

# UNITEDHEALTH GROUP®

## **Earnings Conference Call Second Quarter 2022 Remarks July 15, 2022**

### **Moderator:**

Good morning, and welcome to the UnitedHealth Group Second 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](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 July 15, 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 everybody, and thank you for joining us today.

UnitedHealth Group enters the second half of the year with sustained momentum as we execute on our objective to serve more people, more effectively ... with connected, high-quality care. For that, I want to thank our 360,000 colleagues. It is their unwavering commitment to our mission and their hard work in support of the people we serve that makes all of this possible.

As a result of the strong performance at both Optum and UnitedHealthcare, we are increasing our adjusted earnings per share outlook for the year to a range of \$21.40 to \$21.90 per share.

Comprehensive, value-based care is a central theme of our growth strategy — helping more patients and care providers transition from traditional fee-for-service to a value-based orientation. We aim to drive better and more consistent care outcomes at lower overall cost, often for people who are among society’s most vulnerable with multiple chronic conditions, limited income and unmet social needs.

Optum Health and Optum Rx’s clinical platforms span a continuum of care settings — from virtual to post-acute ... in clinic ... and at home — enabling our care teams to meet patients’ unique needs by providing personalized, connected care. Our approach helps patients stick with their prescribed care programs, allowing them to spend more time in the comfort of their own homes. The high consumer satisfaction with this comprehensive and consumer-focused approach is evidenced, for example, by a Net Promoter Score of 80 for the 1.5 million people served by our Dual Special Needs Plans.

We again delivered growth across our health benefits offerings this quarter.

As you might expect, right now our Medicare teams are finalizing offerings for this fall’s open enrollment ... focused as always on delivering more value, stability and predictability for seniors. Throughout the year we gather extensive consumer, broker and market feedback to continually improve our products. Our approach is grounded in providing deep customer engagement, high-touch service and access to the best care.

The benefits of this approach are striking. People served by Medicare Advantage spend about 40% less out-of-pocket than those participating in fee-for-service, which translates into savings of about \$2,000 each year for seniors ... most of whom are on limited income.

And compared to traditional fee-for-service — Medicare Advantage plans devote up to 30% more in resources to primary care and perform up to 50% more preventative screening and testing services for their seniors.

The response among seniors in our plans is positive: Plan satisfaction ratings have risen by 450 basis points over the past five years, nearly twice that of the industry. Consumer satisfaction is best demonstrated by the almost 3.4 million additional seniors who have chosen our plans over the same period.

Meanwhile, in our domestic commercial health benefits business, over the past 12 months we have grown to serve over 250,000 more people as a result of innovation in and expansion of our products, including our digital-first offerings.

To continue driving affordability in areas of greatest need, we are announcing today an important initiative from UnitedHealthcare, supported by Optum Rx. Starting in 2023, there will be no copay — zero-dollar out-of-pocket — for several critical medicines on our preferred drug list for UnitedHealthcare group fully insured members. Included are medicines such as insulin, epinephrine for severe allergic reactions and albuterol for acute asthma attacks.

While this is an important step for vulnerable people's health, the larger and longer-term cost containment of drugs depends upon manufacturers restraining and lowering the list price of their products — which is the fundamental driver of costs. We will continue to use our capabilities to do everything we can to lower out-of-pocket costs for consumers, building on past actions including point-of-sale discounts.

Stepping back and looking across each of our five growth areas, you'll see a common theme: the deepening of our relationships with the consumers served by Optum and UnitedHealthcare.

Throughout 2022, we have been rapidly expanding and accelerating investments in capabilities to reach and serve a broader base of consumers ever more effectively. This includes further enhancing our digital experiences to help consumers find trusted health-related information and drive greater engagement with our direct-to-consumer platforms.

Now I'd like to turn it over to Dirk McMahon, our president and chief operating officer, to share more about these efforts.

Dirk?

**Dirk McMahon**

Thank you, Andrew.

Picking up on Andrew's comments, I want to provide you with a little more color on the progress we have been making on our growth strategies.

This progress is evidenced in our work to serve more people through value-based arrangements and to deliver better care. We are well along in our goals for the year. This expansion has significant implications for clinical quality and consistency. MA patients in value-based arrangements with Optum Care physicians are more engaged in their care, with adherence to wellness checks running 5 points higher than Medicare fee-for-service patients — helping to deliver a nearly 20% lower hospitalization rate.

Further, Optum Care COPD patients served in our value-based arrangements have 80% higher medication adherence rates than Medicare fee-for service patients, contributing to about 60% fewer respiratory complications, enabling people to avoid emergency room visits.

Clinical results like these are a small part of the track record we have built in delivering value-based care at a substantial scale for years now — and what gives real urgency to our work to expand access to such care.

We also remain committed as an organization to improving access by driving down the costs of health care through applied technology. For example, we are investing hundreds of millions of dollars to enhance the technology backbone of health care ... areas such as platform rationalization to reduce unnecessary complexities, greater end-to-end eligibility management for a more seamless customer experience, and a common platform to facilitate a consistent clinical experience for our consumers and providers. These investments will ultimately lead to an enhanced end-to-end service experience, lower overall operating costs, and greater value for people we serve.

A simpler experience is at the center of our work on the integrated consumer card developed by our Optum Financial Services team. We have seen great consumer response within our initial pilot groups. The simplicity of combining all benefits — even healthy food purchases — onto a single, widely accepted card has been a differentiator with consumers. Based on this initial work, we intend to introduce the card to all our individual Medicare Advantage members in 2023.

Another key element of our work to improve experience is the optimization of consumer transactions. We know members need — and expect — timely information at their fingertips. And I'm pleased to report they are responding well to our digital offerings, for everything from understanding their coverage to completing a virtual visit. Digital engagement has jumped 170% among Medicare members during the last couple of years.

Lastly, in pharmacy services, we are very focused on improving quality of care and access for consumers by driving pharmacist-led offerings. We are on track to have nearly 700 community pharmacies by the end of the year and continue to increase the integrated community pharmacy footprint in our clinic locations.

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

## **John Rex**

Thank you, Dirk.

As Andrew noted, we enter the second half of this year with strong growth momentum. First half revenues of over \$160 billion grew 13% compared to last year. Performance was well-balanced, with double-digit growth at both Optum and UnitedHealthcare.

To begin, let me touch briefly on the care patterns we have observed so far this year. Principally, we have seen what had been a balanced relationship between COVID and non-COVID care activity over the past couple of years diverge modestly, with the latter not returning quite as rapidly with lower levels of COVID care.

We also continued to see some variation in underlying care patterns, with certain areas remaining below historical levels — for example pediatrics and emergency department — and others coming back more fully, such as the levels at which seniors are obtaining important preventative care.

In recent weeks, we are seeing rising COVID-related hospital admissions, but with a lower average length of stay compared with earlier periods.

As always, we watch closely for longer-term health impacts on people due to care which might have been deferred during earlier periods. Thus far we are still not seeing patterns which indicate shifting acuity.

There are, of course many reasonable theories about what is driving the current environment, and they are all no doubt interesting, but here is what we are actually doing:

Consistent with the long-standing practice at UnitedHealth Group, our primary intent is to ensure people are getting the care they need and to help them in that process as much as we can. We remain, as always, highly respectful of medical cost trends and how they can evolve rapidly — and we will continue to position our offerings accordingly.

Moving now to the businesses:

Optum Health revenue grew by over \$4 billion or 32% in the second quarter. Revenue per consumer increased 30%, led by growth in patients served under value-based arrangements. Earnings from operations rose 24% even as we accelerated investments in our care delivery practices to support value-based expansions.

We also saw strong contributions from Optum's ambulatory surgery centers, which continue to advance the scope and complexity of procedures performed in these optimal settings, all while delivering a superior patient and surgeon experience and high-quality clinical outcomes.

Our centers have nearly tripled the number of high-acuity joint, spine and cardiovascular procedures performed compared to just two years ago. Care providers increasingly recognize the benefits these centers offer and consumers place high value on the care quality and experience, with an NPS consistently in excess of 90.

Optum Insight revenue grew 11% year over year. The revenue backlog was \$23.6 billion, growth of \$2.3 billion compared to last year. We continue to drive technological advancements, applying artificial intelligence and machine learning more deeply in high-value, knowledge-based services, including an expanding suite of information technology and data analytics offerings.

Optum Rx revenues grew 10% to nearly \$25 billion reflecting continued strong sales results and execution in the core PBM, as well as growth in our pharmacy care services.

These vital and expanding care offerings serve and improve the health of people, including in such areas as our high-touch specialty services, where we tightly monitor and track the effectiveness of complex treatments.

Turning to UnitedHealthcare, revenue grew by a strong \$6.6 billion or 12%, with contributions from all our businesses.

In our offerings for seniors, we continue to expect to serve up to 800,000 additional people within Medicare Advantage this year. About three quarters will be in individual and group Medicare Advantage and the remainder in Dual Special Needs Plans. This puts us on track for our seventh consecutive year of share-gaining growth in Medicare Advantage.

People served by our Medicaid offerings grew by 180,000 in the second quarter. At this point, we anticipate the impact to Medicaid enrollment as a result of state redetermination activities will be experienced next year. We continue to prepare resources to help people find uninterrupted access to appropriate coverage as this transition occurs.

We added 80,000 new people in domestic commercial plans during the quarter. Within that, fully insured commercial offerings grew by 60,000 from the first quarter of this year, with balanced growth across group and individual fully insured offerings. Of note, some 90% of the growth within our individual and family plans was among people who chose a plan featuring convenient and cost-effective access to virtual visits.

Our capital capacities remain strong. Second quarter cash flows from operations were \$6.9 billion, or 1.3 times net income, and we continue to expect full year cash flows of about \$24 billion.

In the first half of this year, we returned nearly \$8 billion to shareholders through dividends and share repurchase. In June, our board increased the dividend by 14%.



And we deployed more than \$7 billion in capital to enhance our care delivery capacities and consumer strategies to improve outcomes and experiences for the people we serve, and for the benefit of the broader health system.

As noted earlier, based on this growth outlook, today we increased our adjusted earnings outlook to a range of \$21.40 to \$21.90 per share.

Now I'll turn it back to Andrew.

**Andrew Witty**

Thanks, John.

Before the Q&A, let me underscore a few key points.

First, there is strong momentum throughout our business. The people we serve are continually seeking value ... high-quality care, at fair costs ... and our colleagues across Optum and UnitedHealthcare are raising the bar every day.

You see that manifested in our business performance — and the strong growth in our core platforms ... double-digit growth across the benefits businesses ... a growing revenue backlog in Optum Insight ... robust growth in our pharmacy services ... and expansion across Optum Health.

We see tremendous opportunity ahead ... and we remain confident in our ability to deliver our long-term 13% to 16% earnings per share growth objective ... and further advance our mission to help people live healthier lives and to help make the health system work better for everyone.