

Earnings Conference Call First Quarter 2023 Remarks April 14, 2023

Moderator:

Good morning, and welcome to the UnitedHealth Group First Quarter 2023 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, 2023, 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.

Growth in the quarter was strong and well-balanced across Optum and UnitedHealthcare, with revenue increasing 15% to \$92 billion. This broad-based growth, combined with the continued focus of our colleagues on tight execution, helped us deliver first quarter adjusted earnings per share of \$6.26, up 14% over last year.

- Year to date, UnitedHealthcare increased the number of people served in the U.S. by 1.2 million, about half of this total within our commercial offerings.
- At Optum Health, we are now serving nearly 700,000 more patients under fully accountable, value-based arrangements compared to just December 2022.

Given the strength of these results, we are increasing our adjusted earnings per share outlook for the full year to a range of \$24.50 to \$25.00 per share.

I know one topic is front of mind for you this morning, so I'll start with Medicare Advantage.

With the 2024 Medicare Advantage Notice in hand, we now have greater clarity for the short- to mid-term evolution of this important program. Our teams are working through the implications of the changes for 2024 and will be ready to submit bids in just a few weeks.

While we remain concerned about some of the potential unintended consequences of the changes of the risk adjustment model — particularly around adequate diagnosis and support for people with diabetes, complex behavioral needs and more — we do appreciate CMS' decision to phase in the changes.

This phase-in will allow for more time to minimize the impacts on beneficiaries as we lean on the multiple levers available to us ... including our ability to manage costs and our relentless focus on member and patient needs.

We expect the many years of work and investment our teams have put into product and value differentiation ... as well as quality measures, such as Stars scores ... will enable us to continue to offer leading value to Medicare beneficiaries ... and to grow strongly for years to come.

We are committed to working with CMS as stewards of the MA program, especially with its long-stated goal of promoting value-based care, which remains the best solution to promote equitable access, better health care outcomes, exceptional experiences and lower costs for the system. And importantly, it best supports people who have historically been underserved and who faced fragmented, less effective care under traditional fee-for-service.

Seniors know that with MA, versus fee-for-service, they can access a more integrated and comprehensive suite of critical health benefits — including prescription medicines, vision, dental and hearing care. They can seek care in more convenient settings ... they experience better health outcomes, such as an over 40% lower rate of avoidable hospitalizations, and consistently derive much greater value. In fact, the typical Medicare Advantage senior spends about \$2,000 a year less out-of-pocket compared to seniors in traditional Medicare.

And well over 90% of seniors in Medicare Advantage report they are highly satisfied with their coverage and care. That's why more than 30 million Americans — fully half of all seniors — choose Medicare Advantage today.

Over the past year, we have focused on improving the consumer experience across our company. This consumer-orientation is foundational in support of each of our growth priorities, including our approach to value-based care.

For example, this year we expect to serve more than 4 million patients in fully accountable, value-based care arrangements through Optum, about double where we were at the end of 2021.

These patients will be members of UnitedHealthcare benefit plans or one of the many other plans served by Optum. Many of them are in Medicare Advantage ... and increasingly we are serving people with Medicaid or commercial benefits ... an important growth focus for the coming years.

We've spent well more than a decade investing in essential infrastructure and offering extensive practice transition support to enable tens of thousands of care providers to participate in this comprehensive, value-based approach.

By integrating traditional ambulatory care with specialty, behavioral and pharmacy care across in-clinic, virtual and in-home settings — we are delivering measurably better health outcomes for patients. All while improving access and lowering costs for people and the health care system overall.

Our focus on consumers is helping to drive growth within Health Benefits, including strong growth in our commercial offerings. And our early indications are for continued robust commercial growth in 2024.

From our employee-centered Surest insurance offering ... to our innovative financial services for both members and care providers ... to our improved pharmacy home delivery services and zero copays on lifesaving drugs ... through all of these initiatives and more, we are firmly on track to put the member, patient and consumer at the very heart of what we do.

One last note on UnitedHealthcare benefits and the resumption of Medicaid redeterminations. Now that the process has started, we are working with our state partners and others to provide as much information and support as possible, so people can understand and access their best coverage options. And we expect to be serving more people in our benefit programs when this process is completed.

And now, I'll turn it over to UnitedHealth Group President and Chief Operating Officer Dirk McMahon.

Dirk?

Dirk McMahon

Thanks, Andrew.

Picking up on redeterminations, for many months we have been preparing to help people when this activity resumes, as it now has in over 20 states. We are working closely with Medicaid members to navigate eligibility guidelines and help find alternative coverage options if they are no longer Medicaid-eligible. This effort includes live outreach calls to educate and assist members with renewal process to ensure they retain their existing coverage or can transition to other plans.

We are also engaged with employers to extend annual enrollment periods and drive awareness for employees who are eligible for coverage. With extended eligibility and increased subsidies, many people will qualify for other plans ... some with no monthly premium. UnitedHealthcare is executing on detailed plans to ensure as many people as possible have uninterrupted access to coverage and care if they are no longer eligible for Medicaid.

Let me turn now to the opportunity we have to more deeply and effectively serve people in their homes.

Nearly all the patients we'll add this year in fully accountable, value-based relationships will have access to support through our home-based platform. Consumers value and benefit from services delivered in the home, and we have expanded our capabilities to serve that need.

I'll highlight four of our key capabilities in this important area:

- First, Patient Assessments — In-home clinical visits designed to identify care needs and help patients with other physical and social needs. This year we expect to make more than 2.5 million visits to patients' homes, and we continue to expand the scope of the clinical services offered in that setting.

- Next ... Care Transitions — This entails supporting patients into and through post-acute settings ... helping people to avoid hospital re-admissions after an inpatient stay. This year, we will manage nearly 12 million care transitions, about twice as many as just three years ago. This plays an important role in helping people return safely home and in connecting patients with additional in-home support.
- Third area — Senior Community Care — this is clinical care for seniors who live in skilled nursing and assisted living facilities and dedicated senior housing. Our clinical teams provide additional layers of care and on-call resources. And they coordinate among patients and their primary care provider, facility staff and caregivers — all contributing to strong quality of care and outcomes.
- And the fourth area of clinical capability is individual care and coordination for Medicare Dual and Chronic Special Needs patients. These patients frequently require a more individualized approach to care. On average, these patients are managing nine different chronic conditions, and taking multiple medications. Our high-touch approach leads to better outcomes, including an over 15% reduction in hospitalizations, high patient satisfaction with an NPS of nearly 80, with 99% of our patients in a four star or higher plan.

Our recent combination with LHC Group expands in-home capabilities. LHC provides high-quality, compassionate home health, hospice and post-acute care services, with over 12 million patient encounters each year. We will learn from and build upon LHC's capabilities, expanding the scope and acuity of the care we can provide in a patient's home.

And finally, shifting to pharmacy care services — Optum Rx just completed another strong growth season. We are winning new relationships by offering the lowest cost and strong service, across a wide variety of customers — from health plans ... to labor and governments ... and to commercial employers. We help customers obtain the best net

cost and we use our clinical expertise to help treat conditions that call for specialty medications.

In addition, consumers are benefiting from efforts such as:

- Price Edge, which gives them the best price option whether on or off benefit.
- UnitedHealthcare's introduction last year of zero-cost lifesaving drugs.
- And our ability to manage the introduction of biosimilars on equal footing with the existing branded product.

In short: We have consumers' backs.

With that, let me hand it over to Chief Financial Officer John Rex.

John Rex

Thank you, Dirk.

Fundamental execution has long been an essential aspect of UnitedHealth Group's ability to deliver for all those we serve. We know that if we meet or exceed our commitments and strive to live up to our potential, we will continue to generate high-quality, durable growth.

Our first quarter performance was highlighted by the strong and accelerating growth achieved across the businesses of UHC and Optum. We accomplished this while continuing to expand upon the foundations which will drive the future growth you have come to expect from us.

Revenue in the first quarter of \$92 billion grew by nearly \$12 billion or 15% over the prior year, with double-digit growth at both Optum and UnitedHealthcare. This growth was achieved by serving more people across all our businesses, and, importantly, by serving them more comprehensively.

UnitedHealthcare served about 1.2 million more people in the first three months of the year ... with strong growth across commercial, Medicare and Medicaid. Optum revenues grew 25% to \$54 billion.

Care patterns remain largely consistent with recent trends. For example:

- Inpatient trends continue to reflect the growing, long-term movement towards ambulatory sites of care. Today, nearly two-thirds of orthopedic procedures are performed in outpatient and other ambulatory settings, compared to under one-quarter just five years ago.
- Physician office activity continues to trend toward historic levels, while a few categories, such as pediatrics, remain lower.
- Emergency room visits remain modestly lower than historical levels, with consumers seemingly more comfortable with virtual and walk-in care.
- Cancer and cardiac screenings are occurring at roughly pre-pandemic levels, helped in part by focused efforts to ensure people are obtaining appropriate, preventive care.
- As always, we continue to closely analyze data for indications which could signal increasing acuity ... but have yet to see those emerge.

Looking now at the performance of the individual businesses in the first quarter:

Optum Health revenues grew by 38% to \$23 billion as we expanded the number of patients served under value-based care arrangements. Revenue per consumer served grew by 34%, driven by the increase in value-based care patients and in the levels of care we can offer.

Optum Insight revenues grew 40% to \$4.5 billion. The revenue backlog reached \$30.7 billion, an increase of nearly \$8 billion over last year, in part due to the addition of Change Healthcare. As we have discussed before, in the first half, we expect to continue to increase our integration and investment activities, which were a component in the first quarter results ... and we expect they will accelerate into the second quarter.

Optum Rx revenues grew 15%, surpassing \$27 billion, driven by strong double-digit growth across the businesses, including in our community and home delivery pharmacies. Script growth of 26 million over last year was driven by exceptional customer retention as well as new customer adds. We continue to see strong growth in NPS for our specialty businesses, up nearly 10 points since last year.

At UnitedHealthcare, revenues of over \$70 billion grew 13%, with growth in the number of people served across all of our major benefit categories.

For example, in commercial, we set out to serve up to 1 million more people this year and are pacing well to that objective given our first quarter performance. Offerings for large employers led the gains, as did our newer, and more affordable offerings serving both employers and individuals.

Within Medicare Advantage, we shared with you in November our intention to add 800,000 to 900,000 new members in this year, and we now expect to exceed the upper end of that range. The consistent consumer receptivity to our offerings underscores the product stability and value we provide for seniors.

Medicaid membership grew 570,000 over the year ago quarter. We continue to have momentum in Medicaid, with recent wins in Indiana and Texas. And we are honored to advance our existing service to the people of North Carolina, as the state moves toward expanding managed Medicaid offerings.

Our capital capacities remain strong. Cash flows from operations in the quarter, at

\$16.3 billion, reflected an additional CMS payment. Adjusting for this effect, first quarter cash flows from operations were consistent with our outlook and we continue to track well with our full year view to approach \$28 billion, about 1.2 times net income.

In the quarter, we returned over \$3.5 billion to shareholders through dividends and share repurchases and deployed about \$8 billion of growth capital to expand our capabilities to serve more people and grow far into the future.

As Andrew mentioned, based upon this growth outlook, today we increased our full year 2023 adjusted earnings outlook to a range of \$24.50 to \$25.00 per share. We expect the first half/second half earnings progression to be broadly consistent with our longer-term historical patterns, with the second half comprising just slightly more than half of the full year.

Now I'll turn it back to Andrew.

Andrew Witty

Thanks, John.

Our comments on this call give just a flavor of why we are confident in our outlook for the year and our long-term, 13% to 16% earnings per share growth target. Our growth is broad-based and is driven within and increasingly across our businesses, bolstered as always by an enterprise focus on execution on behalf of those we serve.