Q4 2021 Earnings Call

Company Participants

- Andrew Witty, Chief Executive Officer
- Brian Robert Thompson, Chief Executive Officer, UnitedHealthcare Government Programs
- Dirk McMahon, President and Chief Operating Officer
- Heather Cianfrocco, Chief Executive Officer, OptumRx
- John Rex, Executive Vice President and Chief Financial Officer
- Timothy Elizabeth Spilker, Chief Executive Officer, UnitedHealthcare Community & State
- Timothy John Noel, Chief Executive Officer, UnitedHealthcare Medicare & Retirement
- Wyatt W. Decker, Chief Executive Officer, OptumHealth

Other Participants

- Albert J. William Rice
- Gary Paul Taylor
- Joshua Richard Raskin
- Justin Lake
- Kevin Mark Fischbeck
- Lance Arthur Wilkes
- Matthew Richard Borsch
- Nathan Allen Rich
- Rivka Regina Goldwasser
- Scott J. Fidel
- Stephen C. Baxter
- Steven James Valiquette

Presentation

Operator

Good morning, and welcome to the UnitedHealth Group's Fourth Quarter and Full Year 2021 Earnings Conference Call. A question-and-answer session will follow UnitedHealth Group prepared remarks. As a reminder, this call is being recorded. Here are some important introductory information. This call contains forward-looking statements under U.S. federal securities laws. These statements are subject to risks and uncertainties that could cause actual results to differ materially from historical experience or present expectations. A description of some of the risks and uncertainties can be found in the reports that we file with the Securities and Exchange Commission, including the cautionary statements included in our current and periodic filings.

This call will also reference non-GAAP amounts. A reconciliation of the non-GAAP to GAAP amounts is available on the financial and earnings reports section of the company's Investor Relations page at www.unitedhealthgroup.com. Information presented on this call is contained in the earnings release we issued this morning and in our Form 8-K dated January 19, 2022, which may be accessed from the Investor Relations page of the company's website.

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

Andrew Witty {BIO 3471756 <GO>}

Thank you. Good morning and thank you all for joining us today. I'd like to start by recognizing our colleagues, the people of Optum and UnitedHealthcare for delivering strong results throughout 2021 and creating the momentum that is carrying us through as we enter into this year. For example, performance in two key elements of our growth strategy, accelerating the transition of patients to Optum-led value-based care and strong UnitedHealthcare growth in serving Medicare Advantage consumers are both tracking well with the expectations we shared with you at our recent investor conference. These and the broader performance across the enterprise confirm our confidence in our ability to advance our stated growth strategies and to support our long-term 13% to 16% EPS growth rate.

When you look back at the prevailing themes for 2021, you see a story of accelerating growth. Strong collaboration between Optum and UnitedHealthcare, and with our many external partners helped us grow in serving both commercial and government markets, unlock new innovation, introduce integrated products and services to the marketplace, and significantly increase the number of people benefiting from value-based models of care.

Last year, we leveraged our technology capabilities to help physician and hospital systems better serve their patients and communities. And we sharpened our focus on the consumer working to elevate and improve the end-to-end experience. Taken together, these efforts helped us add more than $30 billion in revenue for the year, about $10 billion above our initial outlook. And you should expect similar growth in the year ahead. We see an even greater demand for integration, to bring together the fragmented pieces of the health system, to harness the tremendous innovation occurring in the marketplace, to help better align the incentives for providers, payers and consumers, and to organize the system around value. A healthcare system that is more connected, more informed, more human and more responsive to every person's unique needs.

At our investor conference, we shared five key areas for growth and for differentiated experiences across our portfolio. These growth opportunities will guide our strategy this year and for many years to come. First is care delivery, more specifically value-based care. For UnitedHealth Group, this is more than a primary care strategy. It's a comprehensive clinical strategy encompassing our growing behavioral, home, ambulatory and virtual care capabilities. Our second growth area is health benefits, advancing the quality innovation and consumer appeal of our benefit offerings and bringing our value-based strategy to life. We entered '22 having generated strong consumer growth in Medicare Advantage and saw further progress in Medicaid and growing momentum in our commercial business.

Next, health technology, our major partnerships across the country help health systems improve their performance and returns all to better support their missions. We're energized by the potential to bring these comprehensive tailored solutions to a greater number system partners in 2022 and beyond. Fourth, health financial services, vastly improving the health payment sector, streamlining and simplifying payments for providers, payers and consumers, while reducing friction and increasing speed and convenience.

And finally, pharmacy services, where people interact most often with the healthcare system. We can better use the significant breadth, volume and value of our foundational pharmacy services and data capabilities and integrate our medical pharmacy and behavioral capabilities. All of this to provide whole person care, support the discovery of new drugs and treatments and support value-based models of care. In sum, we enter 2022 with heightened confidence in our ability to execute upon the objectives we set forth in the late November.

And with that, I'll turn it over to President and Chief Operating Officer, Dirk McMahon.

Dirk McMahon {BIO 18950833 <GO>}

Thank you, Andrew. I thought I would take a few minutes providing you with some additional details on our first growth priority, value-based care. How we have prepared for it, the investments we have made and how we see it working in the near future. This has been something we have been working on and building over the course of a decade.

For example, there was significant operational groundwork and investment that went into supporting the 0.5 million new patients for whom OptumHealth will become accountable in 2022. Successful execution requires a lot of detail planning, investing and building. It has become a distinctive competency of our enterprise, which we can now increasingly apply at scale.

So what does it take to prepare for moving to a fully accountable arrangement? Investments can be significant. As an example, in '21, we incurred over $100 million in preparation expense. Within this, there are three major work streams involved, clinical training and staff preparation, technology and data enhancement, and third is network coordination.

The first work stream focuses on physician education. It begins well more than a year prior. It's important to provide the resources and knowledge for physicians to begin approaching their patients differently. They engage in their patient's whole health well ahead of taking on greater accountability. We find it to be an essential and sometimes complex shift in what our long-held fee-for-service practices. Beyond education, we ramp up our capacity in the form of physicians, nurses and other clinicians to meet the requirements of our business.

The second area focuses on the technology systems and information needed to support patient care and effective clinical management. This includes things like patient portals and utilization management systems, as well as reporting systems for teams to effectively manage. Finally is the planning and network coordination work to support clinical oversight beyond primary care and ensure true continuity of care. This planning and coordination includes initiatives such as identifying the patients most in need and ensuring a seamless transition to high-touch clinical care services that improve health and quickly pairing patients with a personal care navigator to assist in supporting complex health needs, appointment scheduling and timely medication support on day one.

These foundational preparations and investments have been critical in creating strong results across a variety of geographies and practices we have transitioned. We expect this expertise will serve us well as we transition to even larger groups of patients in the years to come. Before handing over to John, I'd like to update you on how COVID has impacted our operations. Like other businesses, we have experienced moderately higher levels of attrition and more unplanned absences. We had prepared for this situation through increased recruiting capacity as well as meaningfully upgraded digital capabilities to improve customer experience and reduce call volumes.

As a result, in the first two weeks of '22, traditionally, our most demanding period, we were able to service the needs of our patients and customers. At the same time, we responded swiftly to the federal mandate for cash-free COVID test for consumers, a highly complex undertaking. With four days' notice, UnitedHealthcare created a customer digital experience for ease of reimbursement and established a partnership with Walmart and now Rite Aid that eliminates cash outlays by consumers at point of purchase. We expect more partnerships in the days ahead. As we look forward, we believe we have the right capacity in place to execute our business priorities and meet our customers' expectations.

With that, now I'll turn it over to Chief Financial Officer, John Rex.

John Rex {BIO 19797007 <GO>}

Thank you, Dirk, and Happy New Year, everyone. I'll start by expanding a bit of on Dirk's comments on the COVID impacts we're seeing. In the most recent weeks, inpatient hospitalization levels for our members are similar to the January 2021 levels, even with national COVID case rates about 4x higher. For those people needing inpatient care, severity is seemingly lower as we are seeing shorter lengths of stay compared to that earlier period. At the same time, we are observing familiar correlations of care activity patterns to other periods of elevated infection rates experienced over the past two years. For example, in these early weeks of January, we are seeing slowing in primary care, elective visit and procedural volumes. Activity over the past several weeks shows primary care visits having declined about 10% and an even higher rate of decline in specialist visits. As always, our prime focus is on helping people get the care they need when they need it.

Moving now to our specific business performance. OptumHealth's revenue per consumer grew by over 30% in '21, driven by the increasing number of our patients served under value-based arrangements. Consistent with the expectations we shared in late November, we had a strong start to the year and continue to expect to add 500,000 new patients in accountable value-based relationships, benefiting from the groundwork laid over the past many years.

OptumInsight's earnings grew 25% in '21, with operating margins approaching 28% for the year. We ended the year with a revenue backlog of $22.4 billion, an increase of $2.2 billion over the prior year. Our expanding relationship serving health systems has been a key factor driving this growth. And we expect these partnerships to continue to grow in '22 and beyond.

OptumRx earnings grew 6% for the year, driven by the continued expansion of our pharmacy services businesses, supply chain initiatives and strong cost management activities, and benefiting from strong customer retention. In addition, we continue to see the impact of OptumRx's movement to a higher value pharmacy care and specialty services orientation.

Turning to UnitedHealthcare, full-year revenues of $223 billion grew 11%. As noted, our 2022 Medicare Advantage member growth outlook is very positive and consistent with the objectives we established at our November investor conference. Within the up to 800,000 new members we will serve in '22, about 3/4 will be in individual and group Medicare Advantage and the remainder in dual special needs plans. And given the steady strides we've made in quality performance, we have the opportunity to enroll people in our newly rated five-star plans throughout the entirety of this year.

Our Medicaid membership outlook for '22 continues to incorporate an expectation that states resume eligibility redeterminations, resulting in modest net attrition. In January, we began serving the citizens of Minnesota and continue to support the Missouri expansion this year, as well as renewed relationships with Ohio, Tennessee and Nevada. Over the course of the year, we will look to continue to expand upon the nearly 8 million individuals we serve across 31 states. We concluded '21 with commercial membership about 200,000 people ahead of the original outlook provided. Creating this momentum is the strong response we are seeing to the new innovative products you have heard us discuss.

Products such as NavigateNOW, which use the Optum virtual network as a first option. Our capital capacity has remained strong. Full-year '21 cash flow from operations was $22.3 billion or 1.3x net income, about $2 billion above the initial outlook we shared a year ago. We continue to expect our 2022 cash flow to approach $24 billion, about 1.2x net income. And we ended '21 with a debt to total capital ratio of 38%. These ample capital capacities allow us to continue to accelerate our investments, while remaining committed to an advancing shareholder dividend and supporting our expected repurchase of between $5 billion and $6 billion of stock in '22.

Our 2022 adjusted earnings per share outlook of $21.10 to $21.60 is consistent with the view we offered seven weeks ago. From this distance in contrast to the past two years, we expect the seasonal pattern to be more consistent with our historical experience with just under 50% of full-year earnings in the first half and the first two quarters comparably even.

Now I'll turn it back to Andrew.

Andrew Witty {BIO 3471756 <GO>}

Before we transition to the Q&A portion of the call, I hope you've already taken away the strong sense of confidence John, Dirk and I share in the growth potential of this company, rooted in the growing number of people we're serving in value-based models, the depth of relationships we're building with local health systems, our pharmacy capabilities and the innovation and consumer focus that's driving growth across our government programs, individual and commercial businesses.

As demand for innovation and integrated solutions, products and services only continues to grow, we've never been in a better position to help bring together the fragmented pieces of healthcare and create more value for the people we try to serve.

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

Questions And Answers

Operator

(Question And Answer)

Thank you. The floor is now open for questions. (Operator Instructions) And we'll go first to Scott Fidel with Stephens.

A - Andrew Witty {BIO 3471756 <GO>}

Hey, Scott. Go ahead.

Q - Scott J. Fidel {BIO 5322875 <GO>}

Good morning. Thank you. My question was just a little follow-up just on the Medicare Advantage environment. And if you could just talk about, from your perspective, whether you've seen any material change in the level of competition in the market for 2022 relative to 2021?

Then just would also be interested in -- if, for United, whether there's been any types of shifts in the distribution channels through which you're driving your MA growth just as we think about some of the evolving trends in Medicare? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Yes, Scott. Listen, thanks so much for the question. Before I hand it over to Tim Noel, who runs that part of our organization, let me just reiterate how pleased we are with the overall performance through the selling cycle. The number of folks who have chosen UnitedHealthcare continues to grow super well ahead of market, growing market share once again. And as we said a couple of times in our opening commentary, very much in line with the expectations that we set out for the year. So really, big picture, super positive.

I'll hand over to Tim to give you a little bit more background to all of that. Tim?

A - Timothy John Noel {BIO 20408916 <GO>}

Good. Great. Thanks, Scott, for the question. This is Tim Noel. Yes, the way I see the MA market is it's been highly competitive for a number of years. And I don't see 2022 as a step function increase and that level of competitiveness. The trend of more entrants, better benefits has really been a multiyear one. And we see this trend as being one that's very good for seniors and also one that's very good for the overall growth of the Medicare Advantage industry.

Seniors are shopping for more value as they should be. And for our part, we're really focused on differentiating our offerings in the marketplace. And what we're doing is we're driving things, not only around benefits, but also around capabilities. Better digital tools, ease of payment, product innovation, better and more personalized service experiences, better clinical quality, more value-based and aligned care provider relationships are all part of that. And our approach continues to resonate in the marketplace. So we really like our performance and our positioning inside a very strong and growing marketplace.

A - Andrew Witty {BIO 3471756 <GO>}

Tim, thanks so much. And Scott, just your secondary on distribution. I think it's fair to say nothing's changed in terms of our approach to distribution. In fact, I think we've never had more distributors, agents working on our behalf across the country. So no change there whatsoever. And we are super grateful for all of the support we get from agents and brokers and others who help us get the message across well to seniors who are looking for MA as an option. So really very positive about that environment.

Let's go to next question.

Operator

We'll go next to Josh Raskin with Nephron Research.

Q - Joshua Richard Raskin {BIO 21301253 <GO>}

Hi, thanks. Good morning. My question relates to OptumHealth, and the disclosures around the top-line growth have been really helpful. But I'm curious more on the margin side, and specifically how margins trend over time when you take 100% global capitation. And maybe, specifically, if you're making money on the totality of that business today and maybe how that migrates over time.

A - Andrew Witty {BIO 3471756 <GO>}

Hi, Josh. Thanks so much. Let me pass it over to Dr.Wyatt Decker, who looks after OptumHealth. Wyatt?

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

Yes, Josh, thanks for the question. Absolutely, we are positioned, the OptumHealth, as a growth platform. And we're investing in new markets and deeper penetration into established markets. As we do that and expand the capabilities, you'll continue to see us delivering on an 8% to 10% margin range. So you can anticipate us to continue to generate strong performance while investing in what will be a multiyear growth platform. Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

John? John Rex, I think, maybe add a little?

A - John Rex {BIO 19797007 <GO>}

Sure. And just, Josh, getting at your point of how does that progress over time. And Dirk did offer some nice commentary on the call in terms of the investments that we make as we're looking to move to capitation. And that does tell a kind of a multiyear story of investments as we get ready to move to capitation. So that's even before any revenue comes into the picture we're making, we're making those investments. And significant -- very significant ahead in a couple of years ahead, especially in the year ahead of those transitions before there's any kind of revenue view. So that is creating kind of that impact.

And what Dr.Decker was describing there is, so as we seek to do that and those movements occur, we're always bearing within that a fairly significant investment loads. This year, it was obviously fairly significant with the 0.5 million members that we transitioned. And we continue to accelerate. Those investments continue also, while we start getting leverage on those as we do more of it. So we're kind of bearing that within the 8% to 10% that Wyatt was describing there. Thank you.

A - Andrew Witty {BIO 3471756 <GO>}

Yes, absolutely. I think both sets of comments really point to what's happening, Josh. One way that helps me think this through a little bit is to think about vintages. So every year, there's a different number of folks who transition into the capitated environment. Of course, that number grows every time. So this year will be almost double what we did last year. Last year was almost double what we did the year before.

As you think about it, the margin associated or the economics associated with each vintage changes year-by-year as those populations of folks stay in OptumCare for sustained periods of time. So as you think about the longer-term evolution of the economics of OptumCare, I'd encourage you to think about it, reflect on how those vintages are aging into their stabilization within the value-based environment.

Next question?

Operator

We'll go next to Justin Lake with Wolfe Research.

Q - Justin Lake {BIO 6460288 <GO>}

Thanks. Good morning. Appreciate your comments on how trend is kind of starting the year with COVID. Can you give us a view of how you ended the fourth quarter and into the first quarter of -- by business segments? If I remember correctly, commercial was running a little bit harder than Medicare and Medicaid in the third quarter. And then anything you could tell us in terms of what you think maybe a rough number might be on the cost of the new home testing requirements? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

So, thanks so much, Justin. I'll ask Brian Thompson, President of UHC, to comment in a second. I think, overall, those trends we saw segment by segment didn't get too different as we roll through here. I would just say, as we go into the last part of the year, the last couple of weeks as Omicron really started to show its face, that's still -- we're still kind of learning exactly what the impacts of that. As you can imagine, we can see some things very quickly like physician visit. It's a little harder to know exactly what kind of complexity of claims might look like in hospitals. That will become clearer the next few weeks.

But let me ask Brian to go a little deeper on all of that.

A - Brian Robert Thompson {BIO 1537785 <GO>}

Sure, Andrew. Thanks for the question, Justin. Brian here. As Andrew alluded to, I would say our results for COVID in the fourth quarter were in line with our expectations. As you said, similar to the dialogue we had for the third quarter as well as at the investor conference, with commercial largely at baseline performance and both Care and Caid modestly below, still with that same dynamic of Medicaid being slightly below Medicare. So not much change there.

As you suggested, and as we had reiterated in our opening comments, Omicron obviously emerging here in December. And I think John Rex said it well. While there's certainly some differences in contagiousness and severity, the impact of abatement following these swells and infections is consistent with what we've seen in Delta and other strains prior, double-digit declines in both physician visits as well as specialist visits.

So we're continuing to see that dynamic play out. What we may not have anticipated in increased testing and costs are offset with beneficial unanticipated levels of abatement. So that seems to be holding here in the early stages of Omicron.

To your point, with respect to at-home testing, our focus right now is really the consumer experience. As you know, these rules came out just a week ago. Our goal has been how can we ensure that our members know where they can go and get access to those at-home tests without a cash outlay.

We've really been pleased with the various retailers that we've been working with, Walmart and Rite Aid, in particular, but many to follow, of getting this capability stood up in a matter of four days. We're encouraged by that. And at the same time, creating a really easy digital experience for those that do shop and need reimbursement when they go to UnitedHealthcare and myuhc, they're able to easily understand how to get that reimbursement. That's been our focus.

I think isolating the cost of the COVID test from this distance isn't really instructive. I think if and when it remains durable as a function of not only supply and demand, but how this plays out over the course of the year. And again, I'm comforted by this offsetting dynamic of care deferral that has followed any of these unanticipated waves. Thanks, Justin.

A - Andrew Witty {BIO 3471756 <GO>}

Brian, thanks so much. And I also just want to express thanks to the folks at Walmart and Rite Aid and others who will join shortly in helping get this preferred network up so quickly. The fact that we were in a position with our partners to be able to respond to patient need from Saturday, the very first day that this was requested from the federal government, I think, speaks well to the capabilities of the private sector, the participants within the healthcare sector, to respond and solve problems on behalf of the country. And I think that's an example which we see repeated across the landscape. And we're very, very proud of being able to work with Walmart and Rite Aid in this particular case.

Next question?

Operator

We'll go next to Kevin Fischbeck with Bank of America.

Q - Kevin Mark Fischbeck {BIO 6157376 <GO>}

Great. Thanks. I just want to go back to the MA conversation for a second. Can you talk a little bit about how you're thinking about the margins in that business? And whether you think any differently about the appropriate margin or acceptable margin in that business now that you've got an ability to earn additional earnings streams through the capitation, the value-based care arrangements that you have? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Thanks so much, Kevin. Let me ask John Rex to reflect on that. Thanks.

A - John Rex {BIO 19797007 <GO>}

Yes, Kevin, good morning. It's John here. So yes, when we think about kind of our business structure, we have separate businesses across the company. And as you know well, extremely important to us is remaining -- is retaining bright lines across those businesses. We serve over 100 payers in OptumCare. We serve many payers across the OptumInsight businesses.

And so when we think about our business, they stand alone from a margin perspective, all of our businesses. And that's very important to how we operate the company, how we serve others and how we approach the marketplace.

A - Andrew Witty {BIO 3471756 <GO>}

Absolutely. John, thanks so much. And Kevin, thanks for the question. It's also really important to remember that every single one of our service lines, business lines is literally tested and challenged at 24/7, 365 days a year through all of its multi-payer relationships, the competitive environment we're in. I don't think there's really any space where we don't have multiple competitors at some level. And of course, with all of the variety of payers that we service, we are constantly being tested in terms of our ability to serve, making sure that we are priced competitively and the like.

So I think it's a well-established and highly successful separation between the two businesses, which has performed extremely well. And most importantly, consistently delivers great value to patients, consumers, system partners who we are privileged to work with and increasingly is scoring well in areas like NPS and other measures of consumer experience and service experience.

Next question?

Operator

We'll go next to Stephen Baxter with Wells Fargo.

Q - Stephen C. Baxter {BIO 20009327 <GO>}

Hi. Thanks. Wanted to come back to the rapid testing question. I guess, are you guys thinking about this as a definite net cost? Are you thinking their potential offsets from less expensive other testing? And then there does seem to be a push and pull between the supply and the market of rapid test today. And then the Biden Administration distributed 1 billion of these tests for free. I guess, how are you thinking about the supply that your partners are going to have access to as you have these discussions? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Stephen, thanks so much for the question. Yes. As Brian alluded to earlier on, I mean, at this point, a little hard to know exactly -- obviously, partly because of the demand-and-supply dynamic, exactly what the kind of scale of the testing program could be. But given you would logically expect that if there was a high sustained demand, there's probably a lot of Omicron or some kind of area in the system that would probably lead to what Brian was talking about earlier, with abatement elsewhere in the system.

So at this level, I think we kind of expect these two things to somewhat offset. Obviously, we don't know. But at this level, I think it kind of makes sense. The demand and supply, obviously, that has been a challenge across the system historically. We're very fortunate to have very established, experienced supply chain partners in this in the shape already of companies like Walmart and Rite Aid. And I'm sure they're very much focused on ensuring as much supply as they can get. But I think it's inevitable that we're going to continue to see outages as you go through these geographic kind of surges that we've characterized this pandemic from the get-go.

Next question?

Operator

We'll go next to Ricky Goldwasser with Morgan Stanley.

Q - Rivka Regina Goldwasser

Yes. Hi, good morning. So as we think about the MA environment, you're growing above market. Can you talk a little bit about the role that OptumCare plays in the ability to gain share? Maybe if you have any data points that compare the stickiness or attrition among United MA members that are within the OptumCare network.

A - Andrew Witty {BIO 3471756 <GO>}

Ricky, thanks so much. Before I hand that to Brian to maybe reflect on a little bit, one of the things that I think we really are pleased about is the way in which OptumCare has developed a whole set of capabilities to deliver really enhanced focus on MA patients. Obviously, these patients have a high medical need very often. They need high touch. I've been super impressed with the development, not just in the clinic, but also through the at-home programs, where we're able to continue to make sure folks are looked after properly.

And actually, particularly as we've gone through the pandemic environment, people's preference to have care delivered in the home has become clearer and clearer. But Brian, maybe you could reflect a little more on how that plays through in terms of the attractiveness of what you're able to offer.

A - Brian Robert Thompson {BIO 1537785 <GO>}

Sure. I appreciate that. I think Tim really laid out a long list of things that we focus on to make sure that we remain competitive in this space. And as I think about OptumCare specifically, first and foremost, for us, it's predictability. But beyond that, where we have our best satisfaction, which, in turn, leads to our best persistency, our members that stay with us the longest is with our OptumCare partners. And I think, first and foremost, that's a benefit for us.

I think beyond that, our journey on quality from -- as you might remember, just a short decade ago, of under 10% to almost nearly 100% was certainly at the support and help from OptumCare, not only in our relationship with them, but how we establish incentives with providers outside of OptumCare. So the list is pretty long. And I would say, if I was to point to one differentiation for UnitedHealthcare, it's certainly OptumCare.

A - Andrew Witty {BIO 3471756 <GO>}

Wyatt, would you like to maybe add from your perspective?

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

Yes. Well, BT touched on it, but our focus on the consumer and patient experience is relentless. And we are continuing to deploy new capabilities all the time. And Andrew, you mentioned home and community. When you look at the quality of the care that we provide, as Brian mentioned, it's now 99% of UHC members with OptumCare or enforce our -- or higher-level plans. And we don't stop there.

And so now we have unveiled our virtual care platform that brings behavioral care to the forefront, brings virtual care and physical care and connects people to their own trusted providers. So you'll see us continuing to focus on how do we meet the needs of our members and how do we reduce friction for our patients.

A - Andrew Witty {BIO 3471756 <GO>}

Great. Thanks, Wyatt. Thanks so much for the question, Ricky. Next question?

Operator

We'll go next to A.J. Rice with Credit Suisse.

Q - Albert J. William Rice

Thanks. Hi, everybody. Obviously, labor pressures across the healthcare industry is a big topic. You have involvement in that in OptumHealth as well as in UHC and your discussions with your non-affiliated providers. I wondered how -- what -- how that's impacting your business, perhaps the shift of people from -- to OptumHealth from UHC may be a mitigating factor. But any comments about what you're seeing as you try to add your clinicians in OptumHealth? And then also what you're hearing from your provider networks and how that might impact your outlook in UHC?

A - Andrew Witty {BIO 3471756 <GO>}

Thanks, A.J. Let me ask Dirk to start that one off.

A - Dirk McMahon {BIO 18950833 <GO>}

Yes. Thanks, A.J. Look, let me just take this a little bit more broad. As we look across our labor markets, it's a hot market for things like clinical talent, technology and customer service. And one of the things we and Optum did really early in the process is we scaled up our recruiting capacity. We got -- we retained -- we set up retention for some key staff. And one of the other things is we've had pretty decent retention because we have a pretty good mission along those lines. So a lot of additional staffing, a lot of sort of getting ahead of this proactively has been our major action.

As it relates to other providers in UnitedHealthcare, we talked about this in the last earnings call. The -- our contracts are negotiated every three years. So it's sort of from our perspective, yes, we're hearing that there are shortages. But we're working with those folks in the shortages. And there's a little bit of inflation, but we ultimately price for that. And like anything else in the market, the market will settle that out. And we're just being very aware of what the implications on a little bit tight labor market are. And hopefully, it will loosen up as we pace forward.

A - Andrew Witty {BIO 3471756 <GO>}

Great. Thanks so much, Dirk. And A.J., thanks so much for your question. Next question?

Operator

We'll go next to Matt Borsch with BMO Capital Markets.

Q - Matthew Richard Borsch {BIO 5186998 <GO>}

Hi. Yes. Thank you. I guess, I was hoping that you could maybe just talk a little bit more about the Medicaid redeterminations and what you're expecting in terms of the timing and the impact. Because I know you touched on modest. I'm just wondering how you're seeing mitigating factors there.

A - Andrew Witty {BIO 3471756 <GO>}

Yes. Matt, thanks so much. I'm going to have Tim Spilker, who leads our CNS organization, to respond to that. Tim, could I pass over to you?

A - Timothy Elizabeth Spilker

Yes. Thank you for the question. At the investor conference, we indicated that we thought states would resume redeterminations in mid-'22. I think based on what we're seeing at this point, that assumption seems even more likely than we thought at that point.

Important to note, though, that we're also working closely with our state customers to better understand the timing and the approach that they will take once they do resume. And probably, most importantly, based on the breadth of UHC's products across commercial coverage, exchange as well as Medicaid, we're confident that we'll pick up our fair share as folks transition from Medicaid to other types of coverage. So thanks for the question.

A - Andrew Witty {BIO 3471756 <GO>}

Tim, thanks so much. And Matt, also, thank you. Next question?

Operator

We'll go next to Nathan Rich with Goldman Sachs.

Q - Nathan Allen Rich {BIO 18612055 <GO>}

Hi, good morning. Thanks for the questions. Just following up on some of the comments on Medicare Advantage. A couple of your peers are talking about changing how they go to market next year, both from a benefits design as well as distribute standpoint. I know it's early to talk about 2023, but I'd just be curious how this informs your approach as you strive to maintain that value differential that your plans provide?

A - Andrew Witty {BIO 3471756 <GO>}

Thanks so much, Nathan, for the question. Let me ask Tim Noel to make a couple of comments on that.

A - Timothy John Noel {BIO 20408916 <GO>}

Yes. Thanks, Nathan, for the question. As we think about 2023, certainly, a little bit too early to get into a lot of depth there given that we haven't even seen an indication of rates from CMS yet. However, when I think about broad strategic goals around distribution and product, I'm not seeing any shift in the stance that we've gone to market with in 2022 and even 2021 and years prior.

We are very comfortable with our multichannel distribution approach. And as I indicated earlier, our approach on differentiating our products in a very robust industry continuing to resonate. So no deviation from what's been a successful formula for us and providing really great value to consumers.

A - Andrew Witty {BIO 3471756 <GO>}

Yes. I think that's exactly it, Tim. And Nathan, the focus on sustained delivery of value is incredibly important, I think, for the underpinning of how UnitedHealthcare have done so well in this environment. It's really important from a distribution broker perspective. People understand what we're offering, but it's not volatile. It's even more important after people sign up. People get what they expect.

And that is really -- that served us super well. We believe the way in which we've put together this benefit package really serves the needs of the members. And it really speaks to why it's so popular. And it's why, at United, we've been able to grow market share consistently year after year after year. We'll do so again this year. We'll deliver our objectives in MA growth, and we're extremely positive about this part of our performance.

Next question?

Operator

We'll go next to Gary Taylor with Cowen.

Q - Gary Paul Taylor {BIO 22394979 <GO>}

Hi. Good morning. I just wanted to return to OptumHealth for a minute around the fourth quarter. If we look year-to-date, OI was growing 35% almost every quarter. It was up about 17% this quarter. And then I think, for next year, you have it growing almost 30%. So was there anything else in the quarter?

I know Wyatt talked about some of those incremental investments. I guess, it makes sense, a little more of those could have been in the fourth quarter. But anything else on the cost side at OptumCare, or anything at the MedSurg or the ASC business to call out impacting 4Q?

A - Andrew Witty {BIO 3471756 <GO>}

I think overall, no. But let me ask Wyatt just to give you a little bit more detail.

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

Yes. Thanks, Gary, for the question. And by far, the biggest component that you're referring to is what we've touched on, which is the investment in future growth and the platforms for managing 500,000 new risk lives in '22. We saw some modest uptick in our labor costs that were not really material to our performance, but just because I know that's on people's minds.

So as we continue to address that, and you'll see us continue to invest in technologies like our virtual care delivery platform, behavioral healthcare and home and communities. So it isn't just the risk lives in a senior clinic model, it's this comprehensive care delivery model that has multiple components of investment that will yield fruit, not only in '22, but in following years. So thank you.

A - Andrew Witty {BIO 3471756 <GO>}

Thanks, Wyatt. Next question?

Operator

We'll go next to Lance Wilkes with Bernstein.

Q - Lance Arthur Wilkes {BIO 4820557 <GO>}

Yes. Thanks. Wanted to talk a little bit about OptumRx. And just wanted to get a sense as to the rate of growth of specialty home delivery and what the margin profile is looking like there. And maybe what the outlook is for specialty generics and biosimilars and the impacts on margin?

A - Andrew Witty {BIO 3471756 <GO>}

Lance, thanks so much for the question. Let me ask Heather Cianfrocco, who looks after OptumRx for us, to respond. Heather?

A - Heather Cianfrocco {BIO 18236688 <GO>}

Thanks. Yes. So the -- I would definitely say that the specialty and home delivery business are contributing to earnings and our margin. We've seen growth in specialty from a few things. First of all, it's been rate of capture. Second, we've seen growth with our PBM clients, which, of course, drives growth when they use our specialty service, as well as we've really been investing in automation. So I'll give you an example of that.

Our home delivery and our specialty businesses today are really benefiting from our investment in digital and a better consumer experience. In fact, today, 50% more of our specialty consumers are using our online and digital experience to fill their meds and refill their meds. So we're glad to see that it's resulting in a better consumer experience, but it's also contributing to the earnings of the business.

I guess, I'd tell you, as I look forward on that business, I think about two things. The first one is continued automation and improvement in experience, integrated with the rest of our pharmacies. Think about investing with our multidose, our investment in regional integrated pharmacies closer to members' homes so that we can get medication to them faster. We're processing and filling over 80% of prescriptions same day today. So we'll continue to see that cost per script and refill cost per script improve quarter-after-quarter like we've seen over the last quarter.

But to your point, I think the other really exciting part about our specialty business is that in '22, we're going to see a robust pipeline of generic specialty coming to market, mostly in the oncology space. And then we know in '23, we'll see additional opportunities in not just specialty generics, but additional brands in specialty classes and biosimilar.

So together with the automation, the consumer service and the clinical programs that we offer in the specialty business, together with just more options affordably to our consumers, we'll continue to see that contribute meaningfully to OptumRx growth and earnings and margin.

A - Andrew Witty {BIO 3471756 <GO>}

Heather, thanks so much. I'll just add to that. I think the work that's going on inside the OptumRx team, particularly around some of the specialty areas, as well as the development of our new GPO and readiness for what is likely to be a very interesting period of loss of exclusivity on a lot of very significant pharmaceutical products, some of which are in categories which have really not had competition for many years, I think it sets up the next 24, 36 months a very interesting period.

We're super committed to delivering medicines at the lowest possible net cost to our members and their clients. And it's an area where we expect significant potential as we roll through over the next two or three years. So I think Heather's organization is doing some great foundational work for a next wave of opportunity in the pharmaceutical space.

We have time for one last question, operator. So, if we could maybe go to last question?

Operator

We'll take our last question from Steven Valiquette with Barclays.

Q - Steven James Valiquette {BIO 1928887 <GO>}

Thanks. Good morning. So there was so much focus over the past year on the $1.80 EPS headwind for the company related to COVID in '21. Is the $1.80 essentially where that final number shook out for last year? Was there any deviation in either direction on any key components as we think about the reversal of roughly half of that total headwind in '22? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Steven, thanks so much. Let me ask John to respond to that.

A - John Rex {BIO 19797007 <GO>}

Yes. Good morning, Steven. Yes, it was materially in that zone of $1.80 is where it fell out. Look, if I would tell you where we thought it was going to be back in November, we set it in the components that would comprise that $1.80 and how they actually fell and they went through all those components. Yes, certainly, a number of them played out a little bit differently than we would have thought back at that period.

Perhaps the important learning we got over that period, though, were just the various -- the correlations that we see across the components as those -- as different case rate volumes would occur over the course of the period and such and the impacts on care activity levels and other areas.

So definitely, probably didn't step into the year, a year ago, predicting there would be a summer wave, actually, even. But the correlations held very, very true over that period. It was the important factor for us. So yes, within that zone of the $1.80 and -- but -- and the components that they played out, certainly, where it's instructed in, are instructing how we even think about 2022 and the impacts that we've talked about for that also.

A - Andrew Witty {BIO 3471756 <GO>}

Yes, great. Thanks so much, John. And Steven, thanks very much for that last question.

I'd like to thank everybody for taking the time to participate in the call this morning, and we certainly appreciate your time and attention. And I hope that what you've heard from John, Dirk and our colleagues on the call today helps you see why we're so confident in our ability to continue to deliver high-quality growth while helping to improve the lives of the people we serve.

And we look forward to sharing our progress with you again in April. In the meantime, thanks so much for your attention. And Jennifer, thanks for hosting the call. Goodbye.

Operator

Thank you. This does conclude today's conference. We thank you for your participation.