

## Earnings Conference Call Fourth Quarter 2021 Remarks January 19, 2022

### Moderator:

Good morning, and welcome to the UnitedHealth Group Fourth Quarter and Full Year 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 January 19, 2022, 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 all for joining us today.

I'd like to start by recognizing my colleagues — the people of Optum and UnitedHealthcare — for delivering strong results throughout 2021 and creating the momentum that is carrying through as we enter this year.

For example, performance in two key elements of our growth strategy — **accelerating the transition of patients to Optum-led value-based care and strong UnitedHealthcare growth in serving Medicare Advantage consumers** — are both

tracking well with the expectations we shared with you at our recent investor conference.

These — and the broader performance across the enterprise — confirm our confidence in our ability to advance our stated growth strategies ... and to support our long-term 13% to 16% EPS growth rate.

When you look back at the prevailing themes for 2021, you see a story of accelerating growth. Strong collaboration between Optum and UnitedHealthcare and with our many external partners helped us grow in serving both commercial and government markets, unlock new innovation, introduce integrated products and services to the marketplace and significantly increase the number of people benefiting from value-based models of care.

Last year, we leveraged our technology capabilities to help physician and hospital systems better serve their patients and communities. And we sharpened our focus on the consumer — working to elevate and improve the end-to-end experience. Taken together, these efforts helped us add more than \$30 billion in revenue for the year — about \$10 billion above our initial outlook.

And you should expect similar growth in the year ahead. We see an even greater demand for integration, to bring together the fragmented pieces of the health system ... to harness the tremendous innovation occurring in the marketplace ... to help better align the incentives for providers, payers and consumers ... and to organize the system around value. A health care system that is more connected, more informed, more human — and more responsive to every person's unique needs.

At our investor conference, we shared five key areas for growth and for differentiated experiences across our portfolio. These growth opportunities will guide our strategy this year and for many years to come.

First is care delivery, more specifically, value-based care. For UnitedHealth Group this is more than a primary care strategy; it is a comprehensive clinical strategy encompassing our growing behavioral, home, ambulatory and virtual care capabilities.

Our second growth area is health benefits — advancing the quality, innovation and consumer appeal of our benefit offerings and bringing our value-based strategy to life. We enter '22 having generated strong consumer growth in Medicare Advantage and saw further progress in Medicaid and growing momentum in our commercial business.

Next: Health technology. Our major partnerships across the country help health systems improve their performance and returns — all to better support their missions. We are energized by the potential to bring these comprehensive, tailored solutions to a greater number of system partners in 2022 and beyond.

Fourth: Health financial services — vastly improving the health payments sector — streamlining and simplifying payments for providers, payers and consumers ... while reducing friction and increasing speed and convenience.

And finally: Pharmacy services — where people interact most often with the health care system. We can better use the significant breadth, volume and value of our foundational pharmacy services and data capabilities, and integrate our medical, pharmacy and behavioral capabilities — all of this to provide whole-person care, support the discovery of new drugs and treatments, and support value-based models of care.

In sum: We enter 2022 with heightened confidence in our ability to execute upon the objectives we set forth in late November.

And with that, I'll turn it over to President and Chief Operating Officer Dirk McMahon.

**Dirk McMahon:**

Thank you, Andrew.

I thought I would take a few minutes providing you with some additional details on our first growth priority, value-based care: how we have prepared for it, the investments we have made and how we see it working in the near future. This has been something we have been working on and building over the course of a decade.

For example, there was significant operational groundwork and investment that went into supporting the half-million new patients for whom Optum Health will become accountable in 2022. Successful execution requires a lot of detailed planning, investing and building. It has become a distinctive competency of our enterprise, which we can now increasingly apply at scale.

So what does it take to prepare for moving to a fully accountable arrangement? The investments can be significant; as an example, in 2021, we incurred over \$100 million in preparation expense. Within this, there are three major workstreams involved: clinical training and staff preparation, technology and data enhancement, and third is network coordination.

The first work stream focuses on physician education and begins well more than a year prior. It's important to provide the resources and knowledge for physicians to begin approaching their patients differently. They engage in their patients' "whole health" well ahead of taking on greater accountability. We find it to be an essential and sometimes complex shift in what are long-held fee-for-service practices. Beyond education, we ramp up our capacity in the form of physicians, nurses and other clinicians to meet the requirements of our business.

The second area focuses on the technology systems and information needed to support patient care and effective clinical management. This includes things like patient portals

and utilization management systems, as well as reporting systems for teams to effectively manage.

Finally, is the planning and network coordination work to support clinical oversight beyond primary care and ensure true continuity of care. This planning and coordination includes initiatives such as:

- identifying the patients most in need and ensuring a seamless transition to high-touch clinical care services that improve health;
- and quickly pairing patients with a personal care navigator to assist in supporting complex health needs, appointment scheduling and timely medication support on day one.

These foundational preparations and investments have been critical in creating strong results across the variety of geographies and practices we have transitioned. We expect this expertise will serve us well as we transition even larger groups of patients in the years to come.

Before handing it over to John, I'll update you on how COVID has impacted our operations. Like other businesses, we have experienced moderately higher levels of attrition and more unplanned absences.

We had prepared for this situation through increased recruiting capacity as well as meaningfully upgraded digital capabilities to improve customer experience and reduce call volumes. As a result, in the first two weeks of 2022 — traditionally our most demanding period — we were able to service the needs of our patients and customers.

At the same time, we responded swiftly to the federal mandate for cash-free COVID tests for consumers — a highly complex undertaking. With four days' notice, UnitedHealthcare created a customer digital experience for ease of reimbursement and established a partnership with Walmart, and now Rite Aid, that eliminates cash outlays

by consumers at point of purchase. We expect more partnerships in the days ahead. As we look forward, we believe we have the right capacity in place to execute our business priorities and meet our customers' expectations.

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

**John Rex:**

Thank you Dirk, and happy New Year everyone.

I'll start by expanding a bit upon on Dirk's comments on the COVID impacts we are seeing.

In the most recent weeks, inpatient hospitalization levels for our members are similar to the January 2021 levels, even with national COVID case rates about four times higher. For those people needing inpatient care, severity is seemingly lower, as we are seeing shorter lengths-of-stay compared to that earlier period.

At the same time, we are observing familiar correlations of care activity patterns to other periods of elevated infection rates experienced over the past two years.

For example, in these early weeks of January, we are seeing slowing in primary care, elective visit and procedural volumes. Activity over the past several weeks shows primary care visits having declined about 10% and an even higher rate of decline in specialist visits.

As always, our prime focus is on helping people get the care they need ... when they need it.

Moving now to our specific business performance:

Optum Health's revenue per consumer grew by over 30% in 2021, driven by the increasing number of our patients served under value-based arrangements. Consistent with the expectations we shared in late November, we had a strong start to the year and continue to expect to add 500,000 new patients in accountable, value-based relationships, benefiting from the groundwork laid over the past many years.

Optum Insight's earnings grew 25% in '21, with operating margins approaching 28% for the year. We ended the year with a revenue backlog of \$22.4 billion, an increase of \$2.2 billion over the prior year. Our expanding relationships serving health systems has been a key factor driving this growth and we expect these partnerships to continue to grow in '22 and beyond.

Optum Rx earnings grew 6% for the year, driven by the continued expansion of our pharmacy services businesses, supply chain initiatives and strong cost management activities ... and benefiting from strong customer retention. In addition, we continue to see the impact of Optum Rx's movement to a higher-value pharmacy care and specialty services orientation.

Turning to UnitedHealthcare, full year revenues of \$223 billion grew 11%.

As noted, our 2022 Medicare Advantage member growth outlook is very positive and consistent with the objectives we established at our November investor conference. Within the up to 800,000 new members we will serve in '22, about three quarters will be in Individual and Group Medicare Advantage and the remainder in Dual Special Needs Plans.

And given the steady strides we have made in quality performance, we have the opportunity to enroll people in our newly rated 5-Star plans throughout the entirety of this year.

Our Medicaid membership outlook for '22 continues to incorporate an expectation that states resume eligibility redeterminations, resulting in modest net attrition. In January we began serving the citizens of Minnesota and continue to support the Missouri expansion this year, as well as renewed relationships with Ohio, Tennessee and Nevada.

Over the course of the year, we will look to continue to expand upon the nearly 8 million individuals we serve across 31 states.

We concluded '21 with commercial membership about 200,000 people ahead of the original outlook provided. Creating this momentum is the strong response we are seeing to the new, innovative products you have heard us discuss; products such as NavigateNow, which use the Optum Virtual network as a first option.

Our capital capacities remain strong. Full year '21 cash flow from operations was \$22.3 billion, or 1.3 times net income, about \$2 billion above the initial outlook we shared a year ago. We continue to expect our 2022 cash flow to approach \$24 billion, about 1.2 times net income.

And we ended 2021 with a debt to total capital ratio of 38%.

These ample capital capacities allow us to continue to accelerate our investments while remaining committed to an advancing shareholder dividend and supporting our expected repurchase of between \$5 and \$6 billion of stock in '22.

Our 2022 adjusted earnings per share outlook of \$21.10 to \$21.60 is consistent with the view we offered seven weeks ago.

From this distance, in contrast to the past two years we expect the seasonal pattern to be more consistent with our historical experience, with just under 50% of full year earnings in the first half and the first two quarters comparably even.



Now I'll turn it back to Andrew.

**Andrew Witty:**

Before we transition to the Q&A portion of the call, I hope you've taken away the strong sense of confidence John, Dirk and I share in the growth potential of this company — rooted in the growing number of people we're serving in value-based models, the depth of relationships we're building with local health systems, our pharmacy capabilities and the innovation and consumer focus that's driving growth across our government programs, individual and commercial businesses.

As demand for innovation and integrated solutions, products and services only continues to grow ... we've never been in a better position to help bring together the fragmented pieces of health care and create more value for the people we try to serve.