

Earnings Conference Call First Quarter 2022 Remarks April 14, 2022

Moderator:

Good morning, and welcome to the UnitedHealth Group First Quarter 2022 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 April 14, 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.

Coming into this quarter, we set clear objectives for the year:

- to drive strong execution of our long-term strategy and deliver high-quality, diversified growth;
- pursue excellence in every consumer experience and at every touch point; and
- apply technology to help all stakeholders to improve access, affordability, outcomes and experiences.

As our results show, we are delivering on these objectives, so I would like to start this morning's call by thanking my colleagues — the 350,000 people of Optum and UnitedHealthcare. Their dedicated work gives us the confidence today to increase our 2022 adjusted earnings per share outlook to a range of \$21.20 to \$21.70 per share.

At our November Investor Conference, we described five key areas to drive our long-term 13% to 16% earnings per share growth rate.

In the first area — value-based care delivery — Optum Health continued its robust momentum into the first quarter, characterized by its integrated approach and high clinical quality. After a strong start to the year, we now expect to add 600,000 patients under value-based arrangements during 2022, compared to our initial estimate of 500,000.

Our approach focuses on providing quality care in the setting that makes most sense for the patients we serve. Our pending combination with LHC Group will reinforce our ability to deliver care and support in the home, as well as in other ambulatory locations.

Within the second growth area, health benefits — we are rapidly advancing the quality, innovation and consumer appeal of our plan offerings and bringing value-based care to scale.

In Medicare Advantage, our strategic balance of benefit stability and enhancements once again helped to deliver strong growth. We remain well on track to serve an additional 800,000 people in 2022, consistent with the expectations we set last November.

In the commercial benefits market, our innovative offerings such as physician-led and virtual-first plans have grown to serve 350,000 more people over the past year. This underscores the consumer appeal for these high-quality, primary care-based coverage options. Nearly 90% of newly enrolled people in our individual exchange offerings selected plans with significant virtual components in the most recent open enrollment period, and nearly 30% selected a virtual-first offering. You will see us expand such offerings as we look forward to 2023.

In our third growth area, health technology, we continue to execute on the major new health system partnerships initiated last year, including a broad relationship with SSM Health and its 11,000 providers caring for people throughout the Midwest.

We are helping our health system partners alleviate administrative burdens and creating operational capacity for these organizations to focus on delivering high-quality patient care and experiences. These partnerships move far beyond traditional revenue cycle management, with both clinical and technology features becoming important.

Fourth: our developing efforts in health financial services ... streamlining and simplifying payments for providers, payers, and consumers ... while reducing friction and increasing speed and convenience.

Consider our new integrated consumer card, which we introduced in January. Many people typically have separate cards for clinical care, pharmacy benefits, food assistance programs, fitness, rewards programs and more. We've combined these benefits into a single card, vastly simplifying the experience for consumers and providers ... and we plan to do even more in the future.

And finally, Pharmacy Services. The high cost of specialty drugs is one of the most pressing issues for our health plan partners. Drawing upon all of Optum's advanced analytical capabilities, we are collaborating with health plans to provide clinicians access to real-time medical and pharmacy analytics — which are coordinated with a patient's specific benefit plan design — enabling clinicians to determine the most effective and appropriate therapies at the point of care. Our initial results are highly positive, helping to lower specialty costs by over 15%. Overall, Optum Rx's performance in the quarter, healthy retention rates and strong sales pipeline provide a great foundation for growth.

These efforts — from expanding in-home and broad value-based care offerings ... to enhancements to Medicare Advantage ... to simplifying how to finance care — are designed to create greater value for consumers and, more broadly, have a profound impact on the lives of families and individuals in communities with all levels of need across America — which is a powerful motivation for all of us at this company each and every day.

Dirk McMahon, our president and chief operating officer, will now share more about these efforts.

Dirk?

Dirk McMahon

Thank you, Andrew.

There is no more important aspect of the consumer experience in health care than convenient access to quality care. Not theoretical access; but care, when and where people need it.

Testing, for instance, is an area where we see significant opportunity to improve the consumer experience. It can be a burden for people to test for conditions such as colorectal cancer. As a result, too often, people just won't deal with the hassle, and as a result, early-stage conditions go undiagnosed, and people don't get the care they need until things get really serious — which is bad for their health and results in unnecessarily higher intensity treatments and costs in the future.

Like so many of you, we have observed more willingness by patients for trial and adoption of in-home testing for many types of common conditions. However, it can be challenging for people to first find tests and then make sure the results get back into a doctor's workflow. Patients need to call providers for a prescription, go to disparate locations to pick up the test and then, somehow, get the piece of paper with a test result into an already busy clinic operation.

At UnitedHealthcare, we've introduced an integrated solution that addresses all of the tasks that need to occur sequentially for a test result to get into a clinic's system. This digitally enabled solution is resulting in a nearly 10% increase in people obtaining necessary screening versus a multistep process. We are expanding this vital capability to more people and making additional types of tests available as well.

As many of you know, the first quarter tends to be the most impactful in setting us up for operational success for the remainder of the year. The ease of that initial experience for people has a lasting impact on consumer and customer perceptions and buying decisions ... not just for the next three months, but often for years to come.

So, I thought it would be timely and helpful to provide a bit of a performance report card for the quarter. The short version: This is where we owe a great thank you to the people of Optum and UnitedHealthcare.

Perhaps nowhere was this more apparent than in the onboarding of the many new people served under value-based arrangements within Optum Health. Investing in the preparation of systems and training of physicians and staff was critical in laying the

groundwork to provide high-quality care for these new patients and expanding into new geographies.

For example, in Ohio and New York we are observing early improvements in post-acute trends — such as skilled-nursing facility admits declining 25% in just the first quarter of operation. It's a testament to the deep integration of our post-acute capabilities for transitioning patients to the most appropriate setting for their needs, as well as a patient-centric orientation of our local care delivery organizations and their vigilance on care continuity.

At UnitedHealthcare, our digital investments are continuing to serve our care providers and helping advance our efforts to move toward a paperless consumer experience. In the first quarter, visits to our digital portal continued to increase while provider support calls declined about 12% from our historical averages. Importantly, we have driven a 38% increase in providers using digital documents instead of paper in this quarter compared to last year. We expect the efforts we have taken in just this quarter will save 80 tons of paper over the next five years.

Before handing off to John, let me turn briefly to our pending combination with Change Healthcare. By now it should be clear we are deeply committed to helping achieve a simpler, more intelligent and adaptive health system for patients, payers and providers. The combination of Optum and Change Healthcare will connect and simplify core clinical, administrative and payment processes health care providers and payers depend on to serve patients. Increasing efficiency and reducing friction will benefit the entire health system, resulting in lower costs and a better experience for all stakeholders. Our extended agreement with Change Healthcare reflects our firm belief in the potential benefits of this combination to improve health care, and in our ability to successfully overcome the challenge to this merger.

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

John Rex

Thank you, Dirk, and good morning everyone.

Our first quarter 2022 performance positions us well to deliver on our full year financial and growth objectives.

Revenues grew by \$10 billion or 14% to \$80 billion over the year ago first quarter, with double-digit growth at both Optum and UnitedHealthcare. This strong, diversified growth

was largely organic, with balanced contributions from across both our services and benefits operating platforms.

Compared to a year-ago, we are:

- adding over 1 million more people to Optum Health;
- supporting 30% more patients in value-based relationships;
- providing over 20 million more prescriptions, and
- serving 1.5 million more people across our health benefit offerings.

I'll start by providing a little color on care patterns over the course of the quarter and then turn to our individual businesses.

As you'd expect, there was considerable variation in care patterns due to the COVID incidence peak early in the quarter. For example, in January, we had about 40,000 COVID-related hospitalizations, the highest of any month since the onset of the pandemic. By March, these had declined to around 2,000.

Overall, care in the quarter was about at baseline levels though we observe pockets that are modestly below historical baseline, such as emergency department and pediatric visits. However, we are not assuming this is a permanent shift in consumer behavior.

As it relates to potential longer-term health impacts on people due to care which was deferred during the height of the pandemic, thus far we are not seeing the increasing acuity that many expected. For example, initial oncology-related diagnosis levels are consistent with historical averages. Of course, our core focus remains on getting people the care they need, and we are encouraged that critical screenings are occurring at normalized levels.

Moving now to business performance:

Optum Health revenue grew 34% in the first quarter and earnings from operations rose over 40%. Revenue per consumer grew 33%. This was driven primarily by the increasing number of patients served under value-based arrangements. Continued augmentation of our value-based care offerings, such as expanding digital care and our services into the home, give us the opportunity to serve more people, much more broadly and deeply — and we expect to grow strongly — for years to come.

Optum Insight revenue grew 13% year over year. The revenue backlog was \$22.8 billion, growth of \$2 billion or 10% over the prior year. Our expanding health system partnerships are contributing to this growth. And we expect the number and breadth of these partnerships to continue to grow.

Optum Rx revenues grew 11% to \$24 billion, reflecting the strength of new business relationships secured over the course of last year. We typically incur significant investments in the early months of these expansions to assure strong performance and value for our customers.

Turning to UnitedHealthcare, revenue growth of 14% was driven across the businesses.

Our Medicare Advantage offerings remain on track to add up to 800,000 people. About three quarters will be in Individual and Group Medicare Advantage and the remainder in Dual Special Needs Plans. New seniors aging into Medicare are increasingly selecting Medicare Advantage based on the value it offers. And the Five Star quality plan performance we achieved this year enables us to enroll people in our plan offerings throughout the year.

People served by our Medicaid offerings grew by over 150,000 in the first quarter, and is now approaching 8 million. Our growth outlook for the remainder of the year continues to incorporate an expectation that states will resume eligibility redeterminations when the public health emergency lapses, resulting in modest net attrition.

First quarter commercial enrollment was in line with our expectations. The decline in people served under fee-based arrangements was driven by three previously known customer transitions, which were offset by core growth.

We see the number of people served overall increasing as we progress through '22, driven by the strong market response to our more recently introduced innovative offerings, as well as the continued recovery in the total number of people covered by employer health benefits, which typically lags reported job growth.

Our capital capacities remain strong. First quarter cash flows from operations of \$5.3 billion, or 1 times net income, were consistent with our expectations. And we continue to expect full year cash flows of about \$24 billion, or 1.2 times net income.

We returned nearly \$4 billion to shareholders in the quarter through dividends and share repurchases and ended the quarter with a debt to capital ratio of 38%. And as we look

toward completing both the LHC and Change combinations this year, we will continue to have ample capacities to expand upon the ways we can serve people and help them to live healthier lives.

As noted earlier, based on this growth outlook, today we increased our adjusted earnings outlook to a range of \$21.20 to \$21.70 per share. And we continue to expect the seasonal pattern to be more consistent with our historical experience, with just under 50% of the full year earnings in the first half.

Now I'll turn it back to Andrew.

Andrew Witty

Thank you, John.

I hope that you will recognize the consistent themes that we laid out last year as our guideposts for sustainable growth. Our focus on execution and continuous improvement across our businesses is a characteristic that we will sustain as we build upon this strong start to 2022.