

August 18, 2017

Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

Via email: rule-comments@sec.gov

**Re: File Number PCAOB-2017-01**

Dear Secretary:

We are the five leading publicly-traded 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 125 million medical members. Our customers include employer groups, individuals, seniors, 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, vision, term life, short-term and long-term disability, and supplemental health insurance coverage as well as a variety of healthcare-related services that do not involve insurance products. Collectively we reported annual revenues of approximately \$425 billion in 2016 (equivalent to 2.3 percent of the gross domestic product of the United States).

We appreciate the opportunity to provide our comments in response to the Public Company Accounting Oversight Board's ("PCAOB" or the "Board") Rulemaking Docket Matter No. 034 as outlined in PCAOB Final Rule 2017-001 dated June 1, 2017 (the "Final Rule"), submitted to the Securities and Exchange Commission ("SEC") for final approval. We previously commented on the PCAOB's concept release related to Rulemaking Docket No. 034 (the "Concept Release") in our letter dated September 28, 2011. UnitedHealth Group Incorporated also commented on PCAOB Release No. 2016-003 ("the Reproposed Rule") in their letter dated August 29, 2016.

We acknowledge the PCAOB's objective to improve the relevance and usefulness of the auditor's report, and do not object to certain proposed enhancements to the auditor's report that we would consider minor, such as standardizing the form of the report. However, many of the concerns expressed in our 2011 comment letter on the Concept Release related to the Auditor's Discussion and Analysis ("AD&A"), and UnitedHealth Group Incorporated's letter on the Reproposed Rule, continue to exist in the Final Rule in the form of critical audit matters ("CAMs").

## **Discussion of Critical Audit Matters**

Under the current distinct frameworks that govern financial reporting and auditing, the roles of all parties involved are clear. *Companies* are responsible for compiling and disclosing financial information in accordance with U.S. GAAP and SEC reporting requirements for the purpose of providing users of financial statements with relevant, useful information about our businesses. *Auditors* are responsible for forming independent, informed opinions about whether or not we have fulfilled that responsibility. Finally, *audit committees and boards of directors* are responsible for active and independent oversight of management regarding the adequacy of internal controls, integrity of the financial statements, compliance with legal and regulatory requirements, and risk management; and a significant component of this role involves dialog and discussion with the auditors regarding the results of their audit procedures.

Our primary concern with the addition of CAMs to an auditor's report is that it will alter the balance of duties within this framework by partially shifting responsibilities for reporting to our auditors. Additionally, enacting the proposed changes could have the effect of implying that audit committees are not capable of, or effective in, carrying out the responsibilities traditionally reserved for them. We believe that the Board's intention is to find a way to *supplement* our existing financial reporting; but in practice we believe that the proposed changes would have the effect of *diluting*, and potentially *supplanting* our own reporting to varying degrees to the detriment of users of our financial statements.

Though we recognize CAMs would focus on challenging, subjective or complex areas of the audit, we believe it would be rare in practice for those matters to differ from critical accounting estimates which are already required to be disclosed by management. Furthermore, we believe CAMs would ultimately provide little incremental value to users of financial statements since, over time, "boilerplate" language would be unavoidable and the information provided in such reports would likely gravitate towards the lowest level of acceptable disclosure for the purpose of minimizing legal exposure. At the same time, auditors could be scrutinized by deviating, in any meaningful way, from the statements and commentary provided by management (or by choosing to highlight different areas). Thus, their reporting would most likely mirror the company's reporting. The creation of duplicative disclosures does not add value or provide decision-useful information to our investors.

Though we believe duplication is most likely to occur, there is also risk of conflicting information being disclosed in the CAMs, or the CAMs disclosing original or competitively sensitive information. As previously stated, we believe financial statements, including disclosures of challenging, subjective, and complex estimates and areas are the responsibility of management, following the rules promulgated by the Financial Accounting Standards Board ("FASB") and SEC. We believe it would be very rare for an auditor to deem something a CAM due to auditor judgment, which did not first require management judgment. Auditors may not be consistent in identifying CAMs, and could identify inappropriate CAMs, for example based on industry benchmarking exercises. Exercising unbiased professional judgment may be difficult in practice, for legal exposure reasons, which could result in over reporting of CAMs, including CAMs related to areas not disclosed by management. Any unreconciled 'inconsistent or competing information' could be a source of tension and disagreement between management, audit committees, and auditors and could

lead to breakdowns in communication that would diminish the quality of financial reporting and auditing as a whole.

Finally, the Proposed Standard requires auditors to describe how a CAM was addressed in an audit. We do not believe an auditor's procedures would be useful to users of the financial statements, and would also potentially undermine the responsibilities of the audit committee. Publicly disclosing audit procedures could expose auditors to scrutiny from the public on whether their procedures were sufficient. A user of the financial statements does not necessarily have enough insight into a company or knowledge of auditing procedures to determine what procedures are appropriate given the facts and circumstances of a given company. The sufficiency of audit procedures should be determined through an auditor following generally accepted auditing standards, auditor judgment, an audit firm's quality control procedures, as well as through regulation by the PCAOB, among other things. The addition of these disclosures could result in increased audit procedures by the auditor to ensure that any and all possible procedures are performed, which could help mitigate auditor liability.

Audit risk is conceptually different than business risk, and not all of the risks businesses face impact the scope and conduct of an audit. More reporting on how and when specific audit procedures were conducted will not likely change how a strategic investor assesses the future prospects of our businesses, and will instead increase audit costs with little to no corresponding benefits to the investing community.

### **Additional Considerations for the SEC**

Other companies (financial statement preparers), audit committees and corporate directors, expressed various concerns throughout the standard setting process with respect to CAMs. While the Board acknowledged and discussed the views expressed by these stakeholders within Release No. 34-81187; File No. PCAOB-2017-01 ("Release 34-81187"), they made few substantive revisions in the Final Rule to adequately address these concerns. The Board acknowledged the Final Rule is consistent with its mandate to "Protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports." Though the Board contemplated comments received from these groups, it is unclear how much weight the Board gave to those comments given their mandate to only consider the investor's perspective. We urge the SEC to take into consideration the views of financial statement preparers, audit committee members and corporate directors when contemplating the Final Rule, as we believe the Final Rule as written could have unintended negative consequences for both companies and investors.

If the SEC believes that the current disclosure framework is not sufficient to meet the needs of investors, we believe further standard setting should come from the SEC or the FASB, not the PCAOB. In the "What We Do" section of the SEC's website, the SEC notes (**emphasis added**): "The laws and rules that govern the securities industry in the United States derive from a simple and straightforward concept: all investors, whether large institutions or private individuals, should have access to certain **basic facts** about an investment prior to buying it, and so long as they hold it. To achieve this, **the SEC requires public companies to disclose** meaningful financial and other information to the public. This provides a common pool of knowledge for all investors to use to judge for themselves whether to buy, sell, or hold a particular security." We believe the addition of CAMs will slightly alter the balance of

disclosure responsibility from the SEC to the PCAOB, and potentially give auditors the responsibility to determine what should be disclosed. We do not believe that CAMs would provide information not already available about a company as a potential investment, and may be confusing to investors by duplicating existing disclosure.

**Summary and Conclusion**

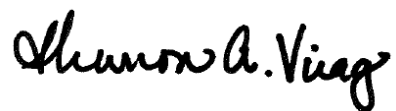
Our collective group of companies is committed to providing accurate, timely, relevant, and quality information to investors, but does not believe CAMs are an appropriate method to provide this information. We believe the existing framework provides a sufficient means to communicate information to investors, following a principles-based approach and considering the unique needs of our investors.

We firmly believe that reporting relevant information to the investor is the responsibility of companies, and not the auditor. The auditor's role is to opine on the financial statements in accordance with generally accepted accounting principles, not to supplant management's responsibility to provide investor information. We strongly believe that disclosure changes and/or enhancements should appropriately come from the standard-setters best positioned to enact them: the FASB and the SEC.

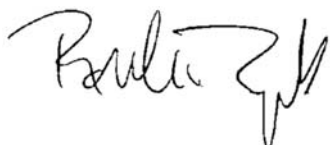
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We appreciate your consideration of our comments on the Final Rule. If we can provide further information or clarification of our comments, please call any of the signatories listed below.

Sincerely,



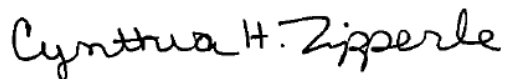
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