UNITEDHEALTH GROUP®

Earnings Conference Call
First Quarter 2025 Remarks
April 17, 2025

Moderator:

Good morning, and welcome to the UnitedHealth Group First Quarter 2025 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 17, 2025, 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, everyone. Thank you for joining us today.

UnitedHealth Group started 2025 in two seemingly disparate ways: One, continued strong growth across our businesses. Our people are providing more health benefits and services to more members and patients as the market responds to our distinct offerings. The other way, however, was an overall performance that was, frankly, unusual and unacceptable.

As you saw in our release, we are revising our adjusted earnings per share

outlook for the year to $26 to $26.50.

This morning we detail for you the factors driving our revised outlook, and how we plan to address them.

I'll start with performance, which was impacted by two broad factors in our Medicare businesses: care activity and member profiles. It's important to recognize UnitedHealthcare and Optum are distinct businesses with different models, markets and products. In addition, Optum's Medicare business is multi-payor and not limited to just UnitedHealthcare members. Given these differences, changes in care activity and member profiles do not always follow the same patterns, and can result in different impacts to each business. The respective teams are urgently responding to our performance challenges.

Starting with care activity. In UnitedHealthcare's Medicare Advantage business we had planned for 2025 care activity to increase at a rate consistent with the utilization trend we saw in 2024. Instead though, first quarter 2025 indications suggest care activity increased at twice that rate. Increases in physician and outpatient services were most notable, and inpatient to a lesser extent. This increase in care activity was limited to our MA business and was not a factor in our commercial or Medicaid businesses. Care activity trends in those areas were as expected.

Turning to member profile, unanticipated changes in our Optum Medicare membership is impacting 2025 revenue. We added more new Medicare patients to Optum Health, a portion of whom were covered by plans that were exiting markets. They experienced a surprising lack of engagement last year, which led to 2025 reimbursement levels well below what we would expect and likely not reflective of their actual health status. Additionally, many of the current and new

complex patients we serve are more affected by the CMS risk model changes that we are in the process of implementing. To be sure, it is complicated, but we are not executing on the model transition as well as we should.

We must and will work to better anticipate and address these factors. Here, still early in 2025, we believe they are highly addressable as we look ahead to 2026. Let me now talk specifically about what we are doing.

- First, we are ensuring the complex patients most impacted by the previous administration's Medicare funding cuts engage in clinical and value-based programs;
- Second, we are consistently engaging with members in their homes and in post-discharge settings. Engagement remains the key.
- Third, we are appropriately assessing and updating the health status of new patients, especially those at high risk levels;
- Fourth, to more effectively transition to the new CMS risk model, we are investing significantly in improving physicians' clinical workflow to help ensure better care and timely insights on when and where care is most efficient and effective.
- Finally, our Medicare Advantage plan designs and pricing for 2026 will be fully informed by these trends.

While we are decidedly unsatisfied with these results, our growth and foundation for improvement remains solid. UnitedHealthcare's Medicare Advantage business is on pace to serve an additional 800,000 people this year. Optum Health is on track to add 650,000 net new patients to value-based care arrangements. In Medicaid, we are growing and continue to see positive momentum in closing the gap between people's health status and state rates and

we are very appreciative of our state customers for the ongoing productive discussions.

Within Optum… so far this year Optum Rx is off to a strong selling season, characterized by new wins as well as high retention of long-term customers.

The growth at Optum Rx underscores the vital role that PBMs play in helping to reduce the price of drugs for consumers, and the value that sophisticated purchasers of health care – the employers, unions and governments – see in our efforts to counter the high prices set by drug manufacturers … and to ensure that people have convenient access to high-quality, affordable drugs. That's more important than ever, as drug manufacturers continue to increase what they charge Americans – in some cases, 10 times what they charge people in Europe.

The growth at UnitedHealthcare and Optum reflects the efforts of our 400,000 colleagues who come to work every day… thinking differently about what is possible… advancing new products and ideas while constantly refining existing programs…working to make things better for the people we are privileged to serve.

Our team continues to innovate to make accessing care easier. For example, our newest tools have sparked a more than 40% increase in digital engagement among our senior members through the first quarter. We see evidence of this in sharply higher and earlier wellness visits to their primary care physicians … with total visits in the first quarter running far above the year ago period. This will help members better manage their health … and promote early detection of emerging issues.

Further, Medicare Advantage also costs taxpayers less and delivers more to seniors than fee for service Medicare – especially in value-based care

arrangements.

An essential approach in achieving both health outcomes and lowered costs is ensuring people get the care they need when and where they need it. And a good place to understand those needs better is in a senior's home. Our HouseCalls program does just that.

HouseCalls, which is only available in Medicare Advantage, provides a thorough in-home clinical visit at no cost to seniors, following CMS's best practices for such care. Our clinicians review a patient's medical history and current medications, conduct comprehensive physical exams, provide lab tests and screenings, and coordinate necessary follow-on care.

HouseCalls clinicians closed millions of care gaps last year, helping people stay out of the hospital and the emergency department, and referring those in need to appropriate social services to help them live healthier at home.

This is Medicare Advantage innovation and value in action … helping drive proactive, preventive engagement with the health system rather than more expensive, reactive acute care. These benefits and innovations…and their value to seniors and taxpayers … were put at unnecessary risk by funding cuts in recent years to the Medicare Advantage program.

While we continue to navigate those funding cuts to seniors' benefits, it is significant that the recently released 2026 rate notice begins to reflect the accelerating care cost trends we have experienced for some time. This will provide much-needed relief to seniors and reflects policymakers' understanding of the importance … and the popularity … of Medicare Advantage.

Our work to deliver a better experience for people and lower costs spans our enterprise, as it always has. Just within the last few weeks, we have introduced

several initiatives that will help people in their health care journeys:

- Optum Rx will remove prior re-authorizations on 80 drugs, accounting for more than 10 percent of our pharmaceutical prior authorizations;
- And Optum Rx has aligned payment models to pharmacies more closely to their costs for drugs. This helps pharmacies manage the ever-increasing prices charged by drug manufacturers, enabling pharmacies to stock more medicines and ensuring more consistent pricing and access to medicines for consumers.
- 26 million consumer calls were more accurately directed to the right advocate by an AI agent, improving the consumer experience and reducing wait times. We expect AI will direct over half of our calls to the best resource during 2025.

All of these efforts are making things simpler and easier for consumers and providers – a goal we share with all health care stakeholders.

Yet, we all have to contend with the stubborn fact that health care costs more in the U.S. than it should, even beyond the widely recognized disparities in drug prices. Common procedures such as heart bypass surgery, spinal fusions and heart stents are four times as expensive in the U.S. as they are in Germany, Australia and the U.K. Total hip replacements are twice as much. It’s simply not sustainable.

As we have made clear, we are as committed as ever to continuing down the path of transparency and affordability – ensuring that Americans get the health system they deserve.

With that, I’ll turn it over to John, who will discuss first quarter performance and

full year outlook in more detail.

John?

John Rex

Thank you, Andrew.

I'll start by walking through several updates to our '25 outlook and then elaborate on the reasons for them.

- As Andrew said, we now expect adjusted earnings of $26 to $26.50 per share. It is an outlook that I'm extremely disappointed to share with you. This reflects the profile of patients served at Optum Health. It also reflects significantly increased care activity across the UnitedHealthcare Medicare Advantage plans.

- Within that outlook, we expect about 50% to come in the first half of the year.

- We are affirming the consolidated revenue outlook of $450 to $455 billion we shared with you in December. Within this, we expect revenues for both UnitedHealthcare and Optum Rx to be better than our initial view, offsetting a reduced outlook at Optum Health.

- The full year medical care ratio is now expected to be 87.5% plus or minus 50 basis points, reflecting higher utilization across senior populations and the patient mix and revenue profile of Optum Health. Within this range, we expect the first half of the year to be below the midpoint and the second half to be above.

- At Optum Health, our revenue outlook is $106 to $107 billion and

operating earnings is $6.2 to $6.4 billion, based on the factors discussed, and which I'll get into more deeply in a moment. Over half of the $10 billion revenue change is the result of transitioning some legacy risk-based arrangements to fee based and is neutral to earnings. We expect about half of Optum Health's operating earnings to be in the first half.

- At UnitedHealthcare, the operating earnings outlook is updated to $16 to $16.5 billion and reflects the higher care activity we are seeing.

Within UnitedHealthcare, pressure was largely contained within the senior business, where we saw a sharp increase in care activity that became apparent as we closed out the quarter. As noted, this was most significant for both physician and outpatient care, and to a lesser extent, inpatient care. In years past this is an insight we may not have picked up until the second quarter, so it is useful to have the information with ample time to incorporate into our '26 planning.

In the quarter, we experienced percentage increases in care activity about double last year's level. Unit prices behaved as expected.

Let me start with the obvious fact that it is early in the year, and we don't know everything that might be driving our experience or how long the increase in care activity might last. But care activity was broad-based across our senior individual and group populations.

One example: In group MA, member retention was about 98%, and as a result, serves well as a "same-member" metric. Here we observed significant increases in elective care activity in the first quarter. Of note, in this population we believe the behavior may have been impacted by the meaningfully higher member premiums which were driven by the Medicare funding cuts.

Another example across senior populations was the earlier and higher wellness visit activity we saw, which of course drives specialty and outpatient utilization. Some of this may be a seasonal shift in consumption patterns, as wellness visits happen once a year.

Turning to Optum Health, as it relates to the patient profile, we experienced a couple of key elements here:

- First, growth in certain markets where there were meaningful plan exits. These new patients had not been engaged by their prior plans for most of last year and we are seeing revenues associated with the patient profiles meaningfully below expected and normal levels. This is very addressable.

- Second, the ongoing execution to the new CMS risk model, while complicated given the multi-year phase-in, has not been to our operational standards. Transitioning to a new model and concurrently running two distinct versions has been more operationally complex than anticipated. But no question, we need to execute better, and we will.

Across the enterprise, we continue to focus on operating costs to help mitigate external pressures, while ensuring our workforce aligns to the areas of greatest opportunities and customer needs.

Looking ahead, we see a long runway for further technology advances that will translate to more and sustained operating efficiency … which in turn drives opportunity for further innovation and advancements in the company and across the industry.

Before we get to Q&A, I want to provide a few business highlights.

At UnitedHealthcare – we still expect to serve up to 800,000 more people in

Medicare Advantage this year across our individual, group and dual special needs offerings. This underscores our long-standing commitment to stability and differentiated value. Our growth demonstrates UHC's deep relationship with our members.

People served by our Community & State business increased to 7.6 million We continue to have growth momentum, with recent service expansions in Kentucky, New York and Florida. We are also encouraged by the updated Medicaid rates so far in '25 that more closely align with underlying member acuity, but funding remains insufficient to meet the health needs of patients.

Commercial self-funded membership increased by approximately 700,000 in the first quarter … a result of our continued strong product innovation.

Commercial insured membership was impacted by the individual exchange products. Our disciplined pricing approach remains consistent and as a result, we experienced some member attrition.

Overall, in our commercial book, we are encouraged by the early '26 selling season indications, which are showing strong retention rates.

Turning to Optum:

At Optum Health, we continue to expect to add 650,000 new value-based care patients this year. We are working to engage with these new members ever more rapidly. By the end of '25, we expect to have about 5.4 million value-based care patients.

At Optum Insight we have a pipeline of new products coming to market this year with exceptional customer interest. For example, in the first quarter we launched AI powered claims efficiency tools that increase productivity by over 20% for our revenue cycle management customers.

Lastly, Optum Rx revenues grew 14%, exceeding $35 billion for the quarter. Both customer retention and new customer wins contributed to script growth of 3%.

As Andrew noted, performance in the quarter was below the standards we expect. But with disciplined and urgent execution and attention to detail, we expect a return to form in the quarters ahead.

With that, I'll hand it back to Andrew.

Andrew Witty

Thanks, John. Even with the growth our people generated this quarter, this was far from the performance we expect of ourselves. We are acutely aware it is a privilege to be a part of an organization with the capabilities to make a meaningful contribution to modernizing and simplifying the health system. And we are committed to improving our performance in the rest of 2025 and into 26, and, in so doing, to delivering consistent positive results for you and returning to our long-term earnings per share growth target of 13% to 16%.