. In our experience, escrow withholdings are normal and customary terms as part of transactions such as this. Additionally, the escrow amount is considered reasonable relative to the Base Purchase Price.

Risk Corridor Receivable

RMHMO had a $40.3 million receivable on its balance sheet related to the Risk Corridor Receivable that was fully reserved due to the likelihood that it would not be collected. According to our understanding and research, the future recovery of any amounts from the risk corridor programs is highly unlikely due to the current underfunded status of the programs. The Centers for Medicare and Medicaid Services (“CMS”) announced in October 2015 that the risk corridor programs would only take in $362 million from qualified health plans; however, qualified health plans submitted for $2.87 billion in risk corridor payments for 2014.[8] Additionally, Congress limited the amounts that CMS could pay to qualified health plans in risk corridor payments to the amounts contributed to the programs. Several healthcare insurers have filed lawsuits against the federal government to attempt recovery of the risk corridor payments; however, any risk corridor recoveries are currently speculative at best. The Agreement provides that UHCS may, at its sole and absolute discretion contribute to the Foundation any proceeds from the recovery of the Risk Corridor Receivable.

RMHMO Employee Payables

According to the Agreement, UHCS will be fully responsible to pay at closing an amount necessary to satisfy RMHMO’s unaccrued employee payables as defined in the Agreement. PYA understands the employee payables are primarily comprised of retirement and deferred compensation obligations including accelerated vesting obligations due to the change in ownership.

---

[8] CMS website - https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/RiskCorridorsPaymentProrationRatefor2014.pdf .

Information Considered and Limiting Conditions

The following documents were reviewed and considered in connection with preparing this opinion letter:

- Draft Stock Purchase Agreement provided by David Stanga on July 20, 2016 by and among Rocky Mountain Health Plans Foundation, Rocky Mountain Health Maintenance Organization, Inc., and United HealthCare Services, Inc.
- Letter of Intent between UHSC and RMHMO dated June 29, 2016.
- PYA Valuation Analysis and all documents referenced therein.

Information utilized in connection with preparing this opinion was obtained from representatives of RMHMO. We have not audited or otherwise verified the accuracy of such information and we express no opinion or assurance on it. Our opinion is based on information available to PYA as of the date of this opinion letter. Given that certain key documents utilized to develop our opinion are still in draft form and the length of time until the Closing Date, PYA reserves the right to update our opinion for material events such as, but not limited to, changes in the terms of the transaction negotiated after the issuance of our opinion or for material changes in the financial position of RMHMO or its subsidiaries in the period prior to the Closing Date.

Our opinion of fairness is limited to the financial terms of the proposed transaction from the perspective of RMHMO as the seller. We have assumed that the proposed transaction is in full compliance with all appropriate legal and regulatory requirements. As such, we recommend that RMHMO consult with its legal counsel to ensure compliance with such requirements.

This letter has been prepared for NMRS in connection with its provision of legal advice to the Boards of Directors of the Foundation and RMHMO. This opinion should not be used for any other purpose or relied upon by any other third party. Accordingly, PYA expressly denies any liability for the unauthorized use of this opinion letter. This opinion letter should not be construed as an investment recommendation.

Conclusion

Based upon the facts, assumptions, and limiting conditions as identified in this letter, it is our opinion that, as of the date hereof, the proposed transaction is fair for RMHMO and the Foundation, as the sellers, from a financial point of view.

Respectfully,

Pershing Yoakley + Associates, P.C.

Pershing Yoakley & Associates, P.C.