

Earnings Conference Call Third Quarter 2023 Remarks October 13, 2023

Moderator:

Good morning, and welcome to the UnitedHealth Group Third 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 October 13, 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 for joining us. The third quarter results we reported today reflect well-balanced and durable growth ... supported by disciplined execution ... and a steadfast commitment to ensure high-quality, comprehensive care is well within reach for every person we are privileged to serve.

Evolution in our marketplace, including regulatory changes, means agility and adaptability must continue to be defining characteristics of our company. The people of

Optum and UnitedHealthcare continuously strive to find new ways to innovate, serve and grow.

As a direct result of their mission-driven focus, this year we'll serve even more people, more comprehensively than anticipated in the outlook we offered at the end of 2022. By the close of this year, we will serve:

- Nearly 900,000 additional patients under value-based care arrangements at Optum Health.
- Almost 1 million new consumers across UnitedHealthcare's Medicare Advantage offerings.
- And a total more than 1.5 billion scripts to the people who rely on Optum Rx.

Based on this performance, we are strengthening our 2023 adjusted earnings outlook to a range of \$24.85 to \$25 dollars per share.

The confidence we have in our sustained long-term growth outlook is exemplified by the 14% third quarter revenue increase we reported this morning – more than \$11 billion above last year. The sources of this growth will drive many more years of strong performance.

Value-based care is the centerpiece of our long-term strategy, precisely because it delivers on the promise of high-quality clinical outcomes and experiences, at lower costs than traditional models.

This year we expect Optum Health will serve more than 4 million people in fully accountable relationships – almost twice as many people as we served just two years ago. Many of these patients have serious health challenges ... few economic resources ... and, until now, often had limited access to care ... or the type of care they truly need.

Ramping up to engage these patients requires significant upfront investment and high-touch reach. These early efforts ensure we can address patients' unique needs and design personalized care plans that drive better health outcomes, increase quality of life and deliver cost savings throughout the health system. Making the investments to serve people who have endured far too many barriers to care is an easy choice for us all.

In 2023, you have seen both our commitment and financial capacity to invest ... to further enable our ability to serve and to grow far into the future.

In recent years, we've invested significant resources in building our capabilities to care for people most effectively for the life or health stage they find themselves in – whether they need preventative or palliative care, or are best served in a clinic, at home or virtually. In particular, we are advancing our ability to care for people in their homes and integrating that physical care with our pharmacy and behavioral offerings. This work means developing an even more versatile clinical workforce – to serve consumers in more ways through clinic-based Optum care delivery capabilities ... and extending our reach to consumers who may not have ready access to physical clinics.

Medicare Advantage continues to be a powerful force in driving superior health outcomes for consumers and in helping to lower costs at the system level. Today about half of all seniors in the U.S. have chosen Medicare Advantage over traditional Medicare ... and that number will continue to expand ... for very good reasons.

The results are well-documented – Medicare Advantage outperforms traditional fee-for-service for seniors on many measures, including lower rates of hospitalization. And they spend up to 45% less out of pocket compared to those in Medicare fee-for-service. Importantly, this high value for consumers is delivered at a lower cost to the health system.

UnitedHealthcare serves more people in high-quality, 4 Star and higher Medicare Advantage plans than any other organization. Looking to the 2024 enrollment period,

which begins Sunday, we are confident our offerings will again resonate with consumers as they prioritize high-quality care and stable benefits.

In the reduced funding environment health plans face, I credit our teams for investing in the areas consumers value most – including zero-dollar premium plans ... no copays for primary, virtual and preventative care ... and no copays for hundreds of the most commonly prescribed drugs.

I want to highlight one more aspect of our growth story – the consistently strong performance of our pharmacy businesses.

Pharmacy, as you know, is the most common consumer touch point in health care. What consumers and employers want more than anything is access to the most effective treatments ... in the moment they need them ... for the lowest possible cost.

Optum Rx is delivering on those expectations. This most recent selling season is on track to be among our strongest – reflecting a combination of new clients and retention rates in the very high 90s. And as the coming season for 2025 develops, we're expecting another year of robust growth. Our clients tell us they value the enhancements we are making to our pharmacy offerings – providing them transparency and choice, while also integrating new tools and capabilities.

Notably, our pharmacy service offerings go far beyond the foundational benefit management capabilities, and now account for about half of all Optum Rx revenues. We continue to expand the reach of our community pharmacies, and our diverse specialty and infusion offerings are growing double digits.

Driving this expanding market demand is the enormous pressure facing employers, health plans, governments and others to manage and respond to manufacturer list pricing. The services offered by Optum Rx and others are the only counterbalance to drug company pricing. The foundational business objective for PBMs is to lower

costs ... and make medicines more affordable and accessible for individuals and families. PBMs are the only entities in the drug supply chain with that exclusive focus and incentive. And we're honored to play this critical role.

These pillars of our growth – value-based care, pharmacy and our innovative benefits businesses, alongside our health technology and financial service capabilities – underpin our ability to develop ever stronger value propositions for the people who receive and those who pay for care ... and support our confidence in a future of growth.

And with that, I'll pass it to Dirk McMahon, our president and COO.

Dirk McMahon

Thanks, Andrew.

I recently hosted UnitedHealthcare's National Accounts forum, where we bring together client leaders twice a year to share ideas and gather feedback. These are some of the biggest and most sophisticated companies in America. They collectively employ and sponsor coverage for millions of people.

And to no surprise, health care costs top their list of concerns, especially the rising cost of drugs.

In addition, they want innovation – new tools to help their employees take full advantage of their benefits, achieve better health outcomes and save money. And of course, it has to be digital.

Let me offer a few examples of innovation that have fueled our growth outlook, starting with our mobile platform, the primary access point for millions of UHC members. Each year we add new capabilities to provide consumers with increased on-demand care access, highly personalized information about their benefits, real-time support, cost estimation tools, integrated pharmacy capabilities, and enhanced rewards.

Another example: Our newest and fastest-growing commercial offerings, which feature no annual deductibles and incentivize people to make good health care choices by offering an unprecedented view into quality and cost. When seeking care options, consumers see potential care providers' latest reviews and quality designations, and they see what they will actually pay for their care – which will help them make the most-informed decisions.

UnitedHealthcare members in these offerings are receiving more preventative care while paying about 50% less out of pocket compared to people enrolled in traditional offerings ... and their employers can reduce the total cost of care, with an average savings of 11%. These results are why such new offerings are among our fastest growing.

Beyond these consumer-facing innovations, we're leveraging the latest technologies to create greater operational capacity and productivity so we can better serve consumers and focus on the highest-value work.

Our teams are significantly improving how quickly we respond to the millions of benefit questions we receive each year.

We are using AI and natural language processing to expedite call documentation ... to rapidly generate accurate summaries of consumer interactions with our contact centers – saving millions of dollars in administrative work and freeing up capacity for our people to prioritize engagement.

We're also utilizing these technologies to translate and interpret unstructured data such as physician notes – which will help, for example, provide deeper insights for life sciences customers so they can better assess the efficacy of their treatments.

Of course, these are just a few of the hundreds of AI applications powered by Optum Insight we are actively developing, testing and deploying today to further elevate the consumer and care provider experience while driving increased quality and lower costs. And with that, I'll turn it over to our CFO, John Rex.

John Rex

Thank you, Dirk.

The growth we reported today is a direct result of investments made over many years to develop and connect the diverse health capabilities needed to serve the people who rely on us each day – while also creating the foundational capacity to serve millions more in the years ahead. This capability development has long been in the making and is still very much underway ... as the opportunities to serve more people, more deeply, continue to expand.

Before reviewing our business results, I'll offer a few brief comments on care activity.

Care patterns remain consistent with the view we shared during the second quarter, with activity levels still led by outpatient care for seniors – and still most notably in the orthopedic and cardiac procedure categories. These trends remain stable at the levels we previously described.

As we've noted, our outlook assumes these activity levels persist throughout next year.

We continuously monitor a broad spectrum of patient acuity levels and have yet to see any other notable changes. For example, within oncology the average stage at which we are first seeing cancer diagnoses remains consistent with historical patterns. As always, we remain diligent in looking for changes to the underlying health of patients.

With that, let's turn to our third quarter results.

Revenues of \$92.4 billion grew by 14% over the prior year, with double-digit growth again at both Optum and UnitedHealthcare.

Optum Health revenues grew by 29% approaching \$24 billion, driven by an increase in the number of care services we offer and patients we serve, especially for those with complex care needs. Operating margins continue to reflect the initial clinical engagement activities that support the strong growth in patients we have realized this year, as well as the higher care activity patterns we have discussed.

Optum Rx revenues grew by 14%, approaching \$29 billion, driven by the strength in our pharmacy care services offerings as well as new customer wins. Script growth of nearly 7% reflects customer response to our innovative solutions, which focus on choice and lowest net cost.

Optum Insight revenues grew by 35% to \$5 billion. Revenue backlog of over \$31 billion increased by more than \$7 billion, in part due to the Change Healthcare combination. In addition, we recently announced a partnership to provide revenue cycle, analytics and information technology services to a health system serving more than 400,000 people in the Midwest.

Turning to UnitedHealthcare:

Our commercial business added nearly 700,000 people through the third quarter. Further, selling season indications are tracking favorably, particularly in national accounts. So as '24 begins, we expect to grow to serve an additional 1 million people with commercial benefits.

Within our public sector programs, we expect growth of nearly 1 million Medicare Advantage members this year. And looking to the year ahead, we're encouraged by the consumer value, stability and breadth of our offerings and, as always, we start with an expectation that we will outpace overall market growth.

Our Medicaid performance remains strong as we support people and families through the redeterminations process. Our teams are really leaning in ... speaking with thousands of consumers each day. Through a comprehensive outreach program, we are helping people navigate the process and connecting them with the resources they need to retain or reinstate their health benefits or to help them find other affordable coverages. A significant majority of the people we engage with are able to retain or reinstate their coverage.

Our capital capacities remain strong. For the first nine months of the year, adjusted cash flows from operations were at \$22.4 billion or 1.3 times net income. And in that same time frame, we returned over \$11.5 billion to shareholders through dividends and share repurchases.

As noted, given the strength of our business performance, this morning we have updated our '23 outlook for adjusted earnings to \$24.85 to \$25 dollars per share.

And as we finish strongly in '23 and look forward to '24, we're intensely focused on execution, while further expanding our capacities to serve more people, more deeply, and building the foundations to support our growth objectives for years to come.

Now I'll turn it back to Andrew.

Andrew Witty

Thanks, John.

Before opening up for questions, I'll offer some preliminary observations about next year, while reserving most of this conversation for our investor conference on November 29th.

Our businesses continue to build momentum, while maintaining flexibility and adaptability for an ever-changing landscape, even as we invest for the future. We're

focused on our strategic growth pillars and driving efficiencies throughout the enterprise at an accelerated pace.

At this distance, analyst earnings estimates for 2024 reasonably reflect the performance view we expect to offer in November, with consensus near the upper end of our likely initial outlook range. Importantly, the growth we are realizing today, and our expanding capacities serve to further reinforce the confidence we have in our long-term 13% to 16% growth objective.

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