

Q1 2021 Earnings Call

Company Participants

- Andrew Witty, Chief Executive Officer, UnitedHealth Group, Chief Executive Officer, Optum
- Bill Golden, Chief Executive Officer, UnitedHealthcare Employer & Individual
- Brian Thompson, Chief Executive Officer, UnitedHealthcare
- Dan Schumacher, Chief Strategy and Growth Officer
- Dirk McMahon, President and Chief Operating Officer
- John Rex, Executive Vice President and Chief Financial Officer
- Robert Musslewhite, Chief Executive Officer, OptumInsight
- Wyatt Decker, Chief Executive Officer, OptumHealth

Other Participants

- AJ Rice, Analyst
- Dave Windley, Analyst
- George Hill, Analyst
- Josh Raskin, Analyst
- Justin Lake, Analyst
- Kevin Fischbeck, Analyst
- Lisa Gill, Analyst
- Matt Borsch, Analyst
- Ricky Goldwasser, Analyst
- Robert Jones, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the UnitedHealth Group First Quarter 2021 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. (Operator Instructions) As a reminder, today's program is being recorded.

And now I'd like to introduce your host for today's program, Andrew Witty. Please go ahead, sir.

Andrew Witty {BIO 3471756 <GO>}

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Good morning and thank you for joining us to discuss our first quarter results and positive outlook as we continue to execute on UnitedHealth Group's longstanding mission and strategies. The exceptional dedication of the people of Optum and UnitedHealthcare again define this period. They have adapted swiftly and creatively to demanding and rapidly changing circumstances, implemented new ideas and importantly, remained focused on serving people exceptionally well.

As a result, adjusted earnings per share were \$5.31, reflecting strong execution of both UnitedHealthcare and Optum. In light of our strong start to the year, balanced with continued respect for the potential pandemic-related effects we have previously described, we are increasing our full-year adjusted earnings outlook to a range of \$18.10 to \$18.60 per share.

I'll touch briefly on two highlights among many in the quarter that illustrate the increased momentum of colleagues at UnitedHealth Group of driving. People served with our employer and individual offerings grew nearly 100,000 in the quarter even within the context of a challenged US employment environment. And this underscores the growing consumer orientation, affordability and breadth of our products. OptumInsight revenues increased 14% and operating come increased 45% compared to the year-ago period as more normal activity levels among healthcare system customers returned, leading to expansion in how we help them advance clinical and operational excellence. Significant innovation and automation in the OptumInsight businesses drove strong productivity gains.

We have the right capabilities, assets and strategies in place and we remain restless to innovate, evolve and further integrate our offerings to serve more people more effectively both directly and with our many external partners throughout the healthcare environment. To achieve this, we've been sharpening our focus in three key areas. First, delivering even greater value to those we serve throughout the healthcare system by better harnessing the collaborative capabilities of Optum and UnitedHealthcare. We believe we can develop new products and services which support people more effectively by bringing to bear greater application adoption of the combined offerings of these two distinct and complementary organizations. OptumCare's work supporting Medicare Advantage patients illustrates this well and I'll speak more to this shortly.

The second area of focus, increasing the application of our technology and related resources to improve care for people and the operational health systems. There are benefits for everyone in helping to make the healthcare system work more like an actual system, improving the natural flow accessibility and use of information is essential to that goal, all within a secure and protected framework. We can help care providers and payers better serve patients by more effectively simplifying key administrative processes and by providing timely access to relevant information.

The third focus is making healthcare work better for consumers. We are ambitious to meet the rising expectations of healthcare consumers and we will continue to improve our offerings including in such critical zones as [ph] greatly simplified, intuitive and satisfying consumer digital experiences and advanced healthcare banking and payment services that enable people to find, price and pay for care digitally. You will hear more from us

about these approaches in the months ahead. But today I'd like to focus on the first: unlocking greater value for customers at the intersection of Optum and UnitedHealthcare including through our ability to develop new useful service offerings.

One of the most effective ways of doing so is through stronger alignment of the high-quality clinical services of OptumCare to address the needs of patients we serve for our nearly 90 health plan customers. A key foundation is increasing the clinical outcome accountability of our OptumCare practices. Of the 4 million patients who OptumCare serves in some form of accountable arrangement today, 2 million are being served under fully capitated arrangement. And this demonstrates the strong growth in progress, but OptumCare serves 20 million patients in total, which is one reason why we view the potential of OptumCare as only beginning to be harnessed. These accountable arrangements drive measurably better patient outcomes and experiences all at lower cost. For example, seniors served by OptumCare physicians under such arrangements spend on average one-third fewer days in the hospital and have 40% fewer days in skilled nursing facilities than seniors in traditional Medicare.

We expect the growth in the number of OptumCare patients served under accountable arrangements to accelerate. A further example of using our combined expertise to advance more beneficial service offerings is the recent opening of a first-of-its-kind Optum integrated care facility in Riverside County, California. While we have long offered and continue to actively develop our Senior Focus Clinics, this new clinic and community center offers a comprehensive range of primary care led services including a pharmacy, all under a single roof and importantly, it is especially orientated around support in Medicaid, Medicare, commercial and individual members of all ages. This comprehensive health center provides improved care access with modern onsite services, including annual wellness visits, chronic disease management support, coordinated care with trusted specialists and laboratory, imaging and pharmacy services.

The adjacent community center includes a full-service gym and meeting rooms for health education. We see Optum and our payer partners as uniquely positioned to be able to offer these types of impactful venues and look forward to learning from the community and expanding these services. To sum up, we continue to organize and apply the unique capabilities of this organization in ways that enable us to execute on the goals we established for 2021 and beyond, and to continue to deliver on our 13% to 16% long-term earnings growth objective.

Now, I'll turn it over to President and Chief Operating Officer, Dirk McMahon to give more color on the initiatives to drive greater performance across the organization.

Dirk McMahon {BIO 18950833 <GO>}

Thanks, Andrew. As Andrew noted, we continue to drive growth by supporting more affordable, simpler, quality care across Optum and UnitedHealthcare. These are themes you've heard us cover before and we continue to see the benefits of this approach for people -- for the people we serve.

Let me turn those themes into some specific examples across Optum and UnitedHealthcare that illustrate how our approach is working. First is how we've been simplifying the consumer experience over the past year. We've driven greater engagement with seniors by increasing adoption of digital tools. Monthly active users of our digital offerings have risen double-digit with similar increases in online transaction. This has led to greater adoption of our digital therapeutic offerings. In the first quarter, high-risk chronic disease patients in our Home Monitoring program logged over 1.5 million biometric measurements such as glucose level enabling 99% medication compliant and an NPS of 84.

We've also made it easier for people to get and maintain behavioral health support by expanding traditional and virtual [ph] provider network, and combine them with Modern Digital Therapeutic services. Behavioral health needs have increased significantly during the pandemic, and as a result, we have seen substantial adoption in our digital behavioral platform that provide on-demand emotional support, logging a rise of over 100% in utilization. Always accompanying our work to simplify healthcare is Optum and UnitedHealthcare's sharp focus on delivering high-quality care.

We've talked to you before about the advances we are making to integrate patient-specific health data and plan information directly into the physicians' workflow. Clinicians can see gaps in care and have to [ph] close them during the patients' visit. And in addition -- during the patients' visit. In addition, to other steps that facilitate more efficient care and better outcomes.

We now support over 8 million of these insight-enabled digital interactions each month with rapidly expanding physician adoption. Delivering high-quality care has been central in our response to the COVID pandemic. Our most recent effort to help members access vaccines is a prime example. We launched a vaccine locator tool, helping people find and sign up for a vaccination. And we've made millions of outbound contacts to engage members and help them get the information they need.

Lastly, making care more affordable remains central for the people we serve and the health system overall and is essential for increasing access. For instance, through our medication sourcing program, high-cost providers now source drugs at a network specialty pharmacy including OptumRx are charged market rates only for the drug. Early work on this has generated substantial savings for our customers.

Our work to make healthcare simpler, higher quality and more affordable drives strong growth for our business. At the end of January, for example, UnitedHealthcare was awarded an Oklahoma SoonerCare Medicaid contract to serve nearly 200,000 people. Oklahoma previously operated under a fee-for-service program. The award affirms the value we bring to state partners and consumers and reflects our commitment to expand access to care for all Americans. We look forward to working with our new partners in Oklahoma and sharing with you on future calls new examples as our work on simplicity, quality and affordability continues to create improvements and new growth opportunities.

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

John Rex {BIO 19797007 <GO>}

Thank you, Dirk. Before I review the performance of our businesses, as in recent quarters, I'd like to provide an update on the care patterns we are seeing as the pandemic continues to evolve. Over the course of the first quarter, total care activity including COVID-19 related care ran marginally below seasonal baseline. Pacing of elective care activity through the quarter generally tracks and in opposite directions with the rise and decline [ph] of COVID incidence rates, which were much higher in the early part of the quarter than in the latter part.

To put this in perspective, February and March showed COVID-related care at about half the level experienced in January. Since the quarter's end, we have again begun to see a rise in COVID-related care while at this time not approaching the January level. Outpatient care activity was moderately below seasonal baselines for the full quarter, running in counterpoint to the COVID incidents patterns over the three months and reflecting a well below average influenza and respiratory illness season. And total inpatient activity was modestly above seasonal baselines with over 55,000 COVID-19 related emissions during the quarter compared to 65,000 in the fourth quarter 2020.

Moving to business unit performance. OptumHealth's first quarter revenue and earnings increased 35% year-over-year. Revenue per consumer served grew 31% over the year ago quarter. The growth in this metric continues to reflect the expanding number of people served under value-based care arrangement and the increasing acuity of the care services we offer. OptumInsight's revenue grew 14% in the quarter and earnings 45% due to growth in our services and technology offerings and improved productivity. The revenue backlog at \$20.8 billion grew \$1.6 billion over the first quarter 2020 as more normalized business activities started to return among our provider and payer customers.

OptumRx revenue and earnings were relatively consistent year-over-year and in line with our expectations. Adjusted scripts declined modestly from the year ago quarter, a period during which we provided advanced medications to the people we serve as the pandemic began. Pharmacy care and specialty services continue to grow strongly, in particular, home infusion and our community behavioral health pharmacies.

Turning to UnitedHealthcare. First quarter operating results reflected strong execution and continued membership growth. In addition to the growth in commercial and Medicare Advantage offerings noted earlier, people served in managed Medicaid programs grew by nearly 1.1 million over the year ago quarter. Of the 900,000 new seniors, we expect to serve within Medicare Advantage this year. About 775,000 are in individual and group and 125,000 in dual special needs offering.

Of importance to the senior customers we serve, our healthcare [ph] clinicians have been considerably more able compared to this time last year to provide their vital services. We conducted nearly 600,000 home visits in the quarter as more seniors and caregivers were vaccinated and comfortable having in-person visits. That's up by a third compared to first quarter 2020 and about 4 times higher than what was achieved in the second quarter 2020.

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Our liquidity and capital positions remain strong with first quarter cash flows from operations at \$6 billion or 1.2 times net income.. As we look forward towards the combination with Change Healthcare, we intend to maintain our longstanding capital policies. These include our approach to returning capital to shareholders via share repurchase and an advancing dividend with ample capacity to continue building upon our strategic growth platforms.

We now expect adjusted earnings per share in the range of \$18.10 per share to \$18.60, an increase of \$0.35 from the outlook we offered at our investor conference. This outlook continues to include an estimated \$1.80 per share of unfavorable COVID-19 related effects. The substantial majority of which we still expect to occur in the latter part of the year largely as care is more freely able to be delivered to people.

Now, I'll turn it back to Andrew.

Andrew Witty {BIO 3471756 <GO>}

Thanks, John. The story you heard about this quarter is the story you've heard for many years and we'll continue to do so about UnitedHealth Group. Our focus on better serving people and organizations in healthcare using the combined capabilities of Optum and UnitedHealthcare to improve care, cost and experience and an unwavering attention to executional excellence in all that we do.

Operator, let's open up for questions. One per caller, please.

Questions And Answers

Operator

Certainly. Our first question comes from the line of Matt Borsch from BMO Capital Markets. Your question, please.

Q - Matt Borsch {BIO 5186998 <GO>}

Hi. Yes, good morning. Congratulations on the quarter. I have a question for you on the prior year reserve development, which is obviously a very large number. Can you just talk to where that emanated from in terms of components whether by program or by quarter in 2020? And how that may be influencing your posture on forward reserving?

A - Andrew Witty {BIO 3471756 <GO>}

Great. Thanks for the query. I'm glad you asked that, I know a lot of people probably have that in mind. John, you should answer that, I think.

A - John Rex {BIO 19797007 <GO>}

Sure. Matt, good morning. It's John Rex.

Q - Matt Borsch {BIO 5186998 <GO>}

Good morning.

A - John Rex {BIO 19797007 <GO>}

Let me give a little color on that. So yes, prior year development, \$1 billion favorable versus \$850 million in the 4Q. As I'm sure you expect that M&A heavily from the second half of 2020 and a lot from the fourth quarter, it was favorable really across the businesses, the elements there that would be driving that would be largely healthcare [ph] deferral activity that would have occurred in the quarter.

I think when you think about kind of impact to the company and P&L impact, certainly, there are significant mitigating factors that I know you're well aware, MLR rebates, risk quarter [ph] arrangements, reserve re-establishment that occurs. When I look at it and take it all together with those mitigating factors, P&L impact would have been in a similar zone to last year's first quarter with those elements coming in. Thank you.

Q - Matt Borsch {BIO 5186998 <GO>}

Thank you.

A - Andrew Witty {BIO 3471756 <GO>}

Thanks, John. Thanks, Matt. Next question, please.

Operator

Certainly. Our next question comes from the line of Kevin Fischbeck from Bank of America. Your question -- Sorry. Our next question comes from the line of Robert Jones from Goldman Sachs.

Q - Robert Jones {BIO 3388623 <GO>}

Great. Good morning. Thanks for the question, and congrats to Andrew and Brian on the new roles. I actually just want to ask one on OptumHealth. I think you said 35% of the growth there was driven by global cap. You also shared 2 million risk patients in OptumCare are now in global cap. Just curious if you could give a little bit more on kind of where you think this number could get to, the number of patients in global cap arrangements within OptumCare this year and then maybe over time. And then it'd be helpful to understand a little bit, just how many of the 20 million patients you highlighted are actually in MA today? Thanks so much.

A - Andrew Witty {BIO 3471756 <GO>}

Great. Listen, Robert. Thanks so much for the question. Before I ask Wyatt Decker to add, you put your finger on a really key part of the growth strategy going forward. Clearly, you're going to see over this year and next year, an accelerating move towards more capitated patients within the OptumCare universe. As I mentioned in my prepared comments, there is a tremendous opportunity as we look at those 20 million and growing

number of patients who we look after migrating towards what we believe to be a better mechanism to help them manage both their care outcome and also the cost implications. So you will see that continue to accelerate as we expand our OptumCare networks. We are rapidly transitioning our capabilities clinic by clinic to be able to do this, and it's one of the areas. I think we feel extremely optimistic about future momentum. But to give you a little bit more detail Dr. Decker, who leads OptumHealth, please.

A - Wyatt Decker {BIO 17276367 <GO>}

Yeah. Thank you, Robert, for the question and Andrew, I think you said that nicely. OptumCare has become the nation's pre-eminent ambulatory delivery of value-based care. It is physician-led and increasingly you'll see us bringing comprehensive services to bear to meet the needs of all of our patients, a particular focus on value-based and a particular focus on the fully capitated individual.

We will continue to grow over 250,000 lives this year and you can expect that to accelerate in the years to come as we continue to attract individuals through organic growth as well as through our partnership with UHC and as Andrew mentioned, nearly 90 other providers. Thank you.

A - Andrew Witty {BIO 3471756 <GO>}

Thanks, Wyatt and thanks, Robert for the question. Next question, please.

Operator

Certainly. (Operator Instructions) Our next question comes from the line of Lisa Gill from JP Morgan.

A - Andrew Witty {BIO 3471756 <GO>}

Hi, Lisa. Go ahead.

Q - Lisa Gill {BIO 3366446 <GO>}

Good morning and thank you for taking the question. I'm just curious how we think about digital and telehealth impacting medical costs, what you've seen thus far and what's the future hold [ph] post the pandemic when we think about helping to control costs from a telehealth perspective.

A - Andrew Witty {BIO 3471756 <GO>}

Lisa, that's a great question. I'm going to ask in a second Dr. Decker and also I think I'll ask Dirk McMahon to make a couple of comments, but let me just preface that. So we've obviously seen telehealth develop as a set of capabilities over the last several years. We've been a very extensive user of those capabilities. But I think one of the things we've seen from 2020 and the pandemic is really a kind of shift in terms of people's thinking and willingness to utilize telehealth. We also think that the way in which they've been utilized are -- is evolving and so what you're going to see from us, and it's one of the examples, I might cite in terms of the opportunity for new product development between

Optum and UnitedHealthcare is you're going to see UnitedHealth Group lean forward into much more integrated telehealth capabilities. We've got a number of new initiatives in deployment as we speak, operating between the two companies.

And with that introduction let me pass it over to Wyatt to maybe give you a little bit more detail on that and then I think it'll be good to hear from Dirk, the perspective he has on this. So Wyatt first.

A - Wyatt Decker {BIO 17276367 <GO>}

Yeah. Well, thanks for the question and as you heard us mention before, we are very proud of how quickly we stood up over 17,000 providers during the pandemic on telehealth solutions, but that really just is the beginning and of course, across the country, we've seen a massive shift in consumer adoption and willingness to engage in virtual health solutions as well as with our providers more broadly. So, our philosophy is that not all telehealth is created equally, and as we continue to develop our new products, you will see us integrating physical care, virtual care, home care, and behavioral care in a way that is innovative and differentiated. And in fact, we've already launched a product we call Optum Virtual Care that is live in all 50 states and is doing just that.

And what will really differentiate our product to those that we serve is the ability to offer virtual solutions. But then if necessary, immediately connect them to a live bricks-and-mortar solution for a more complex or thorough care as well as identifying and triaging both physical and behavioral health care needs and offering comprehensive behavioral healthcare. We're seeing continued sustainability of virtual care solutions, which as you may know peak during the height of the pandemic have declined some but are still probably 10x, where they were pre-pandemic and certain conditions or behavior or areas like behavioral healthcare are now seeing about 50% utilization through virtual services. So we're very excited about where it can take us.

I'll turn it over to Dirk.

A - Dirk McMahon {BIO 18950833 <GO>}

Yeah. Thanks, Wyatt. I think Andrew and Wyatt pretty well drained it. But let me just add a couple of things. First, we know that people want to meet with their doctor and we've been focused on facilitating that with OptumCare and as people basically, as you look at how things evolve, the brick-and-mortar physicians have the vast majority of the pellet [ph] business today. I would also say that I do see a tremendous opportunity for new models and new product strategies with OptumCare and others where we lean towards those providers who have again the best outcomes and provide the most efficient care. So, like any other doctors in our network, we at UnitedHealthcare are going to be looking at that strongly, and we think OptumCare can provide that very well.

That's it. Thanks, Lisa.

A - Andrew Witty {BIO 3471756 <GO>}

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Thanks, Dirk. Thanks, Wyatt. I got to say, Lisa, I've been keeping an eye on the patient verbatims as we've been deploying the Optum virtual platform that Wyatt referred to and really the feedback is really extraordinary in terms of how patients are seeing this, the benefit they feel from it and the ease with which they are able to engage with it. So this is exactly the kind of thing you're going to see going forward. I think Optum is in an extremely advantaged position, being able to bring together this notion of integrated telehealth with physical and behavioral health and that's going to be the path we go and I think we're on the verge of kind of next-generation of what this looks like versus what we've seen previously.

So Lisa, thanks so much for raising the question. And next question, please.

Operator

Certainly, Our next question comes from the line of Kevin Fischbeck from Bank of America. Your question, please.

Q - Kevin Fischbeck {BIO 6157376 <GO>}

Great. Thanks. I guess one quick clarification. First, I guess, does your guidance assume anything for sequestration delay? But then I guess the real question is the \$1.80 that you guys are still including in your guidance, it sounds like things are starting off the year relatively well with overall utilization coming in better and membership growing in some of the OptumInsight things kind of normalizing. I guess, how do you think about that \$1.80? How is that progressing? And what kind of signpost you need to kind of see before you feel like that number might come in and lower than that?

A - Andrew Witty {BIO 3471756 <GO>}

Yeah, no, listen, Kevin, thanks for the question, I'll let -- I'm going to ask John in a second to refer to the \$1.80, the math I guess behind that in the underlying trends. As far as sequestration is concerned, obviously, we're keeping a close eye on the guidance from the administration. We're clearly seeing the extensions, but the guidance raise [ph] we've given today is not caveated by that in any way. So we have our assumptions on that, but the guidance stands notwithstanding any outcome there.

John, on the \$1.80?

A - John Rex {BIO 19797007 <GO>}

Yeah, Kevin. John Rex, good morning. Let me talk a little bit about that and how we think about that progressing throughout the course of the year. So a few impacts here. I think the first, the important impact, I suggest is that if a significant majority, I'd call it 70% of our projected COVID impact is -- really occurs in the second half of the year. And just to be frank, we just don't know enough now about what is going to happen later in the year, kind of have a very meaningfully different projection of what our full year results will be in terms of, will they be better -- in terms of better than the original projections, except for what we've experienced thus far, we believe, expect to some stronger underlying business performance, growth across a number of businesses, we've executed well on

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productivity measure and maybe just very modestly less impact in the 1Q unfavorable impact than we would have anticipated.

But the important component there being that is really much more a back half weighted view in terms of COVID-19 impact, and that's really premised upon our expectation that as we get later in the year, people are going to be more able to access previously deferred care and higher acuity levels, as a result of Mr. Boston [ph] treatments and that's what we're -- that's what we build into that view in terms of an expectation. That's really unusual times, still no question and therefore increased our full-year estimate but by what we know today.

A - Andrew Witty {BIO 3471756 <GO>}

Thanks, John and Kevin, thanks so much for asking the question. I mean I think John really summarized it super well. We've raised our expectations for the year based on our experience so far this year with -- and we've retained that \$1.80 assumption, if you will, in terms of what could happen, but we just -- we obviously don't have the detailed visibility of that yet, but we feel that's the right balance stance [ph] to take in terms of the rest of this year. So I hope that's clear and thanks so much for the question, Kevin. Next question.

Operator

Certainly. Our next question comes from the line of Josh Raskin from Nephron Research. Your question, please.

Q - Josh Raskin {BIO 3814867 <GO>}

Hi, thanks. Good morning. Here with Eric Percher as well. So our question this quarter again on OptumHealth and appreciate the comments in the prepared remarks and the Q&A, but want to speak to the ultimate strategy around the accumulation of employed physicians and if this is all about a move to global capitation, and we're really more interested in the how, right. Is this more standard-based like what you're talking about in Riverside, California? Is this more of a technology overlay that enables the physicians to do this? And then I would just ask again how many of those 20 million, I understand 250,000 will move this year but how many of those 20 million ultimately end up in global cap in your mind?

A - Andrew Witty {BIO 3471756 <GO>}

Josh, thanks for the question. And before I pass it to Wyatt, again to respond to the specifics, let me just give you a sense of how we see this playing out. And I think the answer to your question is really both. So we absolutely see tremendous opportunity to continue to develop a variety of different clinic types. And if you look at the -- I cited one particular example, but we've been open in a wide number of different type of clinic depending on the environment that all the locality that we're operating in. And you should continue to expect to see that degree of customization according to the need of the geography. It's not a one size fits all model by any means.

So you'll continue to see that, but at the same time, we strongly believe there is opportunity over the next few years and this is why I focused in my kind of second area of going deep around technology. How we can then help those clinics operate more efficiently, how we can ensure they are better connected both locally with other clinics that we may own or to a higher level of information support. So we see this has been a highly activated network of clinics and centers. The center -- the network itself will have a high degree of diversity in it because it needs to be responsive to the needs of the locality, the communities that we're operating in. And of course, sensitive to the previous comment, it will have a very significant telehealth capability deployed alongside it.

Wyatt, maybe you could talk a little bit to how you see the progression and within the 20 million.

A - Wyatt Decker {BIO 17276367 <GO>}

Yeah. Thank you, Andrew, and thanks, Josh. Great question. We will continue to evolve and one of the pieces that will differentiate us as comprehensive care providers is just that being comprehensive. And so you'll see us continuing to weave together products and services that meet people's needs in new and innovative ways and telehealth and digital solutions are a big piece, but not the only piece.

The other part that I'd call out is we're increasingly leveraging technology to bring advanced decision support to our physicians and providers. And you may have heard previously about OptumCare. This is a value-based care delivery set of decision tools that are yielding real results giving people success, highest quality care that eliminates what we tend to call low value care and is a differentiator. So we'll continue to deploy those technologies. As you know, we are on track to growth by over 10,000 physicians, we're now at 56,000 doctors, both affiliated, contracted and employed. And we'll leverage all of those models as we go forward and we continue to evolve and employ doctors who are really actually quite attracted to our model of value-based primary care. We eliminate much of the clerical burden in our physicians' and advanced practitioners' practice and let them focus on the work they love. So this is really gaining traction among our physician workforce.

And then to your point around how much of the 20 million lives that we serve today will ultimately be capitated. We anticipate that not only will a significant portion. You heard the number 2 million today, and 0.25 million as we mentioned growing. So as we continue to grow, we also expect that we'll always offer a host of modalities including fee for service and that actually is a feeder system as we think about value-based care being kind of the core of what we offer and fully capitated the core of the core, if you will. Thank you.

A - Andrew Witty {BIO 3471756 <GO>}

Thanks, Wyatt. And maybe, I'll just ask Dan Schumacher to briefly add to the comments and talk a little bit about Optum At-Home, which is a further dimension of this. So, go ahead.

A - Dan Schumacher {BIO 18299394 <GO>}

Thanks, Andrew. And great question, Josh to the question around sort of center-based, tech-based, data-enabled and different versions of that, that Wyatt was talking about. Optum At-Home is a great example of a collaboration between UnitedHealthcare and Optum that's in relatively early stages, but we focused on Medicare Advantage members that are in dual special needs plans initially and that's a full risk offering and we're doing it in markets where we don't currently have local OptumCare practices.

So what we're doing in the program is really both providing care, but also arranging and coordinating care. We're trying to address medical, behavioral and social needs. And the results initially have been great. We've improved access for people with more than 80% having an in-home visit and more than half of them getting connected back into office-based care, social services, referrals and so forth as well as great health quality and outcome.

So today, we've got a little under 100,000 lives across fixed [ph] markets. We're looking to expand that across the Medicare Advantage dual SNP but also into the individual MA, we're doing with UnitedHealthcare and ultimately, look to do that with other health plans. So another growth vector for us if we look at building out our value-based orientation.

A - Andrew Witty {BIO 3471756 <GO>}

So, Josh, I mean I know that was a little bit of a long answer from the three of us but you asked a really important question and this is really one of the core elements of the future of the company. And it's why you've heard us talk so much about OptumHealth, OptumCare and you can see the growth potential. We're at that 2 million life level now. We clearly see the capitation strategy as a highly effective strategy to deliver both quality and cost management for patients. That movement is really significant and it's really moving strongly.

And with the development of the diverse sets of clinics and skills, the development of the technology support that you've just heard they've [ph] referred to, we believe we're in a very strong position to be able to be the leader in ability to manage those patients in the best possible way and ensure that they get the kind of health care they deserve. So Josh, thanks so much for asking the question. Next question, please.

Operator

Certainly. (Operator Instructions) Our next question comes from the line of Ricky Goldwasser from Morgan Stanley. Your question, please.

Q - Ricky Goldwasser {BIO 1977392 <GO>}

Yeah, hi, good morning. If you think about the utilization, I mean you gave us some data on how utilization is tracking, but can you give us a little bit more details on how it's tracking across the different patient population? And also, we talked about acuity levels -- your expectations for acuity level to step up second half of the year, but from the experience to date as you're starting to see individuals are coming back, what type of

acuity you're seeing for those that haven't received care for the last year? And I think the final one there. If you can just remind us as you think about that guidance for the full year, are you assuming digitalization by year-end, it's going to be above the 2019 baseline?

A - Andrew Witty {BIO 3471756 <GO>}

So, great question, Ricky. I'm going to ask Brian Thompson, who has recently been appointed as the Chief Executive Officer of UnitedHealthcare to respond to that. So BT?

A - Brian Thompson {BIO 1537785 <GO>}

Hey, thanks for the question there. When I think about baseline, what I can say right now is what we're seeing is largely tracking to our expectations. And as we had signaled, where we see abatement in services, it's largely offset by the increase in COVID-related costs and that's tracked as we had expected. When you back out the impact of some suppressed utilization, the underlying factor is associated with medical cost trends largely looked like they did. We aren't seeing significant upticks in services in specific areas out of the norm. So I would say, it looks a lot like utilization prior to the COVID implications and when I think by line of business, I would say generally tracking a little below baseline in both our government programs closer to baseline inside our commercial business. But largely in track with what we had expected and where it's a little out of line again where perhaps infection rates were higher, we saw that naturally offset with greater utilization. So first quarter, I would say largely as expected.

A - Andrew Witty {BIO 3471756 <GO>}

John, do you want to add?

A - John Rex {BIO 19797007 <GO>}

Yeah. Ricky, good morning. It's John Rex here. So as Brian noted, one of the aspects we look for is this rising acuity from patients that have deferred or care [ph] or missed treatments and at this point, we don't have evidence of that occurring and it could be just, but it's still too early on to have enough evidence to see it, but we have not yet seen that rising acuity in the populations that we serve.

And your point in terms of how we think about, we get later into the year and why that moves like it does and you heard my commentary that significant majority of the \$1.80 we have layered into the second half of the year. That is largely because of the assumptions around those elements that we see that people are increasingly able to get the care they need, the amount of care deferrals declined meaningfully as you get into that latter part of the year. They're accessing the system and we do get into these elements where we see rising acuity coming in. So those are the elements that are premised in terms of that expectation at this point (inaudible). But really, the other [ph] element that Brian touched on, also just in terms of your populations, you've commercial, a little more access to the system versus the public program members. Thank you.

A - Andrew Witty {BIO 3471756 <GO>}

Thanks, John, and thanks, Ricky for the question. Next question, please.

Operator

Certainly. Our next question comes from the line of Dave Windley from Jefferies. Your question, please.

Q - Dave Windley {BIO 2411309 <GO>}

Thank you, and good morning. Thanks for taking my question. I want to ask a question about integration and longitudinal care and data versus fragmentation and the question is this, so Andrew over many years Optum has really invested a lot of money in kind of aggregating data about the patient status, care and services delivered so that touchpoints with United or Optum could have all that information at hand. I guess what I'm interested in around kind of your build-out, but specifically the comments you've made about telemedicine is, how important is it for telemedicine to enhance and augment the longitudinal and integrated nature of care versus fragmenting that by having it kind of siloed as a separate benefit? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Right. It's a great question. So I think our bias is increasingly and I think rightly toward driving a more and more seamless, simple, easy to access care environment both for the patient and the provider actually. So, what that speaks to is of [ph] trying to avoid the fragmentation of the interface and definitely trying to avoid the fragmentation of the information that then sits behind it. So we want to really try and create much more seamless opportunity. And so for example, I'd give you a real example in Optum Virtual, which is you've heard a little bit on the call already today.

So, of course, patients are looking for a way to engage with the physician. They actually want to talk to their physician. So one of the things that we're doing is building that platform. But then there might be situations where the physician wants to bring in a specialist into that conversation. Now, in a multi-disciplinary clinic, they might be in a position in normal times to go down the hall, get somebody to come down and visit. Now in Optum Virtual, they're able to do that kind of thing. So that's an example of trying to bring that integration even within the virtual space. So it kind of replicates a little bit more what you might expect in a physical environment. And so we definitely see the need to try and drive towards that and we definitely want to try and create the fluidity of the information to ensure that physicians have what they need when they're in front of the patient, when they're talking to the patient, they can make the best possible choices. So, we want them to be as highly educated as possible in that context.

So we're leaning very much towards the idea of integrated seamless. And that's true whether you're in the physical or the virtual space and we want the two to sit together. Thanks for the question.

Q - Dave Windley {BIO 2411309 <GO>}

Yeah. Thank you.

A - Andrew Witty {BIO 3471756 <GO>}

Next question. Thank you.

Operator

Certainly. Our next question comes from the line of Justin Lake from Wolfe Research. Your question, please.

Q - Justin Lake {BIO 6460288 <GO>}

Thanks, good morning. A lot of good topics have already covered here. So I just have a few quick follow-ups. First, the detail on OptumCare was very, very helpful. I was hoping I could ask for one more piece of information here which is the -- so it sounds like you're going to have 18 million people out of 20 million that are still not capitated. Wondering how many of these are sitting in Medicare Advantage plans that aren't capitated, given this is where most of the capitation happens, just trying to think about the potential kind of pent-up growth there.

And then on Medicare Advantage, it sounded like your health assessments are going better in 2021. Should we expect that you should get a significant amount of that risk or headwind that everybody store [ph] for 2021 to reverse next year and get those revenues back? And then lastly, could you give us an update on earning seasonality for the year versus a 50-50 split you talked about on the last update? Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Hey, Justin. Thanks so much for the questions. I'm going to ask in a second John to talk to the earning seasonality and for Wyatt to address the degree to -- the population we have within the MA plan. Let me just touch on the health assessment. You heard in the prepared comments, the very strong performance of the house calls program actually higher than last year, record quarter actually in terms of performance at house calls. And you're quite right, that makes us feel pretty optimistic that that headwind that we saw is going to dissipate pretty rapidly as we rotate into 2022.

And that gives us kind of a rising optimism that much of the -- much of that kind of the negative headwind that characterizes the emergence of the pandemic starts to mitigate at least on that dimension. Obviously, we don't know what's going to happen in the next few months with this disease. But as we sit here today, that would be the right kind of expectation to look at.

Let me go to Wyatt first and then John, if you pick up from Wyatt on the seasonality. So, Wyatt.

A - Wyatt Decker {BIO 17276367 <GO>}

Yeah, Justin. Thanks for the question. And of the individuals that we serve that are not in fully capitated programs, about a third of them are seniors and so you can think of that as the Medicare population that we serve through a variety of touchpoints in our care delivery assets. And then you -- as you'd expect a subset of those are already in MA plan, which is to your question. And so we see again a great potential to continue to capture

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and enroll and care for MA patients through OptumCare's delivery capabilities. And you will also see us going deeper in the markets that we're in and bringing risk are very mature risk-based platform in established markets to new markets where today we are primarily fee-for-service. So expect both geographic growth and increasing depth and penetration in the markets we serve today. Thank you.

A - John Rex {BIO 19797007 <GO>}

Justin, good morning. This is John, in terms of the seasonality, so historically, we've been at, what I would call a kind of 48-52 split in terms of first half-second half. I put that probably more in the zone of first half being in the 52, 53 zone this year. That is really due to the -- how we're tracking in the \$1.80 per share and impact on it, that the majority of that is occurring in the second half of the year. So that would be the -- really the reason for the seasonality looking different this year than it has looked in other years. Thanks.

A - Andrew Witty {BIO 3471756 <GO>}

Thanks, John. And thanks, Justin for the questions. Appreciate it. We just have time for two more questions, operator. So let's go to the next one.

Operator

Certainly. Our next question comes from the line of AJ Rice from Credit Suisse. Your question, please.

Q - AJ Rice

Hi, everybody. Maybe drill down a little bit on OptumInsight. Obviously, it had a really good margin trend this quarter. I wondered because I know there is discussion last year during the pandemic that some of the John Muir type of deals were somewhat on hold as it was tough to sell a health system on that given social distancing and so forth. This is [ph] the fact that you don't have investments for those, is that helping you on the margin right now? And are those now basically reopened that you can go out and bid?

And maybe another aspect of the OptumInsight story, as you think ahead now to Change Health coming on board do -- should we assume that there is a pause in selling activity of some sort while you integrate that and position the company to be even stronger, that business to be even stronger? Or I know there's a lot of synergy assumed to be coming online with that, so how should we think about how Change Health coming online affects the trajectory of that business?

A - Andrew Witty {BIO 3471756 <GO>}

AJ, thanks so much for the question. I'm going to ask Robert Musslewhite to make some comments in a second around the progression of the margin in the quarter, which obviously we're very, very pleased to see that and it was due to a ton of hard work on a number of different dimensions that Robert can describe to you. Just on those large contract agreements, like the one we have with John Muir. Yeah, there was a bit of disruption last year, but I would say that is absolutely back on stream now in terms of a line of business for us and we have some very, very, very exciting pipeline and that

pipeline exists both in the short, medium and longer-term. So that's an area you're going to hear more from us on and is absolutely back in full swing.

In terms of Change, obviously, we are very keen to continue to work through the regulatory process. We expect this to close in the second half as we previously indicated. And you should not expect any disruption from us bringing Change onboard to really anything that we're doing and especially not in terms of our selling activity. So we absolutely continue to operate OptumInsight fully as if we were not in a transaction and even post transaction, I would fully expect the ongoing sales energy of the company to be not disrupted. So nothing -- I really would not lead you to expect anything on that front.

With that Robert, would you go into a bit more detail please around the evolution of the margin during the last quarter?

A - Robert Musslewhite {BIO 15217765 <GO>}

Sure. And hey, AJ. Listen, we are pleased with the quarter. It was a really good quarter on the topline and that of course, growth [ph] profitable growth that contributed to margin. But specifically on margin, we also are really seeing the results of a lot of the modernization work we did across 2020. So last year, we undertook a significant review of the business across the operations and drove -- find some multiple ways to drive stronger and more efficient performance and help find -- ensure that the investments we are making were invested appropriately against our key growth opportunities.

And so if you look at those initiatives, multiple automation initiatives using advanced techniques in AI and LP, machine learning, it really drove a lot of short-term productivity but it also drives a situation where we feel like we've made sustainable margin improvements for the longer term and that puts us in a position to be more competitive and that actually rolls over to exactly what you are mentioning being more competitive on the large engagements. And as Andrew said, we feel really optimistic about that pipeline and where it's headed. The disruption was more in timing and not really an interest during the pandemic. In fact during the pandemic, I think there was growing recognition among our health system relationships that this was a very productive way to work with Optum and a really important need for them as they face some disruption even coming out of the pandemic to their finances in ways that we can sustainably support them in a really holistic way.

So we feel like that's a great path forward. We're excited about the business and feel like we've made some important changes that put us on a really good track going forward.

A - Andrew Witty {BIO 3471756 <GO>}

Thanks, Robert.

Q - AJ Rice

Okay, great.

A - Andrew Witty {BIO 3471756 <GO>}

And AJ, thanks for asking the question. Insight, I think is really on the cusp of a very exciting few years, thanks to the significant work that was done last year, the increasing rate of opportunity that we see to bring in new significant contracts and then obviously, the pending Change acquisition creates some really exciting momentum for this business. So this is an area I fully anticipate us looking to for material growth going forward.

Operator, last question, please.

Operator

Certainly. Our final question comes from the line of George Hill from Deutsche. Your question, please.

Q - George Hill {BIO 7385637 <GO>}

Hey, good morning, guys, and thanks for squeezing me in at the end. Andrew, I'd just be interested in your commentary about the outlook for commercial bundles. I know we're all talking a lot about risk-sharing and what I call a risk syndication in the Medicare Advantage space in the bundling of risk in the Medicare Advantage space. But I'd be interested in the company's outlook for the commercial business and if you're seeing increased uptake of kind of more risk-sharing tools in that market. Thank you.

A - Andrew Witty {BIO 3471756 <GO>}

Yeah. No. Great. So listen, I think in the commercial space. And I'm going to ask Bill Golden to come in here real quick, but I think in the commercial space, just as just as possible for us to start to design innovative products and we've already begun to do that between Optum and UHC, let me ask Bill to dive into that in a little bit more detail. Bill?

A - Bill Golden {BIO 22094407 <GO>}

Yeah. Thank you and thanks for the question. Yeah, I would say we're in the early stages of provider-aligned products where we're taking advantage of that risk-base. As an example in our Southern California OptumCare partnership, Harmony really continues to be a cornerstone of those offerings. We're learning a lot with that product not only regarding how it's priced and -- but more importantly, the actual experience for the members. And so we're using that as a cornerstone and as a program to continue to roll out throughout the country with other areas. So we're very optimistic about the opportunities that will show in the future but still in the very early stages of our global cap with the commercial business. Thank you.

A - Andrew Witty {BIO 3471756 <GO>}

Thanks, Bill. And George, thanks so much for the question. That's clearly an area we expect to see more in the future. But as Bill says, it's early days and we'll see how that progresses.

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With that everybody, thank you so much for spending the time with us this morning. As we move through what we all hope are the latter stages of this pandemic, you can expect us to continue to focus on the areas where UnitedHealth Group can do the most to improve healthcare including at an even greater value at the intersection of Optum and UnitedHealthcare, applying our technology and expertise to create a better functioning, more responsive and cost-efficient healthcare system and making healthcare work better for consumers.

We look forward to connecting with you again on these priorities in the weeks and months ahead. And once again, thank you for your attention this morning. Bye-bye.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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