Q2 2020 Earnings Call

Company Participants

- Bill Golden, Chief Executive Officer
- Brian Thompson, Chief Executive Officer
- David S. Wichmann, Chief Executive Officer
- Dirk McMahon, Chief Executive Officer
- John Prince, Chief Executive Officer
- John Rex, Chief Executive, Executive Vice President and Chief Financial Officer
- Robert Musslewhite, Chief Executive Officer
- Tim Noel, Chief Executive Officer
- Tim Spilker, Chief Executive Officer
- Wyatt W. Decker, Chief Executive Officer

Other Participants

- A.J. Rice, Analyst
- Charles Rhyee, Analyst
- George Hill, Analyst
- Josh Raskin, Analyst
- Justin Lake, Analyst
- Kevin Fischbeck, Analyst
- Ralph Giacobbe, Analyst
- Ricky Goldwasser, Analyst
- Robert Jones, Analyst
- Sarah James, Analyst
- Scott Fidel, Analyst
- Steven Valiquette, Analyst

Presentation

Operator

Good morning and welcome to UnitedHealth Group's Second Quarter 2020 Earnings Conference Call. A question-and-answer session will follow UnitedHealth Group's prepared remarks. As a reminder, this call is being recorded. Here are some important introductory information. This call contains forward-looking statements under US 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 filed 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 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 and in our Form 8-K dated July 15, 2020, which may be accessed from the Investor Relations page of the company's website.

I will now turn the conference over to Chief Executive Officer of UnitedHealth Group, Mr. David Wichmann. Please go ahead.

David S. Wichmann {BIO 3853550 <GO>}

Good morning and thank you for joining us. When we last met in this forum 90 days ago, the challenges of COVID-19 in the Americas were just beginning to emerge. Now, some four months into the evolving pandemic, the individual health system, social and economic implications of the virus are better understood and significant, especially the impact of long-standing health disparities affecting the underserved populations hit hardest by the pandemic.

In uncharted periods, such as these, we lean on our mission and culture of values to guide us that mission and those values calling us to help people, to help health systems, to help everyone with integrity, compassion, innovation, relationships and performance. I'm grateful to and proud of our 325,000 diverse team members as they continue to provide vital support. Caring for those, we serve and working with the health system partners to combat this disease and the many other daily health challenges that have not gone away. They've just been deferred and possibly become more complicated.

We deeply appreciate the tireless service of our 120,000 doctors, nurses, medical and behavioral professionals, social workers, pharmacists and other healthcare workers on the front-lines of care. They serve in Brazil, Chile, Colombia, Peru and Portugal. They serve in New York City, Seattle, Southern California, Phoenix, Texas, Florida, and other communities confronted by COVID-19. Their compassion for our patients and members has saved lives and help make the lives of countless other people better.

UnitedHealth Group was built to be adaptable an instinctive enterprise capable of anticipating change, rapidly evolving and reconfiguring capabilities to meet both challenges and opportunities. The past several months have only highlighted the importance of this agility so long core to how we operate and deepened our resolve to cultivate it. We've witnessed our people helping in ways in advancing innovations and solutions in an unprecedented pace, scope and scale.

Today, I'd like to provide insights into how our business is both responding and advancing, share what we've learned in the past several months, describe how these lessons enhance our ability to serve even more people, more deeply, and as a result, we expect to grow and emerge stronger in the years to come.

UnitedHealthcare and Optum have both experienced the effects of an unprecedented decline in healthcare services. Among early actions we undertook to help people were opening new enrollment periods, so more people could be covered; waving all consumer COVID-19 diagnostic and treatment costs; accelerating $2 billion in needed funding to care providers, and providing over $1.5 billion in direct consumer and customer assistance, including premium forgiveness and suspension of member cost sharing to help people manage their health conditions. These amounts are in addition to the $1 billion in estimated rebates to be paid in coming periods.

Throughout this pandemic we have taken extraordinary measures to ensure people get the essential care they need. As we speak with you today, care access patterns are nearing more normal levels, an encouraging sign for people's health. We see the system operating just short of its normal baseline now, far above the lows experienced as the second quarter began. We currently expect care access patterns, while somewhat more volatile than in the past. The moderately exceed normal baselines in the second half as people seek previously deferred care. And the pandemic with high testing and treatment costs per affected consumer is expected to continue to run its course throughout 2020 and into 2021. Consistent with the proactive actions we've already undertaken, we will continue to act swiftly to address any further financial imbalances arising from the pandemic and related effects.

We are further advancing broad health equity initiatives tapping into our data, information and analytics capacities to guide scientific efforts to help eliminate long-standing health disparities. This is a course we have pursued for many years and are now even more intentional as we see underserved populations disproportionately impacted by this health crisis.

We established an innovative community-based care model to provide COVID-19 testing, education and other necessary services to some of the highest risk and least serve communities in the country. We are focusing on locations with high mortality along with local community challenges including poverty, crowding, food and security, homelessness and other existing social determinants of health. Our service includes special deployments in the underserved communities of Philadelphia, Los Angeles and Orleans Parish alongside many other similar communities we serve through our core Medicare and Medicaid programs.

We are researching new treatment approaches in partnership with prominent academic institutions, for example, working with the Morehouse School of Medicine, we're studying the effect of COVID-19 on those with sickle cell trait, a condition, which is prevalent in 8% to 10% of Black Americans. We're conducting an ACE inhibitor virtual clinical trial with the Yale School of Medicine. Artificial intelligence apply to our data show that seniors on ACE inhibitors, who test positive for COVID-19 are 40% less likely to need hospitalizations than those who are not. Understanding that there is a significant racial disparity in the use of ACE inhibitors to manage hypertension, we're working rapidly to scale this 10,000-person virtual clinical trial believed to be the first of its type.

We're partnering with the growing number of state governments and employers for using Optum's rapid response resources to stand up mobile and fixed testing sites. To date, we have helped conduct more than 0.5 million tests across more than 500 sites, most often in rural and underserved communities. We committed another $100 million in affordable housing to address homelessness, bringing our total investments to more than $500 million to build nearly 54,000 units over the past seven years. And we will do more, focused on working with others to eradicate longstanding health disparities in America and to create a more diverse US health workforce.

The COVID-19 crisis has accelerated the adoption of new technologies and approaches to care. We're serving people where they want to be served, and more often in the home, which is becoming a preferred additional care setting through new innovative digital offerings. At peak care system closure in April, UnitedHealthcare facilitated more than 4 million digital care visits, that's nearly 30 times the number of visits we enabled in January.

We expect digital and homecare to persist and expand in coming years. We are rapidly assembling our next generation comprehensive platform leveraging the digital signaling and monitor capacities of Vivify, the market leading engagement capabilities of rally, our AI-enabled individual health record, the pharmacy e-commerce capabilities of OptumRx, our extensive hands on community-based clinical resources and importantly a proprietary scalable direct to your own doctor telemedicine platform. The understandable and expected rise in stress, anxiety and social isolation has increased the demand for behavioral health services. Digital platforms are proving to be increasingly effective in remotely diagnosing and caring for people with such needs with a rapidly expanding scope.

Optum is among the largest providers of digital behavioral health care services in the country, now with more than 10,000 care providers, using our virtual visit platform. Our digital psychiatrist offering extends to community Beaver health clinics, enabling hundreds of thousands of digital visits and complements our more than 500 community-based behavioral health pharmacies.

Optum nurses are meeting the increasing need for infusion services in the comfort and safety of people's homes; a double-digit trend we expect will accelerate for years to come. Home infusion visits by our nurses offer fully equivalent clinical efficacy, greater patient convenience and satisfaction, and reduced risk of immuno compromised people at up to one-half the cost of traditional settings. And our Housecall services include extensive digital clinical care visits supplementing in-home visits by Optum nurses. As clinical techniques and technologies advance, ambulatory surgical care is expanding, as an appropriate care setting for high-acuity members and procedures like cardiovascular surgeries. Partly as a result of the COVID-19 disruptions, the convenience, safety and better patient and surgeon experience is becoming more deeply understood. For example, in just the last few months, we welcomed several hundred new surgeons to our centers and have opened new and higher acuity service lines. We expect the alignment of physicians to value based care models to accelerate. The recent months have served as a compelling example of why care delivery has and should continue to advance in this direction. OptumCare continues as a physician partner of choice with over 6,500 additional clinicians, primarily PCPs, specialists, nurse practitioners and physicians' assistants added so far this year. These clinicians are seeking alignment with the entity best equipped to help move, to high performing and more stable accountable care models. We believe that entity is OptumCare.

These are a few examples of how we have and continue to innovate to help make people healthier, to help make health systems work better for everyone. The information and technology enabled ambulatory care and pharmacy capacities of Optum leveraged and deployed by UnitedHealthcare and other payers and other health systems hold significant process -- promise for the future of the US health system.

Now, I'll turn it over to Financial Officer, John Rex.

John Rex {BIO 19797007 <GO>}

Thank you, Dave. As expected, our second quarter earnings were meaningfully impacted by unprecedented and far-reaching disruption in care patterns. We expect this temporary impact will be offset in the quarters ahead by the proactive assistance measures we have already taken, the resumption of more normal care patterns and future COVID-19 impacts both within the health care sector and the economy at large.

Looking more specifically at the pandemic effects in the second quarter. Optum revenue and earnings for fee-for-service care delivery and the OptumInsight and OptumRx volume-based businesses were reduced by lower level of care encounters. For the company as a whole, this was more than offset by the disrupted care patterns within the UnitedHealthcare and the OptumHealth risk-based businesses. Prior period development of $1.4 billion rose primarily from the lower than expected care levels in the second half of March contributing to the lower medical care ratio this quarter. The impact of this care disruption is reduced by factors such as COVID-related treatment and testing and the financial assistance we are providing. Notably the assistance component has a more pronounced financial impact in future periods. For example, the suspension of member cost share will have an accelerating benefit and corresponding impact for the people we serve as care delivery systems further reopen and they seek care again.

At the lowest point in April, inpatient care, inclusive of COVID-19 related care, was about three quarters of baseline. In June, this recovered to nearly 95%. At the same lowest point outpatient and physician services fell through roughly 60% of normal levels. As we exited June, they were also recovering, tracking above 90%. These national trends have continued thus far in July, even as certain states are seeing short-term deferral of services where there are elevated levels of infection and hospitalization.

Turning to Optum's overall performance. Each of the three businesses performed well, while they were affected in different ways by care deferrals and the economic downturn. OptumHealth's second quarter earnings increased 22% year-over-year. The impact of the lower patient visits in fee-for-service practices was mostly offset by the same temporary deferral of care effects on the risk-bearing practices. OptumInsight's second quarter earnings increased 7% year-over-year, while the revenue backlog grew by nearly $1 billion to $19.4 billion. Many of OptumInsight's payer and care provider clients have volume-based contracts for technology and managed services. After an expected slowing of such volumes, early in the second quarter, due to care deferral, we're now seeing activity rebound, and we see the new business pipeline strengthening again as evidenced by the new partnership with Boulder Community Health. OptumRx earnings declined by 6% year-over-year in the second quarter as script volumes were impacted by lower care activity.

Unsurprisingly, given the sharp drop in primary care and specialist visits, first-fills of prescriptions declined by about 1/3rd early in the second quarter, but began to recover as the quarter progressed and have continued to do so as care activity increases.

Turning to UnitedHealthcare second quarter operating earnings were significantly higher due to the temporary care deferrals. We continued to serve more people through our public sector and senior businesses, including an increase through the second quarter of nearly 600,000 people year-to-date. As expected, given the economic climate, commercial enrollment declined albeit at lower levels in the change in unemployment might have suggested, as many employers continued benefits coverage for furloughed employees.

During the second quarter, growth in sales of individual policies and Medicaid membership accelerated, the latter of States eased redetermination requirements to ensure sustainable coverage for people. We are also awarded contracts to serve Medicaid members in Kentucky and 2021, are honored to have been selected to serve the Medicaid population in Indiana and are pleased to continue serving in Philadelphia. After a strong annual enrollment period for Medicare Advantage, the pacing of new enrollees in April and May eased as traditional in-person sales flows. In recent weeks, sales have accelerated with the current level of Medicare Advantage enrollment activity having rebounded to pre-COVID-19 expectation levels.

Our liquidity and financial position have remained strong. Second quarter cash flows reached $10 billion or 1.5 times net earnings, both cash flows and days in claims payable were impacted by the swift moves that we undertook to provide enhanced liquidity by accelerating payments to individual care providers and health systems. Offsetting this impact was the timing of second quarter income tax payments, which will now occur in the third quarter. As noted in our press release this morning, we are maintaining our full year earnings per share outlook in anticipation of the delivery of previously deferred and potentially even higher acuity care as well as continued cost to address COVID-19 in the second half of the year.

We are encouraged by the rapid pacing of the reopening of care delivery systems and are proactively working to help people quickly obtain the care they need. In addition, we incorporated the second half view for a more pronounced impact from the consumer, customer and care provider assistance initiatives already undertaken. As Dave stated, we will act to address further imbalances should they arise over the duration of this pandemic.

With that, I'll turn it back to Dave.

David S. Wichmann {BIO 3853550 <GO>}

Thank you, John. Today, in the midst of the COVID-19 crisis, foremost on our minds is the safety of our team members and their families and the need to continue adapting rapidly innovating and delivering for those we serve. Still we know you begin to focus at this time on what will come in 2021 and beyond. At this distance, the evolution of the pandemic win and to what extent the economy will improve are very much open questions.

We expect the macro economic impacts of the broader unemployment and actions we have taken to assist customers and communities to continue well into next year. Helping our customers through an unexpected macro environment and the extended impact from disruptions and care has and will continue to be an area of intense focus for our business leaders and care providers.

During this period, our diversified businesses are creating unique opportunities to serve and we don't believe these are just passing trends. They bring more effective clinical outcomes, satisfaction and convenience for people at lower costs, a significant contribution to the next generation health system one that operates in a socially conscious way. These are accelerating in durable trends while supportive of our 13% to 16% long-term growth objectives in the years to come. Public sector and senior benefits programs, our care delivery businesses, our digital and at-home-based initiatives, pharmacy care services, data and analytics and help banking and payments platforms will continue contributing a significant growth factor long into the future.

Thank you for your time today. Operator, can you please open the lines for questions.

Questions And Answers

Operator

(Operator Instructions) We'll go first to Justin Lake with Wolfe Research. Please go ahead, your line is open.

Q - Justin Lake {BIO 6460288 <GO>}

Thanks. Good morning. Wanted to follow up on your comments on the second half Medical costs. You talked about getting back to about 90% of typical in June, or little above 90%, and you're expecting north of 100% in second half. So I was hoping you could put some numbers around a few things. First, how much above normal do you expect to be in the back half of the year? How much of the headwind do you expect the patients and client get-backs to be in the back half in terms of the headwind MLR -- the impact MLR? And then can you talk about how you price in 2021 in terms of utilization? Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

Okay. Well, maybe we'll start with John. And then as it relates to 2021 -- I'm sure you're talking about the commercial markets, and we'll have Dirk address that.

A - John Rex {BIO 19797007 <GO>}

Good morning, Justin.

Q - Justin Lake {BIO 6460288 <GO>}

Medicare would be great as well, Dave. Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

Okay.

A - John Rex {BIO 19797007 <GO>}

Hi. Good morning. John Rex here, Justin. Just a few comments here in terms of medical cost ratio and the impacts of customer assistance and how they flow through the year. So, yes, you are right. Clearly we expect higher than historically normal medical cost ratios as we move into that -- as we move into the second quarter of the year, and that's certainly implied in our maintain guidance view. And so you can see as you look at versus historical levels of a set -- typical second half we're running in the zone of a couple of hundred basis points above what we would consider kind of historical medical cost ratios in the second half of the year, kind of give you a little color in terms of how that flows through.

In terms of the customer assistance initiatives and how those play out, so among some of the more significant customer assistance initiatives that we're taking on are the waiving of co-pays for seniors in both the -- for both primary care, and very importantly on the specialists component is that's a very significant burden for seniors. Those really have much more impact as we get into the second half from the perspective of -- as care delivery systems reopen, that's when those costs will be incurred. So you're incurring those costs as seniors are accessing and people are really accessing that care and that's where the assistance component comes in. So that component, which is one of the more significant opponents of the customer assistance initiatives we've undertaken, is really could more weighted to -- really more weighted to the back half of the year than the first half of the year.

A - David S. Wichmann {BIO 3853550 <GO>}

Great. Thank you. And then, as it relates to pricing, I think we'll start with Medicare with Tim Noel, and then we'll go to commercial with Bill Golden. Tim?

A - Tim Noel {BIO 17867531 <GO>}

Good morning, Justin. Tim Noel. Thanks for the question. As we talked a little bit last quarter about pricing for 2021 in Medicare, and as a reminder, pre-COVID, we talked about total revenue related items roughly on par with our estimates of forward trend, and we also have the repeal -- the permanent repeal of the health insurance tax in 2021. So if you take those things all else equal, we would have expected 2021 to be a benefit investment year on the Medicare Advantage.

Certainly COVID create some challenges with diagnosis collection given the utilization patterns that we're seeing and talking about. And also, CMS has not provided any discrete adjustments in the final notice to account for that nor have they done anything sense, still too early to get specific on our bid offerings for 2021. Bids aren't final nor are they public. But again, our top priority is providing stable and reliable benefits for members that we serve. And we feel really good about 2021 and expect to continue our multi-year momentum in Medicare Advantage. Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

Thanks, Tim. And I'd just add to that. I think the way this year is setting up and I know it's relatively early, but in terms of the overall positioning is to continue the pace of growth that we've been seeing across the individual Medicare Advantage lines and then obviously we're deeply focused on the group Medicare marketing growth there as well.

Bill Golden, do you want to handle commercial?

A - Bill Golden {BIO 16672037 <GO>}

Sure. Yeah. Thanks, Dave, and thanks for the question. So we're going to continue our longstanding approach to pricing. We're disciplined and we're pricing to our best estimate of future cost trends. We have extensively modeled the potential impact of COVID-19, including to direct testing and treatment costs, potential of vaccine costs and costs that will be expected to be deferred into 2021, which includes the potential higher severity because of the deferred care and also the potential for continued depressed demand for healthcare services in some regions and states. All this is built into our forward view of medical cost trends. And we're working very closely with our customers right now and into August, as we start to put out of our renewals for 2021. Our clients are really expecting and appreciating consistent and stable pricing from us. Thank you.

A - David S. Wichmann {BIO 3853550 <GO>}

Great. Thank you, Bill. And thank you, Justin, for your question. Next question please.

Operator

Our next question is from Josh Raskin with Nephron Research. Please go ahead.

Q - Josh Raskin {BIO 3814867 <GO>}

Hi, thanks. Good morning. Wanted to talk a little bit about the impact on the physician side and OptumHealth, OptumCare specifically the recruitment of physicians and maybe how there -- how that's changed. I think there was an allusion in the press release to maybe an acceleration of bringing in more primary care and maybe some stock and specialty. And then can you flesh out sort of within that -- within OptumCare? The impact was a lot lower than I think we had expected. I heard John mentioned the risk-base entities offsetting the fee-for-service entities. Could you just give us a magnitude on that? And sort of how much the UnitedHealthcare payments impact, sort of how did OptumCare hold up so well?

A - David S. Wichmann {BIO 3853550 <GO>}

Good questions, Josh. Appreciate them. And we did try to lean into this a little bit in the script in terms of give you general impression that there's kind of movement afoot of physicians, advanced practice clinicians towards stable models that allow them to preserve their independence practice at the top of their license achieve the triple aim of healthcare. And we've clearly seen that, and then we've also, as you probably can suspect, at a fair agenda around inorganic build to access new geographies. And we've made a decent amount of progress on that upfront during this timeframe as well. So, but, I think, I'll send it to Wyatt Decker here. He can talk a little bit about the value proposition of

OptumCare, and what people are seeking at this important time and why this model is the one that they are pursuing Optum. Wyatt?

A - Wyatt W. Decker {BIO 17276367 <GO>}

Dave, thanks. And Josh, thanks for the question. You're absolutely right, Dave. We have seen continued interest in growth in our OptumCare model, which has become really the nation's predominant physician-led value-based patient-centered ambulatory medical practice. And that may sound like a mouthful, but it's really focused on doing what's right for patients, delivering care in both more convenient and lower cost settings in value-based construct keeping the patient at the center of everything we do. We've seen -- to the second question, Josh, around the performance of OptumCare, we've seen that our large geographic footprint combined with our both risk-based and fee-for-service model has created substantial resiliency in the business. And as John Rex mentioned, we saw some countervailing financial performances went fee-for-service got quieter during the peak of the pandemic. We're now seeing very rapid recovery in part because of our tremendous support of our front-line providers. And the other piece that I would want to underscore is our incredible gratitude to our front-line providers that have done an incredible job carrying for both COVID patients and helping us effectively navigate through this complex pandemic.

Your first question around ongoing recruitment of physician groups and individual physicians, your implied assumption is correct. We are seeing substantial interest in our practice model as well as becoming part of OptumCare. And this is part of a multi-year trend that we have continued to grow. And as you know we have relationships with multiple physician groups that are either affiliated or employed today over 52,000 doctors in both categories combined. And we have seen continued interest and expect pipeline of affiliated and employee physicians to grow robustly. Thank you.

A - David S. Wichmann {BIO 3853550 <GO>}

Good. Thank you, Josh. I appreciate your question. Next question please.

Operator

We will go next to A.J. Rice with Credit Suisse. Please go ahead.

Q - A.J. Rice

Hi, everybody. Let me just ask, a number of your business lines commercial, largely commercial, the -- OptumRx and OptumInsight are driven by large RFP activity. And I wonder, I think last time you had alluded to the fact that especially in OptumInsight, some of that RFP activity had been put on hold. Can you comment about how it's return to normal? Is this going to end up being normal year in those segments? Or are you seeing people put out per year making large decisions until, there's some clarity around what's happening with pandemic?

A - David S. Wichmann {BIO 3853550 <GO>}

Sure. Why don't we give you color from a number of different angles here A.J. We'll start with Dirk to give you a sense of what's going on with the UnitedHealthcare's and their selffunded business, and the RFP activity there and maybe even as it relates to some of the government program's based business. And I'm going to pivot over to John Rex to talk about Rx, and then Robert -- to comment on the activities in the market segments of OptumInsight. Dirk?

A - Dirk McMahon {BIO 18950833 <GO>}

Yes. So, thanks Dave. So A.J., hi. So as I look at national accounts and I think about this selling season, what we really saw was is that we are about 60 days behind normal in terms of people kind of making decisions for 1121. As we sit here today, not all of the decisions had been made. And as we handicap our wins and losses, what we expect will be roughly flat to a little bit up in terms of group wins and losses for 1121, but really the tale is going to be told with respect to national accounts as to what attrition occurs throughout the remainder of the year. That's really it. I would say in terms of general RFP activity, I think, I would say that in national accounts, they are sort of things just progressed, just add a little bit slower than what we had seen previously. As it relates to Medicaid, I'll turn it over to Tim Spilker, who give us a quick thoughts on the RFP activity in cadence.

A - Tim Spilker

Yeah, thanks, Dirk, and thanks for the question. Yeah. We're excited about as we mentioned, there were really nice wins. And of course we were thrilled to see that North Carolina finalized its Medicaid funding for 7121 start. So understandably, as you suggested, states have delayed some of their procurement timelines, but overall, we're starting to see those pick up here over the next couple of months. We believe our value proposition is strong and well positioned for growth and we'll be ready for those procurements as they come through.

A - David S. Wichmann {BIO 3853550 <GO>}

He is our new CEO of Community & State. You probably recall that Heather Cianfrocco was the primary -- the former CEO. She was promoted to oversee OptumHealth's health service sector as its leader. And as you might suspect, we are positioning some of our strongest leaders into the OptumHealth segment given the rapid growth expectations of that business over the next decade or so. Medicare to -- Brian Thompson, do you want to touch on that?

A - Brian Thompson {BIO 1537785 <GO>}

Yeah, thanks, Dave. As we look forward, group Medicare Advantage is shaped up to be a very strong year for 2021. Obviously, a lot of large customers looking for value as they go through this time, and we're really encouraged by a strong pipeline and on some -- next year in that space as well.

A - David S. Wichmann {BIO 3853550 <GO>}

Yeah. The team has done really well in the government program space around growth. And they have a substantial amount of momentum and continue to look forward. John Prince, do you want to touch on Rx?

A - John Prince {BIO 20142902 <GO>}

Sure. A.J., it's John Prince. As you know in the OptumRx business, we're in middle of our selling season right now. And we're very excited about the opportunities in the market. In the first half of the year, we had some good wins especially in the commercial market, the labor American and the health care market. As we pivot to the -- those back half of the year where more opportunities as we (Technical Difficulty) look to the big opportunities we're pursuing right in the selling season, so there is a robust pipeline for 2022. As you know and that make those type of decisions. In terms of movement in the market, we're going to see less movement in 2021 selling season as we have seen in previous years. Overall, I think our retention is going to be very strong as it has been for the last four years. We're going to be tracking to the high '90s as we've been tracking before. So we're going to see strong growth. Overall, I think the -- our stories resonate in the market. We're seeing client affordability, our tools around making sure our members stay healthy in the overall strong growth in the market.

A - David S. Wichmann {BIO 3853550 <GO>}

Robert Musslewhite rounded up here (Technical Difficulty) the action -- And then I'll ask -- really talking about both the activity with health systems who have been extremely busy and then also with health plans

A - Robert Musslewhite {BIO 15217765 <GO>}

On the provider side of the business and thanks A.J. for the question. We have felt like while there's certainly been some disruption during the quarter in some of our smaller technology deals on the larger deals, the pipeline continues to be strong and interest remains high order. We think that these larger comprehensive partnerships will continue to be very attractive to health systems in line with us across our commitment to total costs of care reductions and affordability patient -- these types of partnerships as we've seen in the past not only help mitigate liquidity and cash flow issues in the near term, but importantly accelerate the broader transformational clinical and structural work in the medium longer-term. And in that light, we're particularly pleased to be -- and we announced yesterday our partnership with Boulder Community Health, which is again a comprehensive new relationship-focused on multiple things, including, importantly, sharing outcomes in the clinical domain. And really see this as indicative of the broader pipeline that they'll feel very good about the ability to continue to support them there.

On the payer side again, similar story. Obviously, there have been places during the quarter, where we've had some impact on payers' willingness to step forward with large and forward, where we're able to provide a lot of value and support to our payer partners going forward and feel good about the pipeline there in the second half of the year.

A - David S. Wichmann {BIO 3853550 <GO>}

Hopefully that was responsive. Thank you for the question. The next question please.

Operator

We're next to Charles Rhyee with Cowen. Please go ahead, your line is open.

Q - Charles Rhyee {BIO 6968091 <GO>}

Yeah, thanks for taking question. Just I wanted to follow up on some of the earlier question. If we think about the additional $1 billion in premium rebates you guys are looking to push out, should we think about that as a starting point for additional rebates? And what sort of the timing as we think that runs through the P&L? And as we think about -- are there some states I think that are excluded since we've spoken with some experts that they suggest something anti-kickback or anti-rebate rules that limit your ability to repay premiums back intra-year? Can you kind of give us some thoughts around that and how that kind of plays out across your business? Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

Sure. So the additional $1 billion in -- or $1 billion in premium rebates is a best estimate at this point in time as these things move and we continue to deal with the pandemic as well as the impacts on the economy, that number will shift around. And it's -- the results on an in-term basis. So it's reflected in the results that you see so far year-to-date, so it's already through. And then as it relates to rebates, yes, there are into kickback rules and all those things. We have a very complex set of engagements that we need to make with the insurance commissioners and others to make sure that we can engage in that and have been successful at getting concurrence with them around providing these rebates. Obviously it's a lot easier to get money back than it is to ask for new. And so they've been very receptive and very collaborative and extremely appreciative that we were as proactive as we were -- and as early as we were in providing needed relief to our commercial members as well as the actions that we took on the Medicare front.

Thank you for the question. Next question please.

Operator

Next question is from Robert Jones with Goldman Sachs. Please go ahead.

Q - Robert Jones {BIO 17006630 <GO>}

Great, thanks for the question. I guess maybe just wanted to ask on this enrollment, enrollment in the commercial and Medicaid books. It seems like the heightened unemployment environment obviously having an impact on commercial enrollment. So I was hoping maybe you could share your thoughts on how you're thinking about this enrollment in the commercial book in the back half. And then relatively, do you feel that so far you've been able to capture commensurate market share on the increased Medicaid market, particularly as we think about recent evidence that previously furloughed employees are becoming more permanently laid off in potentially, obviously, entering that Medicaid space?

A - David S. Wichmann {BIO 3853550 <GO>}

Sure. Yes. So what we're seeing so far is -- our customer base has used for a lot of furloughs versus layoffs to reduce costs in the short term. In many cases, I mean, clearly this allows them to maintain medical benefits as throughout. What also has benefited our overall enrollment is the impact of the stimulus actions. That mean the impact on commercial enrollment hasn't been as great as we would have otherwise thought based on the unemployment data just because of the stimulus as well as the furloughs. So we're looking and we're continuing to work with our broker partners and with our employers to try to find folks -- to try to find other coverages for folks if they don't stay in commercial. What I would say is, in the Medicaid space, what we've seen so far is that the re-determinations have been put on hold. So that's been relatively sticky. We also will see people go to our commercial products as we pace -- individual products as we pace forward. And we have a fairly broad commercial individual products as well. So I'd say across the board, I think we'll be able to recapture our share. But there is no doubt there's going to be sort of the delayed impact because of the stimulus actions and we'll be a little bit more pronounced in the second half, but we think we've held our own so far.

Q - Robert Jones {BIO 17006630 <GO>}

Okay. Yeah. Okay.

A - David S. Wichmann {BIO 3853550 <GO>}

Thank you, Robert. Next question please.

Operator

Next question is from Sarah James with Piper Sandler. Please go ahead.

Q - Sarah James {BIO 16692995 <GO>}

Thank you. I wanted to understand how you're thinking about cost shifts between '20 and '21, so how much of the delayed utilization falls into '20 versus '21? Is there any SG&A that can be one? And are you making any changes in completion factor assumptions? Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

Good morning Sarah. How are you doing? Few things comments on in terms of just thinking about how those costs play out, I guess I'd kind of point out that you can appreciate we're quite respectful of the highly fluid situation and respectful of what we just don't know yet and it is evolving. So you can see that kind of our current expectation, that's the view that as kind of maintained earnings outlook would imply, a view that the deferred care -- the care that we had expected to be delivered in 2020 that this comes back and is delivered as we look into the back half of the year. Whether that plays out exactly that way or not or whether as you suggest some of that moved into 2021 also, is in part a component of how quickly systems helped delivery systems reopen, and how fully they stay open, and also just the consumer preference in terms of their comfort of going into these settings, so all those are elements that play out in this thing. And so we're being quite respectful of that situation as we look forward on that and how that plays out in '21, certainly some of that could end up in '21 at some point, I would believe.

In terms of costs, I think what you're referring to is investments that we would choose to make and certainly we are investing heavily and we investing heavily in part in response to COVID-19, in response to the pandemic, you probably saw some of that even in our operating cost ratio this quarter. In terms of the investments we're making on a current-period basis to serve people and to enhance and strengthen our capabilities as we look forward. So those are the main components that we -- that I'd point out in terms of how we're acting and how we're looking ahead to serve.

A - John Rex {BIO 19797007 <GO>}

And Sarah one of the things we did was we maintained our full workforce. So nobody has been laid off or furloughed or dismissed because of COVID-19, and in part because we knew that on the other side of this kind of initial activity that the health system would come back online and consumers would be accessing care. So we needed to make sure that we were prepared to respond to the markets demands just as quickly as possible. And because of all that the service through this time period, we've seen a striking improvement in consumer NPS across the company adversely all the lines of business at Optum, and the same thing with -- I'm sorry, UnitedHealthcare, and the same with Optum. And we've seen a nice improvement. So we're making sure that we utilize this time well and make those investments provide the right kinds of returns so that we're creating additional trust with the marketplace. And I think that's playing out nicely.

A - David S. Wichmann {BIO 3853550 <GO>}

Thank you for your question, Sarah. Next question, please.

Operator

Next question is from Fidel with Stephens. Please go ahead.

Q - Scott Fidel {BIO 5322875 <GO>}

Hi, thanks. Good morning. Interested if you can talk a bit about the naviHealth deal and give us an update, maybe on your broader post-acute strategy? And just, in particular, interested around whether you had envisioned Optum moving further to continue to acquire more direct home health and provider assets? Or whether you would see the strategy for post-acute being more to be -- more of a convener like naviHealth is right now? Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

I think a little bit of both, Wyatt?

A - Wyatt W. Decker {BIO 17276367 <GO>}

Yeah. Scott, thanks for the question. First, I would tell you how excited we are and pleased we are to welcome the team of naviHealth to Optum and UnitedHealth Group. Second, I would say just to frame it, when you look at seniors in the United States, there is over $60 billion spend in the post-acute space, which historically has not been well managed, both in terms of the patient experience and expenses. And so we think there is a tremendous opportunity in. And you can look forward with naviHealth as well as our own capabilities and our colleagues at Sound Physicians, which is a hospital-staffing group focused on hospitals who are very engaged in the post-acute transition to continue to build capabilities, to help both patients and people manage that post-hospitalization period with the best outcomes, and the best experience. So more to come, but we're very excited about this combination of our colleagues at naviHealth.

A - David S. Wichmann {BIO 3853550 <GO>}

And we needed a lot to the digital activities in the way in which we're engaging our assembling, our resources across our company to really create a unique and distinctive on clinical experience. That includes the engagement of our physical resources, our nurses that already go into homes. So I could see us a very much being a home through ambulatory surgical capacity company. And as it relates to the home, in particular, our interest would be and primarily in deploying skilled health services. So we would not be as inclined around the other home-base care services around ADL management, things of that nature. We probably would continue our focus on skilled clinical resources.

Thanks for the question, Scott. Next question, please.

Operator

And the next question is from Kevin Fischbeck with Bank of America. Please go ahead.

Q - Kevin Fischbeck {BIO 6157376 <GO>}

Great, thanks. My guess is that at this point, you're not going to give a point to estimate. I just want to conceptually understand you guys about that next year's earnings. This year you've done a lot to make sure that you don't capitalize on COVID, making sure that you serve the customers and providers to make sure that you're kind of that earning more than what your guidance was going to be this year. I mean, as we think about next year, is there conceptually any reason why you wouldn't expect to be earning target margins on your different products as if you're still hitting a recession, but didn't have COVID? Would you expect to be hitting the same kind of margins you normally would in a scenario like that? Or is there any reason to believe that next year's margins across your businesses would be somehow different than normal?

A - David S. Wichmann {BIO 3853550 <GO>}

Yeah, it's really hard to tell. I mean, we normally don't give guidance at this stage, Kevin, for 2021. I mean sometimes we give impressions, but given the volatility of the market as it stands right now and in more than near term focus that we have in making sure that we're serving our patients, members, customers and then keeping our people safe, including 120,000 clinical resources that are on the front-line of care where we were just not really in a position to talk about 2021. We will probably give you some sense of that in the Q3 call, but maybe not quite as clear as what we may have given in the past just kind of looking forward. I would see our Investor Conference is being the place where, I think we can give you the best sense of things. As it relates to our core performance of our businesses, they're performing well. I mean, we're not talking about their individual performances anymore because there is nothing normal about how any of them are performing at this stage. Collectively, they're doing a great job and they're right on expectations, and they're right on the expectations that inform the guidance that we gave you back in December, maybe a little bit ahead. So they are performing really well. I just don't think at this time, it's the right time for us to be thinking about where we'll land in 2021 in margins. We'll try to do a better job of that for you in the Q3 call and in the conference later this winter.

Thank you, Kevin. Next question please.

Operator

Next question is from Ricky Goldwasser with Morgan Stanley. Please go ahead.

Q - Ricky Goldwasser {BIO 1977392 <GO>}

Yeah, hi, good morning. So as we head into the election, we're getting a lot of questions from investors around the potential public option. So can you maybe just kind of like discuss affect your thoughts on the dynamics of the health insurance market? Should a public option be instituted?

A - David S. Wichmann {BIO 3853550 <GO>}

Sure, Ricky. Thank you for the question. I'll just go into -- we've seen at the state level some indications of efforts around a public option. I think the one that's probably most prominent and is the one that occurred in the state of Washington, which ended up being an augmentation of their exchange, a set of product offerings on that. And you probably have noticed that we bid and we were one of the successful bidders and are currently in contract negotiations to provide an offering on that exchange. What's interesting about that is, from our standpoint is that, we have a very strong relationship with the State of Washington. We have significant care delivery capacities in that state, and we serve 220,000 Medicaid and over 40,000 duly eligible individuals as well. And there is a kind of a unique program design there that really uses of -- I'll call it, roughly a reference based pricing. And we're curious to see how we perform in competing on a reference based pricing basis, because it is not unusual for us to have a disadvantage on discounts against the local market player given the size and significance so those players in the overall market. So we actually think this will be a nice test to see what the competitiveness of our business will be. Generally speaking, we're not a strong supporter of these public option proposals, primarily, because they disrupt current coverage platforms, which consumers value and appreciate. And we believe there is a near-universal coverage system already in America today. It's obviously not completed and it has some gaps. But we believe those gaps can be closed and think that consumers much prefer that we leverage the existing commercial, Medicare and Medicaid markets to provide the types of coverage options and coverages that are necessary for America. The areas that likely need some tuning would be around Medicaid, and we're obviously strong supporters of the -- these states that have not expanded to expand. We believe Medicaid is a strong coverage option for these states and encouraged that occurs. The other area would be that we see a lot of the uninsured are actually folks that have affordable coverage option available to them, but they don't necessarily enroll, and in particularly in Medicare where there is -- Medicaid, excuse me, where there is about 8.5 million people that are currently uninsured, but have Medicaid option available to them. So we'd be strong proponents of passive enrollment as well to ensure that Americans are getting the coverages that are made available to them by states, federal government and the private insurance system. So with that, thank you for the question, Ricky. Next question please.

Operator

We're next to Steven Valiquette with Barclays. Please go ahead.

Q - Steven Valiquette {BIO 1928887 <GO>}

Thanks. So yes just doing some quick back of the envelope type math for the full year intact, it seems that the MLR in the back half of 2020 would have to be maybe somewhere in the range 26% range give or take. And I guess what my question is, just given the trends that you're seeing in June and July around utilization, I guess I'm curious whether you're generally assuming that the MLRs will be fairly consistent in both three -- third quarter and fourth quarter? Or would you perhaps about the mechanics of this for the back half? Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

Hi, good morning, Steven. Yes, few impacts going on as we think about kind of the progression. So definitely there are the proactive actions that we're taking to help people that have impact in the quarters here. Typically makes is -- we would think about there is still being so a ramp, though, in terms of the system reopening, right? So as we went -- as we exited June and we are trying to give you kind of a much clarity and transparency as we could in terms of what we're seeing real time being systems reopening that -- at this point, they are still not fully opened. They're getting closed. They're near normal, but not what we would call fully reopened. So that will continue to track over the course of the second half, and we would continue that. So we expect there will be some trajectory that would go on from -- just from that component as those reopen. Creating some offset in that, certainly kind of we have a lot of actions also that are impacting -- that will impact kind of in the near term as they come on, and seniors are able to access care, and move through are using the co-pay eliminations that we put into place, so all those have quite a bit impact. At this distance, I would tell you kind of -- we're kind of in the -- just given the variability, we're kind of in a zone where those impacts probably have offsetting impacts and we're kind of sit in the zone of we look for kind of a relatively consistent levels throughout out it. Typically we have more in that as you get a little more impact though as you get into the 4Q, our historical patterns would show that.

Q - Steven Valiquette {BIO 1928887 <GO>}

Okay. I appreciate the extra color. Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

Thank you, Steven. And we have time for just a couple more questions. So next question please.

Operator

We'll go next to Ralph Giacobbe with Citi. Please go ahead.

Q - Ralph Giacobbe {BIO 6968095 <GO>}

Thanks, good morning. You mentioned June returning to near-normal levels. But I think I heard John also say that it continued into July despite the spikes. Is that correct? And why do you think that would be the case versus retrenching again? And then you mentioned acuity. Any help on how meaningful a driver that could be on trend in the second half given deferral, and if you've already seen that? Thanks.

A - John Rex {BIO 19797007 <GO>}

Good morning, Ralph. John Rex. So, yes, you're accurate in terms of my commentary in the prepared comments here. And so the trends we're referring to are national trends. You're absolutely correct, if we were to go into pockets into certain metro regions in the country where you've seen some spiking in terms of infection rates and such, we're seeing impact in those particular regions, but those are very particular regions in terms of that dynamic that we're seeing. So when we're talking about kind of what we're seeing through July and kind of it -- it's very much at a national level in terms of impact there. And Dirk has a little additional color commentary.

A - Dirk McMahon {BIO 18950833 <GO>}

I would say, we would expect the infection rates to ebb and flow based on geography. What we don't expect to see sort of a broad base shut down. Those play back to see if there's going to be some resulting economic impact. Obviously, some more markets sort of individual markets to be from the basin there. But overall, like we said on the call today, and Ralph on your question on the acuity, little too soon to really call that one right now. So when we expect individuals with chronic conditions that have missed treatments and then they come back into the system, and coming back potentially with a higher acuity level, a little too soon to kind of current -- in the current trend as we say here today. So really isn't showing up yet, but we expected that to show up as systems continue reopen, the level increases.

Q - Ralph Giacobbe {BIO 6968095 <GO>}

I mean it's kind of hard to ignore the number of new diagnoses that dropped off. It's hard to ignore that stroke. You can imagine with fear of consumers going to an ER that cause them not to access. So we -- it may be speculative here, but I think that suggests that there will be some services that people receive -- we facilitate them receiving those services.

Operator

And we'll take that question from George Hill with Deutsche Bank. Please go ahead.

Q - George Hill {BIO 7385637 <GO>}

Hey, I guess just to wrap it up, could you guys talk a little bit about the AbleTo acquisition kind of how you think it fits into your primary -- your other telehealth partnerships and the digital health initiatives? Thank you.

A - David S. Wichmann {BIO 3853550 <GO>}

Yeah. So we're also very pleased to welcome the team from AbleTo. And as you allude, there is enormous capability of digital health tools to those suffering from mild, moderate, and in some cases you have behavioral and substance use-disorder conditions. And what you'll see is will leverage the capabilities of able to in a more comprehensive fashion with other capabilities, including care, which we have seen an enormous uptick in as well. Today, for behavioral health and visits over half are being provided in the outpatient setting using digital capabilities. And AbleTo have very sophisticated tools that allow individuals to address their behavioral health care needs. So we're very pleased and we look forward to continuing to build out both there and our capabilities. Finally, to your point, about embedded solutions and primary care, we have begun that journey. And in fact within OptumCare, you'll find a number of our practices I have embraced today, and able to provide more advanced capabilities to use digital tools in that setting as well. So yes, we will continue that integration. Thank you.

Q - Ralph Giacobbe {BIO 6968095 <GO>}

Thank you.r

A - David S. Wichmann {BIO 3853550 <GO>}

And just both naviHealth and AbleTo are organizations that we've aligned to in the past. So we have a history of a strong working relationship and knowledge, good strong intimate knowledge of the performance of these businesses and where there innovative capacities lie. And they're just have really strong management teams and do a very good job managing their respective markets. So thank you for your engagement today, this is an unique time in our history, and in the history of healthcare. As you have come to expect from us, we will continue to meet this unprecedented environment with the highest level of integrity compassion and agility. UnitedHealth Group was built to be an adaptable company. And as we've seen in the past several months, you can expect the following from us that we will continue to lean into challenges of the current environment with the full capacity of this enterprise and proactive with others. As we work together to serve society through COVID-19, we will fairly resolve any economic imbalances that may arise while we continue to lead in the development of the next generation health system in a socially conscious way, so that everyone can be served equally one person, one provider, one health system at a time. And with your continued support, we expect to grow in emerge an even stronger company in the years to come. Thank you. We look forward to talking with you again next quarter.

Operator

This does conclude today's program. Thanks for your participation. You may now disconnect. Have a great day.