

## **Earnings Conference Call Third Quarter 2021 Remarks October 14, 2021**

### **Moderator:**

Good morning, and welcome to the UnitedHealth Group Third 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](http://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 October 14, 2021, which may be accessed from the Investor Relations page of the Company's website. I will now turn the conference over to the president and chief operating officer of UnitedHealth Group, Dirk McMahon.

### **Dirk McMahon:**

Good morning and thank you for joining us today. Unfortunately, our CEO and colleague, Andrew, is not with us this morning since he had an urgent but straightforward procedure last night for a kidney stone. All went very well, and we expect him fully back in just a few days. I'm quite confident he is listening now ... so I hope you're doing well, boss. John Rex and I will be subbing for Andrew this morning and we have our management team with us as usual to help with your questions.

We're here today to discuss third quarter results and the expanding opportunities we see looking ahead.

As a result of the progress at both Optum and UnitedHealthcare, we have increased our 2021 adjusted earnings outlook to a range of \$18.65 to \$18.90 per share.

We continue to prioritize three themes Andrew has discussed before which are foundational to the growth of our enterprise:

- First, unlocking the collaborative potential within Optum and UnitedHealthcare for the benefit of all.
- Second, further developing our technology and data science platform to aid patient care and experience and to help the system run better.
- Third, strengthening our consumer experience, capabilities and value.

I'll briefly highlight a couple of items for you.

You likely have seen the CMS Medicare Advantage Star quality ratings showing 95% of our UnitedHealthcare members will be in 4-star rated plans or better for 2023, up from 78% for 2022 and a new high for our company. Within Optum Care, on behalf of the many payers we serve, 99% of Medicare Advantage patients will be in 4-star plans or better for 2023.

A second important highlight in the quarter: We were encouraged by the ongoing strength in our employer and individual business, which has now grown by over 330,000 people this year, with revenue up 7% year-over-year. We continue to see active interest in our product innovations, such as our All Savers level-funded offering, and are encouraged by our competitiveness in the market and momentum heading into 2022. We also elevated consumer connectivity by incorporating fitness offerings from industry-leading partners.

OptumHealth continues to build momentum as well. Entering the open enrollment period for Medicare Advantage, we have more than 2.2 million people served under

physician-led, fully accountable care arrangements, and expect '22 to be another year of record expansion in this key part of our portfolio.

Our broad, home-based clinical care initiatives at Optum and UnitedHealthcare are central to improving near- and longer-term health outcomes for people with medical, behavioral and social needs. These efforts include Optum at Home, which delivers high-quality primary care services in the convenience of the home setting and supports recovery after hospitalizations. Seniors served by our home and community offering experience a 14% *lower* rate of hospital admissions and about a 4% *higher* rate of physician encounters.

In addition to caring for people in their homes, we continue to expand capabilities in other optimal sites of care, including via digital means.

Optum is distinctively enabling virtual care for patients using their own primary care physicians and with behavioral clinicians. For example, a physician engaging in a virtual visit with a patient can easily bring in a behavioral health professional for a real-time consultation. UnitedHealthcare is using Optum's virtual capabilities to introduce a new suite of digital-first products, offering a near seamless experience between virtual and traditional primary, specialty and urgent care.

We expect during 2022 and beyond to further build on these opportunities to connect and integrate multiple channels of care, simplify the experience for patients and providers and deliver quality care that is affordable and in the optimal setting.

Let me now go a little deeper in a few areas to give you an assessment of how we are doing on the themes I mentioned at the outset.

OptumInsight continues to drive better clinical and operational performance at the health system level. Last week we reached a new multiyear partnership with the leading and innovative health system, SSM Health ... whose 40,000 employees, 33 hospitals

and post-acute facilities, and 300 physician clinics serve the people of Missouri, Oklahoma, Wisconsin and Illinois.

OptumInsight brings real value in helping health systems strengthen and scale essential functions, such as care coordination, revenue cycle management and digital modernization, all to improve health outcomes and patients' care experiences. These and similar efforts simplify processes, reduce administrative burdens and help our partners focus more attention on their core missions of patient care.

OptumRx continues to deliver value to health system partners, such as its new multiyear agreement with Point32Health, which serves more than 2 million people in New England through its founding organizations, Harvard Pilgrim Health Care and Tufts Health Plan. OptumRx will provide integrated pharmacy benefit and specialty offerings that will enhance services and deliver improved affordability for their plan members.

OptumRx is having a substantial impact through its community behavioral health pharmacies, which now serve nearly 700,000 people with mental health, addiction and other conditions through more than 600 dispensaries across 47 states. The pharmacies deliver a high-touch approach to care that contributes to a more than 90% medication adherence rate and lowers emergency room visits and hospitalizations by 18% and 40% respectively, driving better health outcomes and lower total cost of care.

Within our UnitedHealthcare government businesses, we have increased processing efficiency by 25% over the last year by using Optum technology to improve auto-adjudication rates and intelligent work distribution to appropriately skilled channels. We have many such initiatives underway across the enterprise in affordability, provider experience and product development as we employ advanced technology and data analytics to drive even greater value for the people we serve and the health system.

Before turning over the call to John, a quick word on our pending combination with Change Healthcare. We continue to work diligently to satisfy regulatory requests and

now believe, based on our experience so far, the transaction should close in the first part of 2022.

We are highly energized about the positive impact we can have working together with the exceptional Change team; a team aligned with our mission and values and focused on delivering substantial benefits for the health care system. These benefits will include:

- Helping clinicians by simplifying access to real-time evidence-based guidance as they are serving patients.
- Closing gaps in care more rapidly to improve health outcomes and lower costs.
- Reducing unnecessary complexity by removing administrative waste and obstruction to make the care process simpler, more cost-effective and more transparent.
- And bringing greater convenience and simplicity to managing consumer health finances while ensuring care providers get paid more quickly and accurately.

Optum and Change Healthcare's capabilities fundamentally are complementary and distinct. Because both companies already successfully serve health plans and state governments, care providers and consumers in a highly competitive market, we believe this combination will make the health care system work better for everyone, and bring exceptional value to those we serve.

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

**John Rex:**

Thank you, Dirk.

This morning we reported third quarter and year-to-date revenues of \$72 and \$214 billion respectively, growth of 11 and 12% over last year. This growth was led by OptumHealth – primarily our care businesses.

In the third quarter, the Optum platform comprised 54% of enterprise operating earnings and continues to show strong growth momentum.

Our performance reflects the diverse and complementary strengths of our business, setting the stage for growth in the years ahead. Our updated full year 2021 outlook includes unfavorable COVID impacts consistent with the expectations we have discussed throughout the year.

During the third quarter, while direct COVID care and testing costs ran above the expectations we had nearly a year ago, we again saw elective care offsetting the impacts of higher case rates, much like previous cycles in the pandemic.

This quarter there were approximately 60,000 COVID hospitalizations — meaningfully above the second quarter — with the month of August peaking at nearly 30,000 and then declining in September.

Looking at specific business performance: OptumHealth's third quarter revenue and earnings increased 32% and 37% respectively year-over-year. Revenue per consumer grew by 30%. This reflects the increasing impact and number of value-based relationships within Optum Care, the expansion of our in-home and community health platform, as well as the growing acuity of the needs we can serve.

OptumInsight's revenue grew 13% in the quarter and earnings grew 15%, as the revenue backlog increased by 12% to \$22.3 billion. We see overall business development sourcing and activity levels increasing, particularly with care provider customers and for our software and analytics offerings.

OptumRx revenue and scripts grew 6% year-over-year and earnings 5%. OptumRx is seeing both strong customer retention levels and sales success for the largely completed '22 selling season and early activity for '23.

Turning to UnitedHealthcare, the third quarter showed increasing member growth in our commercial offerings, particularly in employer-sponsored benefits. Increased employment is a broad underlying contributor, but we are particularly encouraged by the growth we are achieving in our affordable, consumer-centric offerings.

Medicare Advantage membership has grown 745,000 this year. Inclusive of plans which serve dual special needs members, we expect to add a total of over 900,000 Medicare Advantage members.

The number of people served through managed Medicaid grew by more than 1 million members over last year as we began to serve people in new regions such as North Carolina, Kentucky and Indiana, and as state-based redetermination activities remained paused. We were honored to begin serving people in the Missouri Medicaid expansion this month.

Our liquidity and capital positions remain strong, with third quarter cash flows from operations at \$7.6 billion, or 1.8 times net income, and we ended the quarter with a debt-to-capital ratio of 39%.

As noted earlier, given the strength of our business performance, this morning we updated our 2021 adjusted earnings outlook to a range of \$18.65 to \$18.90 per share.

Now, with the close of the third quarter, your attention understandably turns to next year. As is our custom, we will offer a few early observations here, while reserving the majority of this conversation for our November 30 Investor Conference, which we hope will be held in person in New York.

Our businesses are both growing and operating well, with strong momentum heading into next year.

While the pandemic-related impacts remain difficult to predict, given the current trends, we would expect a lower unfavorable COVID impact than experienced in 2021. Still, as the dramatic variation of the last 20 months has demonstrated to all, prudent management suggests we should offer an outlook respectful of the fact that the current situation is without precedent.

Taking all elements together, at this distance, we see current analyst consensus as reasonably beginning to calibrate a 2022 outlook, envisioning that consensus as being toward the upper end of our initial adjusted earnings per share outlook range, with the range being similar to that offered initially for 2021.

The still-untapped collaborative potential between UnitedHealthcare and Optum to benefit individuals and the system; the power of applied technology to advance care and service; improved opportunities in consumer health and experience; and the passion of our people ... these and so many other elements lead us to believe our performance expectations for the years ahead remain fully supportive of our long-term 13 to 16% earnings per share growth outlook. We look forward to going into more detail on both our view of 2022 and the many years of growth beyond, at our Investor Conference.