



The United Health Foundation and Recipe for Success, an organization committed to combating childhood obesity, have teamed up to change the way children understand and choose what to eat. Helping the community provide healthier diets for kids can promote better food choices in future generations, the effects of which can last a lifetime.

Q: What is your long-term outlook for financial performance?

We expect our businesses to continue to grow well, as a result of delivering differentiated value to customers across the health care system. Our long-term outlook for earnings per share performance remains consistent at growth of 13 percent to 16 percent per annum on average, with about two-thirds of our growth driven by earnings from operations and one-third from the application of capital. Earnings growth rates inherently vary year-to-year, due to changes in economic and employment conditions, health policy and regulatory changes, changes in capital management such as continued strengthening of the level of our dividend, business expansion and development opportunities, share repurchase activity and more. Following are specific elements of our long-term growth outlook:

- We expect UnitedHealth Group to average annual revenue growth in the upper single digits (6 percent to 9 percent).
- In Optum, product growth rates and margins vary, ranging from service and technology products, with margins above 20 percent, to the low- to mid-single digit margins of pharmacy care services. We expect Optum overall to produce double-digit percentage growth.
- We expect each of our UnitedHealthcare businesses to continue to grow. Our Medicare business is expected to continue to grow as the population ages and becomes even more polychronic, increasing the value our products deliver, as compared to Original Medicare. We expect our Medicaid business to grow as states continue to expand coverages and as traditional fee-for-service offerings move to managed care. Share advances in the commercial market are expected to continue, driven by new competitive offerings that deliver value to consumers. And we continue to invest globally in newly emerging markets, having established a leading position in health care delivery and benefits in South America.

Aggregating UnitedHealthcare's businesses, we expect the medical care ratio to rise over time as we continue to grow in the senior and public markets disproportionately to the commercial market.

- Consistent with recent years' results, we expect to sustain a strong mid-single digit percentage operating margin over the long term, with variation over time based on business mix. On an equivalent business mix and after adjusting for insurer taxes and fees, we anticipate improving our operating cost ratio by an average of 20 to 40 basis points per year.
- We will continue to deploy capital through targeted acquisitions, seek to maintain a market-competitive dividend, and expect to continue ongoing share repurchase. We expect these will contribute as much as 5 percentage points to our earnings per share growth rate.
- Our business produces strong earnings performance, driven by consistent growth. We expect the combination of business mix, overall margins, dividends and share repurchase should over time yield a sustainable return on equity in the upper-teens percent or higher.

Q: What are the core competencies you bring to bear across UnitedHealth Group?

Our business continues to be built around three enduring competencies:

- Health information – to inform and guide health decision-making and health system performance;
- Advanced technology – to enable improved health outcomes and innovation in health care; and
- Clinical expertise – to organize and augment systems of care to deliver better clinical outcomes at lower costs to individuals and to the health care system as a whole.

The value creation resides in the continued development of these competencies for the benefit of everyone in every market where we can add value to society and create a sustainable return for our shareholders.

Q: How do you think about innovation in your business?

UnitedHealth Group continues its long-standing commitment to practical innovation. We operate from inside the health care system, accessing information that flows naturally as health care events and transactions occur each day. Through our research, development and continuous improvement efforts, we are identifying new ways to address persistent and evolving challenges facing the health care system, including high and growing costs, uneven and tightening access to care, low engagement among many individuals in managing their health, variation in quality and site of service utilization and complexity in the health system broadly.

Our enterprise's experience, capabilities, assets and market presence enable us to offer robust solutions to those challenges while accelerating our growth in strategic areas. Internal collaboration and external partnerships support the development of scalable solutions that move successful pilots to become new business offerings. These practical solutions fall into several strategic categories and draw on specific enterprise capabilities to address health system problems in unique ways:

- **Disruptive care models** – approaches that challenge traditional ways of providing care through creative uses of information and technology and highly engaged clinicians operating at the top of their license delivering superior quality in lower-cost sites of service. These models engage people in better managing their health conditions and alleviate excessive administrative and other barriers to care.
- **Advances in data analytics and emerging technologies** – use of data to gain actionable insights into complex problems through emerging technologies such as artificial intelligence, machine learning and natural language processing capabilities.
- **Strategies for managing high-cost drugs, devices and treatments** – clinical research and payment models that add valuable information to guide care decisions and make effective treatments more affordable.
- **Value-based payment and transparency** – new programs focused on payment incentives to help care providers improve performance, and tools and information to guide consumers to the highest-quality and most affordable care.

- **Consumer engagement models** – new products and services to provide deeply personalized and intelligent next best action information to consumers and their doctors to enhance consumer participation in improving their health and better enable them to make good choices as they use the health system.
- **Chronic care management** – interventions that target persistent challenges for patients by leveraging connected technology and clinical insight.
- **Operational improvements** – tools and processes that enable the enterprise to solve customer problems with superior execution, while lowering costs for clients and consumers.
- **New discovery** – working with others to enable emerging trends in wearable devices, genomics and precision medicine, and research and discovery of improved treatments and care pathways.

Ongoing insights from this work, amplified by the imagination of our employees and others, continue to create opportunities to advance innovation and address the issues apparent in our data and expressed by the individuals we serve, care providers and customers. We continue to reinvest in order to scale these meaningful solutions to improve outcomes, increase savings and improve the health care experience for consumers and care providers.

Q: What is your view on emerging technologies such as artificial intelligence and machine learning?

Artificial intelligence (AI), as a field of computer science, and its relevant subfields including machine learning, deep learning, neural networks, natural language processing, conversational interfaces, virtual assistants and intelligent agents, will play a fundamental role in improving the health care system globally and enabling people to live healthier lives.

We use AI to identify and assist patients at risk for needing significant health care resources and patients at risk for hospital admission or readmission. We're also beginning to use AI to help identify and assist high-risk, high-cost patients by predicting patients with disease and using AI to match patients leaving the hospital with the most appropriate skilled nursing facilities to handle their individual health needs. This helps patients get healthier faster, allowing them to get home faster.

We apply machine learning to advance data analytics in other areas like health care cost analytics and health condition management, fraud detection, customer retention, marketing optimization, consumer segmentation, risk analysis and value-based care.

Our next generation of applications and solutions will further infuse AI, machine learning and other emerging technologies to better leverage our vast and growing data sets. Sometimes these opportunities represent improvement on existing approaches and processes because AI can evolve current deterministic rules with new insights. In other cases, the applications are relatively new to the industry and to our organization, allowing for new approaches in health care administration and operations; consumer engagement and health care outcomes improvement.

Q: Can you comment on your approach to developing business leaders?

We have always believed in the high value of accurately assessing the skills and traits our leadership team needs for our future success. This year, we also made the strategic decision to invest in a scientific, research-based Common Language of Leadership that will touch all of our hiring and promotion processes. It will create a consistent and rigorous enterprisewide measurement by which we will assess, identify, develop, move and invest in our talent. This discipline will further future-proof our pipeline, create even greater accuracy in our succession plans and increase top talent mobility across complex and diverse businesses.

Our talent strategy will continue to balance attracting the strongest candidates from outside the organization, while providing key domestic and international experiences for our top internal talent to develop their global mindsets. Our leaders will grow stronger faster, as they solve a variety of business problems and adapt to dynamic marketplace changes. This approach creates inclusive, empathetic leaders with strong personal connections and business networks who are able to see the organization and its constituents from a variety of perspectives. Ultimately, this approach will generate the very best enterprise leaders of the future who will help make the health care system work better for everyone.

Q: How do you view the importance of quality in your business and the role of Net Promoter System (NPS) in measuring quality?

Delivering the highest level of quality is a top priority and a significant driver of our enterprise growth. UnitedHealth Group uses NPS as a proven operating discipline to ensure we deliver the highest quality and value – as the customer defines it.

NPS helps us to measure the loyalty of our customers, and benchmark ourselves against the marketplace, at a product- and service-specific level. We continue to enhance rigorous NPS disciplines across the organization, focused on improving quality, delivering value and simplifying health care experiences for consumers, customers and care providers – as they define quality. This approach centers on constant improvement of how people experience our organization, rather than based only on how we would define quality.

We currently have NPS measurement fully aligned and deeply embedded in all major lines of business across the enterprise. These efforts are connected directly to our business goals, measured through rigorous third party means and tied directly to our compensation systems, influencing the decisions we make every day. We continue to show strong momentum in improving our performance, consistency of delivery and achieving our mission on behalf of the people we serve.

Q: Do you expect to continue to be an active acquirer of other businesses? In what areas are you interested in expanding?

Business combinations will continue to be one of the many ways we improve our capacities to serve more people in more geographies as well as continue to diversify our business and achieve scale and service efficiencies. Effective use of capital in this manner is one of the drivers in our ability to achieve distinctive long-term financial performance.

Business combinations must: a) strengthen an existing business or platform; and/or b) provide a new platform for future growth; and/or c) bring tools, technologies or skills that cannot be otherwise obtained or developed more efficiently. Finally, we approach acquisitions with a focus on creating value for our current and future shareholders by being diligent about generating appropriate returns on invested capital.

With these disciplines in mind, we will continue to regularly evaluate opportunities within the context of our strategic priorities and the overall direction of the markets.

Q: What is the optimal capital structure for your company?

Management and the board of directors regularly review capital structure strategy and tactics and update them as necessary, based on business opportunities and industry and economic/market conditions. Our strong, predictable and consistent cash generation and broad geographic and business diversification enable us to carry and service a prudent level of debt and optimize the company's total cost of capital.

As of September 30, 2018, we maintained an interest coverage ratio of more than 14X and debt to total capitalization of under 40 percent. Those metrics, combined with our strong credit ratings and significant cash flow generation offer flexibility to apply capital for future strategic needs of the company. As always, we maintain a prudent posture and conservative balance sheet as our capital position over time.

Q: What is the balance between future dividend policy and share repurchase policy?

We regularly consider the balance of allocating the capital that our strong cash flow provides among key priorities: ensuring the capital strength of our regulated entities and the overall enterprise capital structure; internal reinvestment opportunities; further growth through acquisitions; and returning capital to shareholders through dividends and share repurchases.

Our board has authorized an increase in the quarterly dividend of at least 20 percent each year since 2010, to the current level of \$0.90 per share per quarter. The dividend has grown to \$3.3 billion per year, and is approaching 30 percent of estimated 2018 net earnings, a level comparable to many Fortune 50 companies. The dividend is reviewed by management and the board on a regular basis, subject to business needs and market conditions. Our intention is to continue moving toward a full market dividend rate, and then to increase it with earnings growth going forward – all subject to board approval.

From late 1997 to the end of September 2018, UnitedHealth Group repurchased more than \$50 billion worth of stock, representing nearly 1.5 billion shares at a weighted-average cost of approximately \$34 per share.

In June 2018, our board of directors renewed and increased our share repurchase program, under which up to 100 million shares of the company's common stock may be repurchased.