

Earnings Conference Call Second Quarter 2021 Remarks 07.15.2021

Moderator

Good morning, and welcome to the UnitedHealth Group Second Quarter 2021 Earnings Conference Call. A question and answer session will follow UnitedHealth Group's prepared remarks. As a reminder, this call is being recorded.

Here is some important introductory information. This call contains "forward-looking" statements under U.S. federal securities laws. These statements are subject to risks and uncertainties that could cause actual results to differ materially from historical experience or present expectations. A description of some of the risks and uncertainties can be found in the reports that we file with the Securities and Exchange Commission, including the cautionary statements included in our current and periodic filings.

This call will also reference non-GAAP amounts. A reconciliation of the non-GAAP to GAAP amounts is available on the "Financial & Earnings Reports" section of the Company's Investor Relations page at www.unitedhealthgroup.com.

Information presented on this call is contained in the Earnings Release we issued this morning and in our Form 8-K dated July 15, 2021, which may be accessed from the Investor Relations page of the Company's website. I will now turn the conference over to the chief executive officer of UnitedHealth Group, Andrew Witty.

Andrew Witty

Good morning and thank you for joining us. As we discuss our enterprise today, I hope you sense its growing momentum as we advance on our path of improving the quality, cost and experience of health care for everyone we serve.

Both Optum and UnitedHealthcare grew and delivered on our long-standing strategy and we have increased our outlook for the year to a range of \$18.30 to \$18.80 per share.

We continue to prioritize three key themes that we believe will underpin the next era of growth for our enterprise:

- First, unlock the collaborative opportunities within and between Optum and UnitedHealthcare.
- Second, increasingly apply technology to improve patient care and experience and to help the system run better.
- And third, strengthen our consumer focus, capabilities and value.

During the quarter we accelerated our efforts to develop and deploy new and innovative products — informed by the insights of both Optum and UnitedHealthcare — in areas such as oncology care delivery, rare disease drug management, Optum Virtual, Optum Financial Services and many others. We are doubling down on efforts to both expand and link services where it creates value for consumers and patients ... to make their health care journey easier, simpler and more intuitive.

We constantly challenge ourselves to develop capabilities which lead to improved care, better value and a simpler system. Our sales to clients and partners across all parts of the health system demonstrate the strong relevance of our innovation. And the strengthening of our sales pipeline is a key opportunity as we emerge from the COVID market pause.

A good example of bringing our collective strengths together at scale is the Optum home and community care platform, through which we care for nearly 10 million people.

This platform includes:

- Our well-known HouseCalls service.
- Comprehensive post-acute care for smoother transitions to home.
- And integrated primary and behavioral care for Medicare Advantage patients who prefer to receive their care at home.

Home and community platform services can reduce post-acute medical care costs by a quarter, unnecessary readmissions by up to a fifth, and hospital admissions by up to 25%.

In Medicaid, we are addressing consumer needs by expanding our long-term collaboration with public housing authorities, working with government agencies and community-based organizations to identify and address specific health care issues for people who are hard to reach and support.

In just the past six months, we have introduced new partnerships in over 20 communities to close gaps in care and address health equity challenges. Using data and analytics capabilities, we're able to rapidly identify local health trends and gaps and then work with community partners to inform guidelines, training materials, processes and create better tools to advance health. We believe this will result in better health for community members and help to optimize limited state resources.

These and other targeted initiatives on the social determinants of health are essential elements and illustrative of our natural and long-standing ESG impact. Our recently published Sustainability Report captures the full range of efforts we have dedicated ourselves to in areas of crucial concern to our stakeholders ... none more so than advancing health and health equity. This agenda is an essential part of our way of doing business.

I would like to thank our 330,000 colleagues from across the company for the passion and diligence they show every day in helping to deliver improvements in serving our members, clients and patients.

I have great confidence that we are emerging from the last 18 months of disruption with an unprecedented set of opportunities to help improve the health system for all of those we can serve.

And now I'll turn it over to President and Chief Operating Officer Dirk McMahon to provide more detail on initiatives to drive performance across the organization.

Dirk McMahon

Thank you, Andrew.

In an enterprise with our breadth of market engagement, we have many ways to assess how we're doing. I'd like to share some of those metrics with you, picking up on Andrew's commentary on our three key strategic themes.

First, collaboration. UnitedHealthcare's value proposition is rooted in lower costs, better outcomes and a better experience. Optum supports this value proposition for UnitedHealthcare and other health plans with ambulatory services which patients and their doctors value.

In this quarter we met the ambulatory surgery needs of over 250,000 patients, delivering exceptional care in convenient and affordable settings, with revenue growth approaching 20% over the non-pandemic affected 2019 second quarter. These centers are meeting higher acuity and more complex needs, such as total joint replacement, spine and cardiovascular procedures, which are performed at an increasing number of centers. Our ambulatory settings receive a consumer NPS of 92 and we deliver better and more consistent quality outcomes at about half the cost of traditional settings.

Optum Care has over 1,600 clinics and is rapidly expanding virtual offerings to serve patients in settings where they feel the most comfortable ... and importantly, with their own physician. Seniors served by Optum Care under our integrated care approach spend considerably more time with their primary care physicians than seniors in traditional Medicare and, as a result, spend one-third fewer days in a hospital.

Second, is our strategy to increase the application of technology to improve patient care and help the system run better. We recently announced a partnership with Bassett Healthcare, another strong example of how OptumInsight is helping health systems to expand and scale essential capabilities, including revenue cycle management and digital modernization, to improve health outcomes and patients' health care experiences. We expect to continue to add new partnerships like this.

Also, at OptumInsight, we have been tackling the most resource-intensive operations through the deployment of advanced technology and other approaches. For example, we have transformed what were once largely manual chart review processes into highly automated operations.

Third, we have been hard at work advancing our consumer capabilities.

UnitedHealthcare has made significant advances in the management of complex conditions. We're focused on making sure that patients with the highest acute care needs are able to access the most appropriate site of care by assigning them advocates to help navigate the system. Nearly 1 million of these members are matched with a personal navigator to help them manage and improve their health.

OptumRx continues to improve access and affordability of home delivery for patients, leading to significant improvements in continuity of care and having already reduced the cost to process and dispense prescriptions by nearly 20% in just the past two years.

Also along consumer cost savings lines, for those who prefer an "in-store" retail experience, we now offer tools to find the lowest cost prescriptions near them regardless of their health benefits coverage status. These tools can save self-paying consumers up to 80% on their medications.

Consumer preference is also having an impact in behavioral health. Already this year the OptumHealth behavioral platform has delivered over 500,000 virtual visits, an option we initiated in just the last year. Many consumers and clinicians prefer these virtual

encounters, since they offer enhanced accessibility, flexibility and simplicity. Care encounters delivered through our dedicated channel have a patient satisfaction of 98%.

These are just a few of the many initiatives we are executing on as we apply technology, data and analytics to make our strategic growth agenda come alive. We look forward to updating you on our progress over the quarters to come.

With that, now I'll turn it over to Chief Financial Officer John Rex.

John Rex

Thank you, Dirk.

Our first half performance supports a foundation for strong and expanding growth for the remainder of this year and beyond.

Before I review business performance, I'll offer brief perspectives on the pandemic-driven trends we're observing. The core takeaway is that our outlook for COVID-19 impacts is consistent with our past commentary.

The second quarter showed overall care activity continuing to trend toward baseline — or normalized levels — albeit with variation across lines of business.

For example, in commercial markets, care activity was above baseline as members were willing and able to obtain needed care, some of which was deferred from prior periods.

Our public-sector markets continued to run below baseline, even as we are actively encouraging people to get the care they need. We were gratified to see care activity for these populations begin to progress over the course of the quarter, as vaccination rates advanced.

We continue to estimate approximately \$1.80 per share of unfavorable COVID-19 impacts for full year 2021 and to expect the majority of these effects to occur in the second half.

Moving to overall business performance: OptumHealth's second quarter revenue and earnings increased 46% and 34% respectively year-over-year. Revenue per consumer grew by 43%, reflecting the impact of accountable arrangements and our expanding home and community health platform, combined with the growing complexity of the needs we are serving. Of the 20 million patients we serve through Optum Care, over 2 million are in fully accountable — or capitated — care arrangements, an increase of 17% from a year ago and we expect this pacing to accelerate strongly in the years ahead.

OptumInsight's revenue grew 12% in the quarter and earnings grew 36%, with the revenue backlog increasing by \$1.9 billion to \$21.3 billion. Key growth drivers were managed services, the continued recovery of care activity to more normal levels and further implementations of technology-enabled services. In particular, we are seeing strong sales momentum in the services, software and analytics businesses which serve care providers.

OptumRx revenue and earnings increased 5% and 19% year-over-year and script growth was 8%, with this comparison impacted by last year's pandemic effected care patterns. Our expanding pharmacy care and specialty services continue to grow strongly, now comprising just under half of OptumRx revenues.

Turning to UnitedHealthcare, we are encouraged by the receptivity to our expanding set of responsive commercial benefits, centered around virtual-first, on-demand and physician-led offerings. Year-to-date we have added about 150,000 members in such innovative commercial offerings, even with the evolving and uneven labor market trends which impacted second quarter membership.

Medicare Advantage membership has grown by 675,000 year-to-date, tracking well to our full year outlook. Our HouseCalls clinicians have been able to provide their vital services to seniors, conducting over 1.1 million home visits in the first half, more than double the year ago level.

People served in managed Medicaid programs grew by nearly 920,000 over the year-ago quarter, in part as state-based redetermination activities remained on hold. Our Medicaid offerings continue to deliver a positive consumer experience and demonstrable cost-effectiveness for our state government partners and we look for this momentum to build heading into next year.

Our liquidity and capital positions remain strong with second quarter cash flows from operations at \$5.5 billion, or 1.3 times net income and we ended the quarter with a debt-to-capital ratio of 40%. And in early June, our board of directors increased the dividend by 16%.

As noted earlier, given the strength of our business performance, we've updated our full year adjusted earnings per share outlook to a range of \$18.30 to \$18.80 per share, inclusive of the COVID-19 impact incorporated into our full year view. Within this, we expect the pacing through the second half to be fairly level.

Now I'll turn it back to Andrew.

Andrew Witty

Thanks, John.

What we tried to provide you this quarter, as we do each time, is a sense not only of what UnitedHealth Group's results are, but how we achieve them. The examples we referenced and countless others throughout this enterprise, along with the consistent

execution by our colleagues, are what underpin our confidence in our long-term, 13% to 16% EPS growth rate target ... and in our ability to help people live healthier lives and help the health system work better for everyone over the years to come.