Q1 2022 Earnings Call

Company Participants

- Andrew Witty, Chief Executive Officer
- Brian Thompson, Chief Executive Officer, UnitedHealthcare
- Dirk McMahon, President and Chief Operating Officer
- Heather Cianfrocco, Chief Executive Officer
- John Rex, Executive Vice President and Chief Financial Officer
- Tim Noel, Chief Executive Officer, UnitedHealthcare Medicare & Retirement
- Wyatt Decker, Chief Executive Officer

Other Participants

- A.J. Rice
- Gary Taylor
- Josh Raskin
- Justin Lake
- Kevin Fischbeck
- Lisa Gill
- Ricky Goldwasser
- Scott Fidel
- Stephen Baxter
- Steven Valiquette

Presentation

Operator

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. And 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 the actual results to differ materially from the historical experience or present expectation. 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 periodic filings.

This call will also reference non-GAAP amounts. A reconciliation of the non-GAAP to the GAAP amounts available on the financial and earnings report 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 in our Form 8-K dated April 14, 2022, which will be accessed from the Investor Relations page of the company's website.

I will now turn the conference over to Chief Executive Officer of the UnitedHealth Group, Andrew Witty. Please go ahead.

Andrew Witty {BIO 3471756 <GO>}

Thank you. 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're delivering on these objectives. So, I'd 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, OptumHealth 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're 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'll 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 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're collaborating with health plans to provide clinicians access to real-time medical and pharmacy analytics, which are coordinated with a patient-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, OptumRx'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 {BIO 18950833 <GO>}

Thank you, Andrew. There is no more important aspect of the consumer experience in healthcare 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 early-stage condition, 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 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 test 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 test results to get into a clinic system. This digitally enabled solution is resulting in nearly 10% increase in people obtaining necessary screening versus a multi-step 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, we 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 OptumHealth. Investing in the preparation of systems and training in 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 to a paperless experience. In the first quarter, visits to our digital portal continued to increase, while provider support calls declined about 12% from historical averages. Importantly, we have driven a 38% increase in providers using digital documents instead of paper in just this first quarter, compared to last year. We expect the efforts we have taken in this quarter will save 80 tons of paper over the next five years.

Before handing off to John, let me briefly -- 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 healthcare 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 healthcare 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 {BIO 19797007 <GO>}

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 OptumHealth, 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 incidents 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 have declined to around 2,000.

Overall, care in the quarter was about at baseline levels, though we observed 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. OptumHealth 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 brings opportunity to serve more people, much more broadly and deeply and we expect to grow strongly for years to come.

OptumInsight 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.

OptumRx 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 an 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 through 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 1x net income were consistent with our expectations. And we continue to expect full-year cash flows of about $24 billion, or 1.2x 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 {BIO 3471756 <GO>}

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're going to sustain, as we build upon this strong start to 2022.

And with that, operator, let's open it up for questions. One per caller, please.

Questions And Answers

Operator

(Question And Answer)

Certainly. The floor is now open for questions. (Operator Instructions) We will now take our first question from Lisa Gill from JP Morgan. Please go ahead.

Q - Lisa Gill {BIO 3366446 <GO>}

All right. Thanks very much. Good morning. John, I just want to go back to your comments around utilization trends. You talked about hospitalization now down to 2,000 here in March, but baseline somewhat moderating back, but you talked about ER&Ps, but can you maybe just talk about the difference of what you're seeing in commercial versus government? And then secondly, it sounds like, you were not really anticipating that there's a still a lot of pent-up demand. Am I hearing that correctly? And how do I think about the trend as we move here towards the back half of the year?

A - Andrew Witty {BIO 3471756 <GO>}

Lisa, thanks so much for the question. Let me ask John to respond to the first part and then Brian Thompson, maybe you could just speak to a little bit the demand piece, and maybe Brian pick up within any sense of acuity shifts. I think that would be helpful for the folks who are listening. John, first.

A - John Rex {BIO 19797007 <GO>}

Good morning, Lisa. It's John. Yes, so in the first quarter, still seeing similar trends in terms of utilization across the different categories you talked about. Little bit higher in commercial, a little bit lower in government programs, but everything kind of trending back more to those baseline levels overall.

And pointing out is as you appropriately noted here, we're still seeing some pockets here of differentiation such as impedes and emergency department, that's been a trend we've seen; not to the point yet where we'd expect that to continue, but a consumer differences that we've just -- that we've noted. Also on your comment, and Brian will go into this much more deeply, but as it relates to the potential for acuity, this is something we talked about very early on in the pandemic as people were missing treatments and how might they come back into the system.

It's still something we're extremely watchful for across very -- a lot of categories. I spoke specifically to oncology and what we're seeing in those areas. So good to see people getting their screenings. What we haven't seen though is this expectation we had for the incidence rates might actually come up because of missed treatments over that -- their earlier period. And Brian, could you offer a little more commentary?

A - Brian Thompson {BIO 1438916 <GO>}

Sure. Thanks, John. And thanks for the question, Lisa. I think John summed it up nicely. As you expected, the quarter was odd in that obviously there was stronger levels of hospitalizations and infections in January and that clearly deteriorated down to a lower level in March. So kind of a tale of two stories inside the quarter.

As John alluded to, commercial a little more close to baseline with Medicaid being the lowest and Medicare in between. When you think about service type, inpatient running slightly above baseline, but that was really a function of January and those higher hospitalizations that we saw and really encouraged as we look at physician visits because those accelerated through the quarter, sort of offsetting and consistent with the reduction in infection levels.

On strain dynamics, maybe another thing I'll point out, clearly less severe in Omicron than what we saw in Delta. We saw hospitalizations at about half the level that we saw. But again, confirming what John said, really no signs of deferred care, and we've been watching this closely throughout the pandemic looking at screens, diagnosis, severity, progression and it usually cycles through pretty quickly after we've seen large infections within two to three months to get back to baseline. And that's where we're at right now leaving the quarter. So feel good about where we're at as we pace forward into the next quarter.

A - Andrew Witty {BIO 3471756 <GO>}

Right. John, Brian, thanks so much for that. Yeah. It was a very -- it was definitely a quarter of two parts in terms of January and then how February-March move forward with the shift in impacts of Omicron during this quarter. But I think what you've heard from both John and Brian, really reflects the kind of movement back toward kind of baseline activities, with one or two exceptions. Rest assured, we are really watching like a hawk to see any evolving trends around acuity shifts, obviously, that's super important from a patient welfare perspective. But so far, we haven't seen very many signals of that at all. But it's maybe still early days. Lisa, thanks so very much for the question. Next question, please.

Operator

We will now take our next question from A.J. Rice from Credit Suisse. Please go ahead. Your line is open.

Q - A.J. Rice

Hi, everybody. Just thought I might ask where obviously, a lot of discussion in the broad market about inflationary pressures. And my sense is, you're pretty well matched, particularly, in the insurance side. But I wonder if you might take a few minutes and just sort of think, I know there's a lot of different things going on in Optum; how do you feel as we enter a period where there may be a little more inflationary pressure that you're matched revenue versus cost? Is there any pressure points? Is there any places where it's actually helpful to you? Maybe comment on that.

A - Andrew Witty {BIO 3471756 <GO>}

AJ, thanks so much for the question. I'll make a couple of comments, and I'll maybe ask Dirk a little bit to reflect on the broader perspective, and then Brian again just to talk a little bit to within the UHC portfolio.

I mean, generally speaking, I want to make it super clear, our focus always is to try and get the very best value proposition for our clients, members and patients, and I think at the time of inflation that responsibility we carry really seriously. So making sure that there are advocates really in the system to get the best deal possible for the folks who rely on us to continue to get good access to healthcare services and the care they need when they need it, is something we're very focused on.

So we're fortunate to have some very long-term positions in place with a wide range of inputs that we rely on, which is obviously important. Brian may talk a little bit to that in a second from a UHC perspective. But whether you look at our OptumRx portfolio, where we're going to continue to focus on getting really the lowest possible price for pharmaceuticals or whether you look at the way in which we run our business to seek out sources of productivity to offset inflationary pressures. As an overall agenda, this is a time where UnitedHealth Group in all of its parts is going to be first and foremost doing everything it can to protect the people who rely on us from the forces of inflation. With that backdrop, maybe Dirk, you could pick up a little bit more broadly some of the things we're doing in the company and then pass to Brian. Thank you.

A - Dirk McMahon {BIO 18950833 <GO>}

Yes. So thanks Andrew. Yeah, Hi AJ. So first of all, yeah, we're always sensitive to the challenges that people face in healthcare, specifically from a cost perspective. That's a big reason why we have affordability agenda, that's really focused on total cost of care, lowering total cost of care for people. And also telling people in these inflationary times how they get more out of their benefits that they purchase from us. We've also done things, we've talked before about getting really some good products in the marketplace like our virtual products which are 15% lower than other prevailing products in those markets.

And as Andrew said, we're working really hard on technology to improve productivity. One of the things we're trying to do from a productivity standpoint is do that to enable us to make targeted investments in our people and to -- or otherwise pass that through in the form of premiums to folks. So those are things from a productivity standpoint that we're on.

From a labor strategy standpoint more broadly, at the last fall as the sort of the great resignation progressed, we made some investments, targeted investments in our people. In the first quarter, we had our normal merit review cycle with ERISA. So we're trying to make from an internal perspective, the right thing to do. But as we look forward in for the remainder of the year, we're going to have to make -- continue to make targeted investments in areas like clinicians and in customer service folks where we see higher levels of attrition. So that's a broad brush as to what we're doing. Brian, go ahead.

A - Brian Thompson {BIO 1438916 <GO>}

Yeah. Thanks, Dirk. As you might expect, there are good disciplines in management inside UnitedHealthcare that I'm pleased with where we're at pricing to our forward view of cost being one, including inflation. Obviously, we have some provider agreements that do offer multi-year predictability, but this is less about being insulated from the overall inflation environment and more about our responsibility to drive down that total cost as Dirk alluded to.

And I'm more encouraged than ever on things like value-based care, consumer transparency to navigate the system, to get to the appropriate side of service, having the tools digitally to ensure we can enable that virtual engagement and post-acute and home innovation to really avoid those expensive hospital stay. So those are the elements that we can really drive to try to offset the overall cost.

A - Andrew Witty {BIO 3471756 <GO>}

Yeah. Brian, very well said. I think -- and that our response to inflation is innovation. Simple as that. The way in which we're going to get the best outcome for folks who rely on us is to continue to innovate, how we work inside the company to deliver greater productivity, how we deliver efficient access to the system for members and patients, how we take advantage of things like, virtual care platforms and how we truly bring to life the value of value-based care, and all of the work that's going on between UnitedHealthcare and Optum that is going to be a tremendous aid to us in ensuring that we can manage through this on behalf of the people who rely on us. So AJ., thanks so much for the question. Next question please, operator.

Operator

We will now take our next question from Scott Fidel from Stephens. Please go ahead.

Q - Scott Fidel {BIO 5322875 <GO>}

Hi. Thanks, and good morning. I had a question just on the LHCG acquisition. And I guess a two-parter. First, just as you've conducted a portfolio review of LHCG's assets. Just interested if you've made a decision yet on whether you plan to retain all of the key assets separate from home health, particularly thinking about hospice and personal care.

And then would just also be interested just on some of the key synergies that you're seeing as you look out to integrate LHCG into Optum's broader clinical platform, particularly when thinking about some of the more adjacent assets such as Landmark and NaviHealth that you already have in the home-based care umbrella? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Yeah. Scott, thanks so much for the question. And I'm going to ask Wyatt Decker in a second to give you a little more response on this. LHC, we're incredibly proud of coming to an agreement with the LHC Board to bring together the two organizations. Obviously, it's a transaction which hasn't closed yet. So I'm not going to go into too much detail about it. But let me say a few things.

And I had a great pleasure even on Monday actually to spend some good time with the founders and the leadership team of the LHC, unbelievable positive culture inside the organization that's been built up by Keith and Ginger since they first founded it. Really a company with a true heart and really puts patients first and their families first, extraordinary impact in all of their lines of operations and how they can have a significant impact on the lives of people who very often are excluded from care. This is really about opening up access to a lot of people who would not otherwise find easy access to the system is really important.

And I like very much all of the aspects I've seen of that organization look forward very much to successfully bringing it into the UnitedHealth Group portfolio. I would also say and this is where I'm going to ask Dr.Decker to take a little bit more deeper dive, we're really moving at speed to bring together our home and community capabilities. And if you look at what's really driving alongside our value-based strategy for the clinics, the rapid growth of our home and community offering, which has brought together the NaviHealth's Landmark will over time align with LHC when it joins into the organization built on our original Optima Home product.

It's an extraordinary set of capabilities and it's positioning us is very well to for example, serve the D-SNP population in a way which historically would not have been possible. And that, as you've heard from John earlier, is a big piece of our growth in the first quarter. And maybe with that backdrop, I'll pass to Dr.Decker to give you a little more detail.

A - Wyatt Decker {BIO 17276367 <GO>}

Yeah. Thank you, Andrew and Scott. Thank you for the question. We are very excited with the combination of LHC Group. I think, Andrew said it well. They have a longstanding culture since their founding in a small community in Louisiana in 1994 of commitment to serve others and help people live their healthiest lives in a home care setting. They've developed multiple capabilities, which actually, really nicely complement our growing home and community platform, that Andrew touched on.

So very excited about that. The quality of care that they provide is remarkable. It's a full 33% higher in the stars quality ratings, than the national average for home healthcare, just as an example and we share this commitment to quality and service. So we feel it's a really good alignment and then building on your question and Andrew's comments, as we weave home healthcare together with the more kind of complex offerings of post-acute care and complex care in the home that we've already brought into our home community platform, we see a remarkable synergies and this will continue to grow.

And it also begins to address the question of why has it been so hard to have home care be delivered in a value-based construct? And our vision is with these comprehensive set of offerings stitching it together in a way that is differentiated and help people get better health care outcomes. Initially, we will help deploy them in the post-acute care setting right out of the gate. Thanks for the question.

A - Andrew Witty {BIO 3471756 <GO>}

Alright. Thanks Dr.Decker and AJ, thanks so much for the question. I maybe leave you with one thought on LHC actually and just for your awareness, 85% of LHC providers are four-star or better rating from a quality perspective. I mean, that just tells you everything you need to know about that organization and why we wanted to be part of our family. We think it's going to great -- bring great access, great quality to members and families across the country. AJ, thanks so much for the question. Next question, operator, please.

Operator

We will now take our next question from Justin Lake, Wolfe Research. Please go ahead.

Q - Justin Lake {BIO 6460288 <GO>}

Thanks. Good morning. I wanted to ask a question about value-based care. First, kind of with the improvement in the outlook for penetration there, I'm curious, if you were to step back and look at the entire kind of value-based care operation you have and think about the penetration in terms of capitation. If you could share that number with us, meaning the total TAM there of your physicians and their patients, how many of them are already in value-based care and what's the potential still to come?

And then just given all the competition in the space, I thought it's interesting there's some industry chatter that you made a large acquisition or might be making a large acquisition in Houston. Can you talk about the M&A pipeline there? And given the competition, do you still see it as being as robust as it was, let's say, three to five years ago? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Justin, thanks so much for the question. I'm going to ask -- in a second I'll ask Brian, just to reflect a little bit on the kind of direction of travel for value-based care. I think its super interesting to hear the perspective from a payer perspective, because obviously what Brian and his team are looking forward is how do they deliver the very best outcome and value for the folks who rely on him.

But before I go to that, a couple of things. We probably -- I'm not sure, if we need to kind of go into a ton of speculation on what the potential would be. Where I would focus on is, look at the rate of growth, that's going on right now. So that movement in terms of growth of Medicare Advantage, that Brian's leading that growth, 600,000 folks coming into the OptumCare, value-based capitated environment under Dr.Decker's organization.

We're focused on knowing, that we are able to sustain that level of transfer and growth over many years to come. So what the ultimate ceiling is on that. I think actually is a product of our ability to continue to deliver a fantastically innovative and high-quality capability in the marketplace. And that's going to continue to attract very large numbers of folks, who want to be part of it and benefit from it.

So I'm a little less thoughtful about, what could the ceiling be, I'm much more motivated by and excited by the way in which we're at these 500,000, 600,000 rates moving across, our ability to both move and grow and win external business as part of that agenda is going to be the thing that we're focused on. So maybe with that, Brian, I'd ask you to go a little further from your perspective.

A - Brian Thompson {BIO 1438916 <GO>}

Yes. I think similar to what you said. For me, it's less about a number. I will say there's a lot of runway left. It's been about geographic expansion historically; now, it's much more than that. We've moved into duals. It's about complex care. It's about home. So the breadth and scale is really at the core of it.

And UnitedHealthcare is deeply incented to continue this journey with Optum. When you think about our best retention levels, when you think about satisfaction, when you think about where we have the lowest trend that drives the best benefits, the best quality and the best growth, all of those outcomes come when we partner with Optum. So we're strong -- we have strong incentives to continue this, and I'm encouraged because there's still a lot of runway left.

A - Andrew Witty {BIO 3471756 <GO>}

Brian, thanks so much. And Justin, just to come back to your second question around pipeline, as you'd expect, we don't comment on transactions speculation, but let me just make a few general points. You saw during Q1, we successfully closed and announced the bringing of Refresh Health into the organization. Great business built by Steve Gold and his team, helping us build out our behavioral delivery capabilities, within OptumHealth complements super nicely.

Our largest behavioral health network that we already have across the country from the benefit side of the business. So continue to operate there. I'd say overall, our pipeline of opportunities I actually think is probably as diverse as it's ever been and probably deeper than it's ever been. So I think from a potential capital deployment capability, I think we feel pretty optimistic about that.

We continue -- as you see, we continue to be extremely disciplined about ensuring of all the very many opportunities that we see, that we focus on the ones, which first and foremost nestle centrally within our core strategies, those five growth areas I touched on earlier, Refresh Mental Health is great example of that, sits right into that value-based proposition in terms of how we believe we need to bring behavioral health management alongside medical management.

So first off, we need to sit centrally within our strategic framework. We need to believe in the culture and the capability of the leadership teams that we're welcoming in into UnitedHealth Group. And of course, the economics have to fit with our demanding expectations to support our long-term growth ambitions of 13% to 16% and also the returns that our shareholders rightly expect. So that drives us forward.

I feel confident about our ability to continue to deploy capital, which has always been a key element of helping us deliver long-term growth. So hope that gives you a little sense of where we stand, Justin, and maybe with that, Emma, next question?

Operator

Thank you. We will now take our next question from Gary Taylor from Cowen. Please go ahead.

Q - Gary Taylor {BIO 22394979 <GO>}

Hi, good morning. I just had a question. Now that we're thinking about OptumHealth with the type of growth, Andrew, that you were just talking about and really tens of billions of dollars of capitated risk; how do we think about the reserving if OptumHealth was a standalone company, how do we think about reserving against that risk it's taking? I presume, capitate from UHC is an elimination. Has all the other payer medical expense accrual, is that just rolling through your total medical accrual, John? Or is there somewhere else on the balance sheet where there's payable numbers, we should be paying attention to?

A - Andrew Witty {BIO 3471756 <GO>}

Yes, Gary. Thanks so much. Let me go straight to John to respond to that.

A - John Rex {BIO 19797007 <GO>}

Good morning, Gary. It's John. Yes, it will be rolling through at the end of same place that you'd be seeing everything else in terms of how those occur. You're right in terms of how you think about eliminations with UnitedHealthcare business versus external business, which would not be eliminated, of course. But all in the same place in terms of how we would be appropriately reserving for those arrangements.

A - Andrew Witty {BIO 3471756 <GO>}

Thank you so much, John. Gary, thank you very much. Emma, next question, please?

Operator

Thank you. We'll now take our next question from Kevin Fischbeck from Bank of America. Please go ahead.

Q - Kevin Fischbeck {BIO 6157376 <GO>}

Okay, great. Thanks. Wanted to go back to the growth in OptumHealth for a minute. Can you talk a little bit about what drove that 100,000 higher number? Is that an organic number? Is that driven by deals? Is it direct contracting, is it internally united, is it external? Is there some way to kind of think about that growth and what drove it? And then I guess just generally speaking when you think about deals in that space, how are you thinking about multiples, either on earnings or on where you think the long-term earnings going to eventually be when you move that practice to capitation? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Kevin, could you just repeat the second part of the question? I just lost you in the middle of that. Just -- could you just repeat that?

Q - Kevin Fischbeck {BIO 6157376 <GO>}

Sorry. Yeah, just the second part was just about deal multiples in physicians. So I mean, I don't know how you think about it, whether it's on the actual earnings or whether it's on kind of a normalized earnings in five years once you move that practice entirely to capitation, just trying to think about how we should think about the returns on the capital you're spending in this area.

A - Andrew Witty {BIO 3471756 <GO>}

Yeah. Okay. Great. Listen, Kevin, thanks so much. I'll hand to Dr.Decker to respond to you on the first part of where that extra 100,000 taken us up to 600,000 is coming from and it'd be good for you to hear that from him. I think in terms of how we think about how we invest in this space, I'd say each one is pretty much a unique situation, right?

I mean, every doctor clinic, they're all different. They've all got tremendously different histories, situations, dynamics. And obviously, we take a view within a broad piece of not just what have they achieved to-date, but how alongside the rest of our capabilities can we build opportunities and value for patients and the utilizers of those environments. And that's what really drives our kind of economic assessment.

Now I think what you can see is the way in which we understand and seek to continue to learn how to work better and better within the value-based envelope and how we can utilize the skills of these organizations allows us to be confident in being able to very fairly reward people who choose to join our organization. And that's what's driving our ability to be successful integrators of some phenomenal people, and their teams across the country. And I'm so pleased, they stay inside the organization and its super nice to be able to see OptumHealth continue to strengthen itself, as a physician led organization. And I think that is really contrasting to many others out there.

This is an organization led by physicians at every level of the organization. And it makes a huge difference in terms of the way, the heart and soul of this place is starting to be. And I think that's what underpins a lot of our contribution and competitiveness. With that, Dr.Decker, as the physician leader of the organization, maybe you could just reflect a little bit on how you're successfully driving on that growth rate.

A - Wyatt Decker {BIO 17276367 <GO>}

Sure, Andrew, happy to do it. And Kevin, thanks for the question. What you're really seeing is a result of almost 10 years of building a flywheel that now has significant momentum. We've invested in people, in technology, in data and building out networks and deepening in our established geographies as well as going into new geographies. All of that continues to yield benefits and frankly, growth.

Your question is right. Is it organic growth that added that additional 100,000? And the answer is, yes. We saw strong results in open enrollment, member retention. And we, of course, have not only four-star plans, but five-star plans that are able to enroll patients year-round. That's also true of duals. And one final point that I'll note is that we are now a third of this growth this year is in the Dual Special Needs population. And these are individuals that have difficulty accessing care and we're able to provide care with home and community, meaning wraparound solutions in their home. So it's another model that helps us grow. Thank you.

A - Andrew Witty {BIO 3471756 <GO>}

Wyatt, thank you so much. Kevin, thanks so much for the question, much appreciated. Next question, please?

Operator

We will now take our next question from Stephen Baxter from Wells Fargo. Please go ahead.

Q - Stephen Baxter {BIO 17987715 <GO>}

Yeah. Hi. Thank you. Just a follow-up on a previous question, I wanted to ask a little bit more directly about significantly higher interest rate environment we're currently experiencing. I was hoping you could talk a little bit about how you expect this will impact the investment portfolio over the next couple of years as your investments mature and reinvested at higher rates? And I guess also, how should we think about this is impacting EPS growth rate you target? Is this potential upside or tailwind is going to be used to offset inflationary pressures elsewhere, or maybe a softer economic backdrop? Or is it something you think could actually be a net tailwind to your earnings growth over the next few years? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Stephen, thanks so much for the question. John?

A - John Rex {BIO 19797007 <GO>}

Good morning, Stephen. Yes, certainly anything more than 0% interest rates is going to be helpful to us overall as you move in that environment. But it does take some time, as I think as you're accurately pointing out here, so maybe a few perspectives I could offer on that.

Roughly 40% of our $70 billion in cash and investments is tied to floating rates. So that would be the first cut you'd want to take of that. The other 60% would be in the fixed rate environment. So as you are alluding to, those will mature and be reinvested at higher rates over time. But not much of that piece would have any year one impact, call it, in terms of how one would think about that.

So maybe just to give you a hypothetical here. Say, you had a 100 basis point increase in interest rates. So that would impact that 40% or call it roughly $28 billion of cash investments that are tied to floating rates. So that'd be the first place you would see that. So put that in the zone of it's really about $28 billion that's in that component, so $280 million impact on investment income. Important to note on that, we also have about $10 billion of floating rate liabilities.

So think about that swaps floating rest of commercial paper. So that would also have about a $100 million offset to that $280 million. So that would be the zone I'd put you in. You think about getting 12 months out from an first 100 basis point increase, that would be the zone. The rest of that portfolio, the other 60% will roll off over a period of years, call it, think of that probably maybe $5 billion a year rolling off as those things mature and that would be the pacing that you should expect. Thank you.

A - Andrew Witty {BIO 3471756 <GO>}

John, thank you very much. Stephen, thanks so much for the question. Emma, next question, please?

Operator

We will now take our next question from Josh Raskin from Nephron. Please go ahead.

Q - Josh Raskin {BIO 3814867 <GO>}

Thanks. Good morning. I was wondering if you could speak to the local market strategy, more on the Optum side in markets like New York or Houston, or maybe Houston soon. I'm specifically curious about how much of the delivery system you feel you need to employ control own. And how we should be thinking about sort of long-term success in growth? Is that on the delivery side? Does that manifest on the benefit side as well? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Josh, thanks so much. It's a great question, actually. And I would say, and again, I'm going to ask, Wyatt to go much deeper for you on this. I would say that, over the decade or so that this has been developing at Optum. I think our views have probably it's fair to say evolved quite a bit in terms of what the right way to operate. And not only in terms of what might be the right blend of relationships with ourselves and the physicians, also the role of physicians versus advanced practice clinicians and others, and also the role of what happens in a clinic-based environment versus a home-based environment.

And I'd say, particularly over the last, I don't know, maybe the last 24 months, I think that has moved on quite a lot in terms of how we're thinking about this. So I would just frame it and I'm going to hand right now to Wyatt, but I would just frame it maybe, Josh, in those three dimensions, right, location, kind of relationship between and then type of clinician are I think evolving dynamics around which we're becoming more and more opinionated. And maybe on that Wyatt, you could go a little deeper.

A - Wyatt Decker {BIO 17276367 <GO>}

Yes. Thanks, Andrew. And thanks, Josh for the question. Andrew framed it up very accurately. And so our thinking and frankly, the practice in value-based medicine is evolving, as we're able to go into the home provide virtual care and behavioral care and comprehensive services even that overcome things like social determinants. So in markets like New York state that have primarily been fee-for-service, we do see an opportunity to move to value-based care and it's a blend of employed physicians, and affiliated and contracted physicians. But increasingly, it is bringing all of the solutions that we offer within Optum, including OptumRx and other places in the enterprise and OptumHealth to bear on helping people get the best health care outcomes possible, lower the total cost of care and actually make care very convenient for healthcare consumers, and that's a differentiated marketplace. Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Wyatt, thanks so much and Josh, thanks for the question. Next question, please, Emma?

Operator

We will now take our next question from Ricky Goldwasser from Morgan Stanley. Please go ahead.

Q - Ricky Goldwasser {BIO 1977392 <GO>}

Yeah. Hi. Good morning. So OptumRx grew EBIT at mid-single digits. Should we think about this as sort of a steady state based on growth? And if we think about sort of Humira bio [ph] equivalent coming to market sometime next year, is high single-digit EBIT growth sort of a reasonable place for us to model on top of what we've seen sort of this quarter?

And just one follow-up, I think, Dirk, you talked about in-home testing in your prepared remarks. Is this something that you're focusing on sort of the Medicare and dual book? Or is this also an offering to the commercial book? And are you working with the national labs on that strategy?

A - Andrew Witty {BIO 3471756 <GO>}

Ricky, thanks so much for the questions. Before I go to Heather, let's tackle your first question -- as your second question first. And maybe I'll go to Tim Noel to comment a little bit from a perspective of the Medicare book that you were looking at in terms of the home testing opportunity and dynamic.

A - Tim Noel {BIO 17867531 <GO>}

Yes, Ricky, Tim Noel here. Thank you very much for the question. In-home testing is certainly a huge area of focus for us. There's obviously a component of it that relates to some of the work that we do on an annual basis with respect to STARs and closing some of those gaps related to the STAR measurement methodology.

But more recently, we've really been focused on reaching out to people that we know to be under-diagnosed for conditions like Hep C and diabetes. And in doing this, we've reached out over the last year to about a million members, who we suspect to be under-diagnosed and offering them in-home testing solutions that are then delivered by our house calls partners over at Optum.

I mean, these completion rates have been really promising, 35% last year and we'll continue to evaluate expanding this program, that will do a really nice job of helping us understand where conditions are under-diagnosed and can be better treated.

A - Andrew Witty {BIO 3471756 <GO>}

Tim, thanks so much, and Dirk?

A - Dirk McMahon {BIO 18950833 <GO>}

Yeah. So Tim -- no, Tim did a great job explaining. Ricky, and direct answer to your question, we have started with Medicare and we'll move to commercial as we sort of proceed along, but this is a Medicare start was what I was talking about specifically.

A - Andrew Witty {BIO 3471756 <GO>}

Excellent. Thanks so much. Now just before I hand over to Heather to go deeper on the OptumRx piece. Ricky, as you allude to, as we roll into next year, in particular we come into a kind of a bit of a new cycle for pharma in a way in terms of the biosimilar opportunities. And obviously you refer to one very significant one, really an important one. So it's clearly going to be a super dynamic environment, which where Heather's team is absolutely engaged in and getting ready for.

I would just say, as I look, very pleased to see that acceleration of growth rate during the first quarter. And that's down to a tremendous amount of hard work, in terms of developing the right product and service. We're driving our retention and of course, win rate. And one of the things I keep an eye on is the number of bid opportunities that we have in front of us, right, in terms of what's coming in. And it's been super interesting to see that ratchet up over the last 12 months or so.

So the market is activating. I don't think you'd be super surprised to hear that, given the last couple of years. But it is activating. So we're seeing more and more business come to market. I've been super reassured by our sustained, very, very high retention rates. And Heather now maybe can reflect a little bit on how she sees that all playing out over the next year or two. Heather?

A - Heather Cianfrocco {BIO 18236688 <GO>}

Thank you. Yeah, maybe I'll just build on, what Andrew said just first maybe, Ricky to your question. You can see our relentless focus on not just growth in the pharmacy benefit business, but also the pharmacy services and the direct-to-consumer. So that will continue to support our topline growth, that will support that retention and continued growth membership growth in the PBM. But in addition, those pharmacy services become increasingly important as we look at the future in these coming years.

You're right, there's -- as we -- look, long-anticipated introduction of multiple opportunities in biosimilar and other specialty services for our members. The services we offer to the -- our pharmacy services programs are really I think going to drive, not just the growth in the top line of our business, that continued push in our earnings, which as you know committing to our guidance for this year, which you see it as a mid-to-high actually single digits and then longer-term kind of moderating in the mid-single digits. And that's really that relentless focus on pushing the value in -- from the pharmacy services, into our clients, and into our patients, and their -- our clients' consumers, and making sure that we continue to drive the tools and services, that our clients will pay for.

Those are our clients, our external book of clients, our UnitedHealthcare clients. And that's also our pharmacy services clients like our community pharmacy clients, which really need services and offerings like, our behavioral health services that really integrate a fragmented system. So I'd look at the whole thing. And as we move forward, the tools, like our clinical analytics, our PBM, our specialty program management services that were referenced in by Andrew early in our script this morning as well as our continued push to transform using our pharmacists as a way we're really going to grow our business.

A - Andrew Witty {BIO 3471756 <GO>}

Great. Heather, thanks so much, and Ricky, thank you very much for the question. We just have time for one last question. So Emma, maybe go to the last question.

Operator

Certainly. We will now take our final question from Steven Valiquette from Barclays. Please go ahead.

Q - Steven Valiquette {BIO 1928887 <GO>}

Great. Thanks and good morning. So just to tie a lot of things together that have been talked about on the call, with the $0.90 increase in EPS guidance for '22. Just wanted to ask for a little bit more color on how much of this better outlook is driven by the Optum segment in particular versus the UHC segment versus any other factors at the corporate level? I'm guessing it's maybe mostly driven by Optum, and may be OptumHealth within that. But also what else ex-Optum is maybe performing better that's worth calling out as well? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Steven, thanks so much. I think maybe you misspoke, it's a -- we increased our guidance range this year by $0.10, both at the top and the bottom of the guidance range, just to reconfirm that. But listen, that raise is essentially based on the strong performance of Q1, good start to the year, we feel good about that.

While there -- as always, there's a lot of moving parts in our world and you've heard from people like Brian in some detail about some of the dynamic of the first quarter. Actually, as it all comes together, the year is kind of shaping up pretty much in line with the expectations we were laying out to you all in November last year, strong performance is supported by execution across all of our businesses.

I would say, all of the core businesses of Optum, of UnitedHealthcare have started the year well. We continue to be very focused on the execution of those -- within those businesses, of course. And I think what you're continuing to see, and I hope you've heard some of that in the conversation today and it's certainly reflecting through the results is the synergy opportunities, which are coming to life between the two organizations. You heard a lot about value-based care. Now, that whole value-based care model, which we believe is truly capable of transforming experiences, not just for patients, but for physicians and payers. That's a product of the two organizations working together.

The development of in-home care, same thing, very much being led by the two organizations working together. And increasingly, what we're seeing, as we strengthen our capabilities in areas like that with our deployment of capital and some of the acquisitions, we've been making. So for example, organizations like NaviHealth, Landmark and others, that's then driving strong external growth as well.

So really, really demonstrating how building these kind of fundamental innovations in the way, in which care can be thought about. Can then, not just be attractive to UnitedHealthcare, of course. But also, to many other payers and completely reinforces our deep commitment to be a multi-payer organization, building products and services in Optum which work not just for UHC, but for payers across the spectrum. And that's what you see in supporting the business and it supports our confidence in raising the outlook for the rest of this year.

So I hope that gives you a clear sense of that and very much appreciate that final question, Steven. And thank you to everybody else for joining the call this morning. We truly appreciate your interest and your attention.

I hope what you heard in the call today, is a strong sense of the confidence in our long-term strategy and as I just said again, an intensely disciplined focus in its execution. We're aiming to create value for consumers, advancing our mission, and delivering high-quality diversified growth in this quarter and for many years to come. We look forward to sharing that progress with you again when we next talk in July. Thank you so much, and I appreciate your attention today.

Operator

Ladies and gentlemen, that will conclude today's conference. You may now all disconnect.