Company Name: UnitedHealth
Company Ticker: UNH US
Date: 2018-01-16
Event Description: Q4 2017 Earnings Call

Market Cap: 225,695.81
Current PX: 232.90
YTD Change($): +12.44
YTD Change(%): +5.643

Bloomberg Estimates - EPS
Current Quarter: 2.856
Current Year: 12.612
Bloomberg Estimates - Sales
Current Quarter: 54867.429
Current Year: 224191.333

Q4 2017 Earnings Call

Company Participants

- David Scott Wichmann
- Larry C. Renfro
- Steven Nelson
- John Franklin Rex
- Andrew P. Hayek
- Tarrant Jeffrey Putnam
- Daniel Schumacher
- John M. Prince
- Molly E. Joseph
- Brian Thompson
- Jeff Alter
- Eric Murphy

Other Participants

- Justin Lake
- David Howard Windley
- Matt Borsch
- Stephen Tanal
- Michael J. Baker
- A.J. Rice
- Chris Rigg
- Joshua Richard Raskin
- Kevin Mark Fischbeck
- Gary P. Taylor
- Ralph Giacobbe
- Zachary W. Sopcak
- Ana A. Gupte
- Frank Morgan
- Sarah E. James
- Christine Arnold
- Peter Heinz Costa

MANAGEMENT DISCUSSION SECTION

GAAP and Non-GAAP Financial Measures

This call will also reference non-GAAP amounts

A reconciliation of the non-GAAP to GAAP amounts is available on the Financial Reports & SEC Filings section of the company’s Investors page at www.unitedhealthgroup.com

David Scott Wichmann

Business Highlights

Revenue, Operating Cash Flows and EPS

- This morning we reported 2017 results that are ahead of the outlook we shared with you at our Investor Conference at the end of November
- Full year 2017 revenues exceeded $201B, increasing more than $16B y-over-y
- Operating cash flows grew to $13.6B, and adjusted EPS grew 25% to $10.07 per share with operating earnings from both UnitedHealthcare and Optum ahead of the forecasts we provided at our conference

Growth

- We had an active December on the growth front
- We wrapped up Q4 serving the benefit needs of nearly one-half million more consumers, completing another successful sales season in individual, group, MA and Dual Special Needs Plans as we turn into 2018 and advancing our strategic positions in two of five growth categories by signing both Banmédica and DaVita Medical Group, while maintaining our operating focus to both close 2017 strongly and we expect to carry that momentum into a healthy start to 2018

Corporate Tax Reform

- We know the effective tax changes for 2018 are top of mind for many, so we will be begin there today with corporate tax reform
- Our starting point for determining our approach was with our mission, helping people live healthier lives and helping make the health system work better for everyone, and our recognition of the enormous gap between where healthcare is today and where it could and should be
- We concluded that our ambitions for a better health and for a better health system are best achieved through investment and ways that will make healthcare far more affordable and of far higher quality

Investment

- More specifically, corporate tax reform is expected to improve earnings and cash flows by $1.7B in 2018
- That’s after an estimated $400mm to $500mm reduction in premium revenues due to minimum loss ratio and lower net health insurers’ fee recapture effects, and $200mm to $300mm additional investment in operating costs as we accelerate existing initiatives in artificial intelligence, data analytics, individual health record custodianship, digital health, Net Promoter Score improvements, and health-related initiatives in local communities
    - We expect to invest the remaining increased cash flows to better fulfill our mission and, in turn, to grow and diversify our enterprise for the long term, all aligned to the ambitious agenda we discussed with you on Investor Day
- We now expect adjusted 2018 earnings of $12.30 to $12.60 per share, and cash flows from operations in the range of $15B to $15.5B

Health Insurance Tax

- John Rex will offer more details later in this call and, as usual, we will be available by phone throughout the day
- Before leaving taxes, I would note that we continue to advocate strongly for a multi-year deferral and, ultimately, the repeal of the health insurance tax, given its high cost to consumers and society
- If a deferral for 2018 occurs, we plan to return the value to those impacted by the tax

Growth and Diversification

- As highlighted in our Investor Conference, we are pursuing growth and diversification in five key areas; healthcare delivery, pharmacy care services, consumer-centric benefits, digital healthcare, and global
- Our busy December helped us to advance these goals
- The combination of OptumCare with DaVita Medical Group establishes primary and ambulatory healthcare delivery in several new local care markets for OptumCare
- Through Banmédica and with Amil and America's medical services in Brazil, we are establishing a foundation for growth in South America for decades to come
- And as Steve Nelson will discuss, UnitedHealthcare's 2018 growth in individual and group Medicare Advantage and Dual Special Needs Plans should again lead the market

Larry C. Renfro

Business Highlights

Revenues, Earnings and Operating Margin

- Delivering strong results for Optum customers in 2017 enabled us to drive strong revenue and earnings growth and to create opportunities for further growth in 2018
- Full year 2017 Optum revenues increased 9%, exceeding $91B. 2017 earnings from operations grew by nearly $1.1B or 19% with individual businesses' earnings growth rates ranging from 16% to 28%
- We, again, balanced innovation investments in our businesses and strategic acquisitions with business simplification and focused cost management
- The result is improved margin performance
- Our full year operating margin expanded by 70BPS to 7.4%, including 9.1% in Q4
- Fourth quarter earnings from operations grew by more than 20% for every reporting business

Business Outlook

We enter 2018 with positive indicators for our business outlook

OptumHealth served 91mm people at year-end, strong 10% growth on a large and growing base

In Q4 OptumRx fulfilled 333mm adjusted scripts and OptumInsight advanced its backlog, producing full year backlog growth of 19% to $15B.

Our strategic relationships continued to advance as we became more deeply involved with an increasing number of sophisticated customers

Let me give you a few highlights

State Government Services

Health Benefit Programs

- In state government services, West Virginia became the first state to engage Optum to integrate program eligibility across all state-sponsored health benefit programs
- Over half the state population or about 900,000 people will access Medicaid as well as other human service benefits through Optum's new Integrated Eligibility platform
- We expect to build on our strong and differentiating capabilities serving health plans
- Our health plan customers, members, our patients receive quality care from our physicians at local clinics and ambulatory sites of service

Data Analytic Work

- We had strong growth in data analytic work related to risk and quality, and we received a multi-year award to manage the technology platform modernization for Triple-S Blue Cross Blue Shield, Puerto Rico
- The Healthcare Transformation Alliance (sic) [Health Transformation Alliance] relationship is off to an excellent start with 10 companies selecting OptumRx, driven by their interest in quality, cost transparency and total cost management

Quest Diagnostics

- Finally, with the full implementation for Quest Diagnostics completed at [ph] accessible (08:46) performance levels, we now manage more than $65B in annual billings on behalf of our diverse revenue management customers and the new client pipeline is vibrant
- Acquisitions this past year added market-leading platforms, strengthening our capabilities and depth of resources
- Surgical Care Affiliates, with its leading ambulatory surgical care practice, grew revenue 7% on the same-store basis, driven by ever-more complex surgical procedures shifting to non-hospital settings
- We plan to accelerate center development in 2018 and 2019

OptumCare

Acquisition of DMG

- We expanded OptumCare primary care-driven practices into 10 new major metropolitan areas
- This includes our pending acquisition of DaVita Medical Group
- There's more than 2,000 employed or affiliated physicians serving 2mm patients annually
- Like our OptumCare doctors, DMG physicians are well-known for delivering high-quality care to their patients and are seasoned in working in a value-based care context on behalf of a diverse group of the most

respected payers

- Combined with DMG, OptumCare will be in 35 local care delivery markets, nearly one-half of the 75 markets targeted for engagement or development
  - And these market operations are still in the early stages of growth and development, a fraction of the size they are targeted ultimately to be
- And we combined with The Advisory Board the market leader in healthcare research, consulting, and technology
- We expect Optum to bring further resources, capabilities, and value serving the 4,000 hospitals and health systems that comprise The Advisory Board's membership and we look forward to accelerating their engagement in the next six months

Rally IDs

- Finally, we continue to innovate to better serve market needs
- We doubled the number of people with Rally IDs in 2017, now more than 15mm, while administering more than $400mm in consumer incentives
- Market interest for this type of scale-tested solution is growing
- A large local health plan selected Rally as its consumer technology platform and several renowned hospitals are now using Rally for everything from searching for a physician to pricing the appointment and appointment scheduling

PreCheck MyScript

- We launched PreCheck MyScript connecting patients, physicians and health plans with useful information at the point of prescribing, right in the physicians' workflow
- PreCheck MyScript has already been used by tens of thousands of prescribers for nearly 1.5mm transactions
- We will offer it to all OptumRx members, expecting to reach 80% of active prescribers by the end of 2019

Unique Data Science and Analytics Capabilities

- And we unified our unique data science and analytics capabilities under the OptumIQ brand
- We are optimistic about our current progress and our long-term opportunities to continue to advance NPS, to raise quality, to innovate and develop and grow relationships, making the healthcare system work better for everyone
- Optum was built over 20 years, but we are only just beginning to get a glimpse of its potential

Steven Nelson

Business Highlights

Revenues and Medical Costs

- Like Optum, we're pleased to report strong growth and performance across our businesses on behalf of those that we serve
- UnitedHealthcare's 2017 revenues exceeded $163B and grew 10% y-over-y
- Three of our four businesses posted percentage growth rates in the mid-teens or higher, and employer and individual offerings performed exceptionally well, growing 9% absent the $5.3B negative impact of reduced participation in ACA individual insurance products and the 2017 health insurance tax moratorium
- Medical costs were well managed for the year and our full year medical care ratio was near the lower end of our original forecast
- The full year 2017 commercial medical cost trend was about 5.5%, and we continue to forecast a trend of 6%, +/- 50BPS for 2018
- Operating costs were well controlled in 2017, as operating margins strengthened 30BPS to 5.2% with fourth quarter operating margin seasonally lower, as expected
- We improved our positioning for 2018 and for the long term

AARP Relationship

- Together with Optum, we renewed early the AARP relationship, a key long-term positive for growth serving the seniors community
- We also strengthened our ability to address the social determinants of healthcare to better serve people with complex needs

NexusACO Product

- And we're seeing strong interest from multi-site employers in the NexusACO product, the first national ACO product targeted to large, self-funded customers looking for higher quality and cost performance
- NexusACO leverages UnitedHealth premium physicians to achieve cost savings of up to 15%, as customers see reductions in readmissions, ER visits, inpatient lengths of stay, and hospital admissions
- We expanded into several new markets, including the Western Slope of Colorado and Upstate New York, and will enter Minnesota and the Northern Plains in H2 2018

Digital Health and Wellness Management

- And we began to advance the next generation of digital health and wellness management, which is available for seniors based on connected wearable devices and wireless technology
- Participants in the UnitedHealthcare Motion wellness program have used activity trackers to walk 65mm miles, earning nearly $20mm in incentives to cover out-of-pocket medical expenses
- In 2017, we served 2mm more people in the U.S. employer group, Medicare and Medicaid market segments, including almost one-half million more people in Q4

Medicaid

- In Medicaid, we grew by more than 800,000 people in 2017, reflecting entries into new states, support for 110,000 more Dual Special Needs Plan members and a significant late-year expansion in Iowa

- In 2018, we expect further growth from our 2017 entries into California and Virginia from further acceleration in serving Dual Need Special Plans and from continued end market organic growth
- The Medicaid pipeline for 2019 and beyond continues to be robust, as states increasingly look to managed care for innovation, effective service and cost containment

Medicare

- In Medicare, we served nearly 1mm more seniors in 2017, and we again expect strong growth in 2018, consistent with our expectations
- Based on performance in the annual enrollment period, high customer retention and continued success serving employer group retirees through our national four-star quality plan, in UnitedHealthcare Employer & Individual commercial group, full risk offerings grew to serve 130,000 more people this quarter and 465,000 over the past year
- We expect some modest pullback in membership in Q1 followed by sequential quarterly growth over the balance of the year, led by strength in small group fully in line with our Investor Conference growth projections

Brazil Businesses

- In Global, our Brazil businesses had strong positive 2017 performance and carry that momentum into 2018
- We expect to add Banmédica in Q1 2018
- Banmédica is a provider of healthcare services and health benefits in Chile, Colombia and Peru serving 2.1mm people and operating 13 hospitals with 1,900 beds and 143 medical centers
    - In many ways, the growth opportunities apparent in these South American markets are reminiscent of the opportunities in healthcare markets in the U.S. two decades ago when consumers and benefit sponsors were seeking better managed benefits and access at lower costs, Medicare Advantage plans and managed Medicaid were nascent and Part D did not exist
    - We expect opportunities for growth in these markets to advance as they have in the past two decades or more in the U.S

Outlook

Our 2017 growth and our 2018 outlook demonstrate the competitive value our offerings bring to consumers and the market

Rising rates of customer retention and strong new business generation reflect the sustaining value of innovative benefit and network designs, improved service, rising NPS, distinguished clinical engagement and effective cost control

John Franklin Rex

Financial Highlights

Revenues, Cash Flow, EPS and Tax Rate

- We delivered strong, well-balanced performance again in 2017

- Consolidated revenues exceeded $201B, cash flow from operations were $13.6B and adjusted EPS of $10.07 increased 25% on top of 25% earnings growth in 2016
- We revalued our U.S. deferred tax liabilities to reflect the newly enacted federal statutory rate of 21%, which added $1.2B in non-cash earnings in 2017
  - We have excluded this from adjusted EPS
- Our expectations for 2018 have been revised solely to reflect the lower expected tax rate now approximately 24%
- The incremental investments Dave referred to and items such as rebate obligations related to loss ratio requirements triggered by the lower tax rate
- The change affects several line items, which I will step through
- We now expect adjusted net EPS of $12.30 to $12.60 in 2018
- With cash flows from operations rising $1.7B from our prior outlook to a range of $15B to $15.5B
- Dave referenced the $400mm to $500mm impact on premium revenues, which we expect to accommodate within the existing $223B to $225B revenue range we set at our November Investor Conference

Earnings from Operations and Investments

- We now expect UnitedHealth Group earnings from operations to be in the range of $16.7B to $17.3B in 2018
- This is reduced by $700mm from the prior range
- Roughly $400mm to $500mm of which is driven by the premium effects of the new lower tax rate, with greater than half attributed to a lower insurers' fee gross-up
- The other factor within the $700mm reflects the in-year P&L impact from the investments Dave noted to better serve people and improve the healthcare system, while strengthening our growth and innovation value
  - We expect these accelerated investments will result in $200mm to $300mm in incremental operating expense
  - Our current plans, while still maturing, allocate these investments to both businesses, leaning towards Optum

Medical Care Ratio

- We now expect our 2018 medical care ratio to run in a range of 81.5%, +/- 50BPS, with the midpoint increasing as much as 30BPS from our prior outlook, again, driven solely by mechanics related to the tax rate change
- In addition, with these impacts, we expect our 2018 operating cost ratio to run in a range of 15.3%, +/- 30BPS, with the midpoint 10BPS above our prior outlook

Capital Allocation

- With respect to our overall capital position and outlook, we expect to continue to follow our longstanding approach to capital allocation
- This includes maintaining a consistent approach of investing in the business and returning capital to shareholders, steadily pacing toward a market rate dividend while targeting a debt-to-total capital ratio in the 40% range over the long-term
- All of the above is contained in a revised 2018 guidance table included in our supplemental information package this morning

- The takeaways are that we enter 2018 with growth and earnings momentum and strong financial flexibility, a significantly improved cash flow outlook and a debt-to-total capital ratio below 39% at year-end 2017 with clear opportunities to put capital to work

David Scott Wichmann

Closing Remarks

2017 was a strong year for UnitedHealth Group by virtually every measure

Top line growth, rising NPS, strengthening culture and service, strategic advances, operational execution, and, as a result, strong financial performance

We are entering 2018 with solid momentum and a clear direction and much to get done

- We plan to sustain this ambitious pace most importantly because our mission and culture and those we serve require it

Our goal remains realizing the full growth, service and social potential of this remarkable enterprise

QUESTION AND ANSWER SECTION

<Q - Justin Lake>: Appreciate some of the detail on tax reform, just want to drill down here a little bit more. First, you talked about the $400mm to $500mm and most of that or more than half of that being from the health insurer fee impact. I think it's pretty clear that the gross up that the Medicaid [ph] has (24:55), the states would require to give you back needs to be smaller because taxes go down, but beyond that, can you help us understand how much of that is of the half or more [ph] that's (25:08) $400mm to $500mm, how much is commercial and how much is Medicare that you might have passed through, which I assume is zero on Medicare?

And then, more importantly for 2019, would love to hear your thoughts on the sustainability of the tax reform benefit that you're seeing here in 2018, including any differentiation on that sustainability by business would be really helpful. Thanks

<A - David Scott Wichmann>: Good question, Justin. I appreciate it. We'll have John Rex talk about the – give you little bit more details on the impact of the $400mm to $500mm on premiums. As it relates to 2019, we're not really in a position to give elemental guidance at this stage. I understand the question, but hopefully you can also appreciate that is, as is always the case with respect to market dynamics, particularly in the commercial market. With respect to pricing, it's subject to a number of variables, including a negotiation and then also attribution of costs.

So it's not as – not to belittle it at all, but it's not as simple as applying math. This is something, though, that as the year progresses and we see what happens with the health insurance tax, we will be very deliberate in making sure that we quantify the effects of that, and do so in the context of giving you guidance for 2019. John, do you want to discuss the $400mm to $500mm, please?

<A - John Franklin Rex>: Yeah, good morning, Justin. Let me just give a little more background on how that works just for the benefit of everyone on the call here. So just recall – so when we look through how that works through our P&L, the larger component, as I mentioned in my prepared comments, is the impact of the lower premium gross-up, that federal tax rate decline. So remember the health insurance tax [ph] of course is (26:59) non-deductible, that results in a gross-up on the premium line and that flows through the P&L and that impacts a number of ratios, as you saw – as you heard me describe this morning, across the P&L.

So as a result of the gross-up, the pre-tax operating earnings, of course, were impacted. As that requirement declines, it's neutral on the after-tax earnings line but it impacts pre-tax. So that's really what we're attempting to go through

here. I think you spotlighted one, the kind of the easiest to understand ones in terms of some of our state program arrangements here, where, really, when we went into this, the arrangements for the states were explicitly around being [ph] made whole or (27:43) the tax grossed up because of the non-deductibility. So that has an explicit impact as that declines. And so some of those state arrangements are explicitly that way and so when we go to collect that, we'll be collecting a grossed up rate of 21%.

There are other businesses, where that has some impacts, contractual arrangements, I'm not going to parse them out in terms of specific amounts [indiscernible] (28:07) as Dave described but you're right about kind of how that impact flows through.

<A - David Scott Wichmann>: Thank you, Justin. Next question – I'm sorry.

<Q - Justin Lake>: I'm sorry, I just wanted to confirm here. In Medicare, I think you guys have talked about the gross-up not having – you'd never passed it through to consumers via lower benefits, so that doesn't need to be given back. Is that correct? And then on commercial, how much of commercial do you expect to give back over time and how much is already in this number? Thank you.

<A - David Scott Wichmann>: Well, Justin, we're – as it relates to Medicare in particular, obviously, that's all subject to a discussion with CMS and a negotiation that occurs in connection with the offering of the annual benefits. Our goals are always to maintain as much consistency as possible in benefit offerings, network access, pharmacy offerings, formularies, as much as possible to keep those benefits as stable as it can be. That's one of the leading contributors to a very strong Net Promoter Scores with that population. So, again, our goals there are to maintain as much stability as possible.

As it relates to the market, if you think about what we have here, we've got two businesses: one, which is regulated, and one unregulated. The regulated business taxes, if you will, we have the [indiscernible] (29:39) value of that, if you will, piece of that, a good chunk of it goes back to the market through these recapture mechanisms that we've outlined here this morning. That's the $400mm to $500mm that John described.

In addition to that, we thought it'd be best that we then invest in things that we know happen to be through our P&L in this case, areas we know where we can improve healthcare quality and reduce healthcare costs in the future. That's the $200mm to $300mm that John described as well. The vast majority of the residual is either attributed to the Optum business and/or we felt was best and most appropriate for us to invest in continuing to advance healthcare quality and reduce healthcare costs, really aimed at trying to achieve this mission around helping people and helping to improve health systems. So that's where we're at today. We think it's a fair balance. We think that that balance is something that's sustainable over the long haul.

<Q - David Howard Windley>: I figured there will be a lot of questions on the tax pass-through, I'm going to avoid that one. In your OptumHealth build-out, I'm curious to what extent or how far along are we in the process of your benefit designs on the UnitedHealthcare side, including some type of favorability for your OptumHealth networks. Is that something you can do now? Is it something that you plan to do? Is it something that you need to build more critical mass in OptumCare before you can get there? I'm curious about how much – if you're building a plan that helps the healthcare system to work better, I would think you would want to favor that, I'm wondering how much you're doing that?

<A - David Scott Wichmann>: That's a great question, Dave, and it's one of those things that's often misunderstood about our OptumCare platform. That is a multi-payer platform. It serves 80-plus payers broadly. The dynamics around its offerings to the market, particularly around pricing, are negotiated, including with UnitedHealthcare, there is no favoritism applied other than what you would characterize as normal dynamics in a marketplace. And so our intention is to not – is to provide a broad offering and engage the ambitions of all payers so that we can serve more patients. But Andrew, do you want to touch on maybe some of our strategies there and how we're advancing that business?

<A - Andrew P. Hayek>: Yeah, thanks, Dave. And to Dave's comments, we are very much committed at Optum and at OptumCare to a multi-payer strategy. And serving multiple payers in the markets we serve is integral to our business models, including our medical groups, our IPAs, our ambulatory surgery centers and our neighborhood care centers. So

we work to earn and maintain the trust and confidence of our payer partners around the country and we do that by providing outstanding value to their members and the communities we serve, in terms of quality, patient experience, and impacting the total cost of care.

And I think if you look at the track record that we have, as we add IPAs, medical groups, as we added SCA, as we added MedExpress, we have continued the multi-payer strategy of those entities and, in fact, we worked very carefully with each of those payer partners to expand those relationships, continue to serve them and help their success.

<A - David Scott Wichmann>: So, Dave, it's fair to say that those that get kind of closest to OptumCare, the payers that do are the ones that get the best value out of it. And certainly UnitedHealthcare works very collaboratively with OptumCare but several of our payer customers do as well. Next question, please.

<Q - Matt Borsch>: I was hoping that you could just talk about medical trend and just from a couple of different dimensions: number one, to understand is your outlook for going back up to the 6% range vs. 5.5% that you experienced this year, is that just the conservatism that we've seen from UNH over the last several years or is there something specific? And, I guess, related to that is, what you think the impact to the economy is here and if you're surprised at all by the 2017, if anything, [ph] it seems (34:34) like a softening of trend relative to the prior year? And sorry, if I could just fit this one in, then that begs the question of the pace of benefits change and the high deductible plan impact in this mix.

<A - David Scott Wichmann>: Okay, that's a lot, Matt, I will try to get all those answered. As it relates to medical trend in 2017, our teams worked very hard to control healthcare costs. Usually our forward view of trend is comprehensive, and it also reflects the deep respect for the healthcare economy and the ways trends develop over time. So – but I think our teams did a really nice job of continuing to mitigate trend for 2017 and have done – taken a prudent approach for 2018 and beyond. Do you want to talk at all about the – how trend has advanced y-over-y and maybe what some of the elemental items are, Jeff Putnam?

<A - Tarrant Jeffrey Putnam>: Yeah, thanks for your question. As Steve Nelson mentioned in his commentary, and as Dave touched on, we're now at 5.5%, so right at the low end of the range from a year ago that we laid out, but completely in line with our Investor Conference. It really reflects, as Dave mentioned, our efforts to manage costs and improve quality, and we continue to do that through things like ensuring the right level of care at the right place of service, the effectiveness of our clinical model, alignment with our provider partnerships, and we've really seen – the improvement's really been broad based across our categories, I wouldn't point to anything specific, wouldn't point to the economy especially around that as well. And as Dave mentioned, as to 2018, we're always respectful of trend and there's nothing that we've seen, as we've closed out 2017, that would view our change at this point for 2018.

<Q - Matt Borsch>: What about, though, the pace of benefit change and how – that's obviously played a role, as you've moved more employers to high deductible plans. Is that continuing at the same rate going into this year?

<A - David Scott Wichmann>: I'll let Dan Schumacher comment on that, Matt.

<A - Daniel Schumacher>: Good morning, Matt, it's Dan.

<Q - Matt Borsch>: Good morning.

<A - Daniel Schumacher>: If you look at the benefits, what – a couple of dimensions to it, right? We have – if you look at deductibles, deductibles are rising a little bit faster in 2018 as compared to the rate of increase in 2017, and in part, due to the reintroduction, I think, of the insurers' fee that's pushing pricing up and putting some pressure on employers to make more adjustments to their benefits. If you look at aggregate buy-downs, I think those are relatively comparable y-over-y, but if you just look at the proportion of people that are buying and choosing more progressive plan designs, I would say that that has been a longstanding trend that continues in 2018 just the same as it was in 2017.

<Q - Stephen Tanal>: Wanted to just touch on the $400mm to $500mm of minimum MLR rebates and sort of curious to understand whether that had anything to do with sort of pricing plans for the old tax regime and what that could mean for 2019. And relatedly on the incremental investment side of things, these were described as accelerated programs in the release, and I'm wondering if you could sort of give us a flavor for how much flexibility that might

enable for 2018 and then looking into 2019 as well.

<A - David Scott Wichmann>: Okay. Well, maybe we'll have John Rex address the forepart of that question, then I'll wrap up on the investments.

<A - John Franklin Rex>: Yeah, thanks for the question. Let me just get back to that. So just to be clear here on the $400mm to $500mm, that's comprised of two components. And the minimum MLR rebate component of that is less than half of that component. The greater component has to do with just really the lower premium gross-up as the federal rate declines. I just really want to be clear on that in terms of how that works.

For minimum MLRs, less than half of that $400mm to $500mm, it's really just the mechanical impact, the recapture impact on the lower premium gross-up that is the majority of the $400mm to $500mm. And I'll go – Dave will address the investments.

<A - David Scott Wichmann>: Right. So, Stephen, it's a very good question. So, what we've done here is we really have investment occurring on two fronts: one as it relates to the $200mm to $300mm, as I described earlier, it's going through the P&L and that's the one you're picking up on, a lot of those investments through the P&L are in the application of technology, if you will, across the business and in order to accomplish a number of things, it's to both improve the quality of our services to people, which includes the advancing of our NPS ambitions, which, I think, we've laid out pretty strongly, as well as to continue to find ways to improve cost structure, thereby delivering greater value broadly to the health system and to individual consumers within it. You should look at that as an uptick in the run rate expectations of our level of investments, partly in response to this tax rate change, if you will.

Beyond that is the balance, which is the $1.7B or so, improved cash flows in the business. And that you'll see us align more quickly strategically in the market to advance things like our care delivery platforms, which we just discussed. As you know, we are not quite midway through the establishment of the foundation of our market presence in local markets in that business, as an example. So that additional investments in technology-related platforms to advance things like precision medicine, genomics, things of that nature, where we believe we can apply our capacities as an organization into some of the areas that you'll see us advance our investment portfolio.

<Q - Michael J. Baker>: Just trying to get a sense of the size of the PBM pipeline of opportunities this year compared to last year and if you could give a little bit of color on market segments that are more active, that would be helpful.

<A - David Scott Wichmann>: We see nice growth in the PBM both this year, including the growth within our customer base, and we have a nice pipe for 2019. John Prince?

<A - John M. Prince>: Great. Thank you, Michael. So, we just finished off a really strong year. We hit our new business targets. We also had really good retention. As I talked about in Investor Day, we were at almost 98% in terms of our retention. We've seen solid growth both with our existing client base, including health plans, so really broad based growth across all market segments for 2018.

In terms of 2019, I think it's still early. We have a really good pipeline, so I'd say our pipeline y-over-y is pretty similar, but it's actually still early. We have some wins for 01/01/2019 already, so we're seeing strong active growth in the market. And I'd say the big deals, we won't hear about until the end of first quarter. So strong pipeline, good growth. I don't see any changes in terms of what market segments are selling more than others right now. And I'd say, the [ph] last thing I'd (42:48) comment is that our value story in the market is really resonating. We're seeing strong interest from sophisticated buyers that are attracted to our pharmacy care services model.

<Q - A.J. Rice>: Maybe I'll just ask about the acquisition pace. It seems like in 2017 it accelerated and then certainly as we went through the year, it seemed to accelerate as we got towards the end. I mean, that could be a function of greater availability of deals, it could be a function of, particularly in Optum you built out the infrastructure and you feel more confident that you can integrate at faster pace of deals, it could be the balance sheet is now – is your target.

Can you give us some flavor for R&D? Are we in an environment where your acquisition pace is likely to accelerate? And maybe I'll just throw in there an update on the international outlook since I know both Optum and UHC have pointed to that as a growth area and with the Banmédica deal maybe that brings you back into focus a little bit.

<A - David Scott Wichmann>: Thank you, A.J. Very good question. There really is nothing – we really didn't accelerate the pace of our acquisition, it's just coincidental that those two acquisitions happen to come at that time. As indicated, they line up nicely with two of the five growth areas of our business. We've long indicated that we have an interest in measured investments in global and Banmédica allowed us to get into three additional South American markets, we have been studying those markets for about five years and that allowed us to advance our position there. As you know, we're in an open process right now to close that transaction.

And then the other one was the DMG acquisition, which, again, I would characterize as more coincidental but highly strategic in terms of our ambitions and interests in building the OptumCare platform overall. So really no acceleration. You shouldn't infer anything with respect to how we're allocating capital broadly. I would like to just take a moment if I can to have Molly Joseph who is our Chief Executive of our international business, UnitedHealthcare International, maybe just spend a moment on Banmédica and our positioning in South America broadly.

<A - Molly E. Joseph>: Good. Thanks for the question, A.J. Let me just offer my perspective on three things related to our global expansion. First is the business progression we've seen in Brazil; second, the pending transaction with Banmédica; and then perhaps touching on how we view Latin America more broadly. Brazil, we started 2017 with pretty ambitious expectations for the business, particularly in the area of margin improvement and that was across both our health benefits and our medical delivery businesses. Very pleased that we fully executed on that plan. The improvements are really being driven by a combination of a very strong local management team that's focused on innovation and quality and, increasingly, the localized application of our enterprise capabilities and competencies in clinical, in technology, in data and analytics.

So, we enter 2018 in Brazil with really strong momentum for continued margin expansion and quality advancement, which brings me to Banmédica. As Dave mentioned, Banmédica is a organization that we have known for a very long time and we have studied those markets for a long time. They're a market leader across Chile, Colombia and Peru in both healthcare benefits and medical delivery and they have a really strong local management team with a proven track record in delivering very consistent high-margin growth across both lines of their business and across all three of those countries. So, similar to Brazil, we see a opportunity to create value by combining that strong local team and that strong platform with our enterprise capabilities, again, across clinical, technology, and data and analytics. Transaction is currently in an open tender process and we would expect to close that yet this quarter.

So, pivoting then to our view of Latin America more broadly, we see really attractive healthcare dynamics and characterized by a growing demand for affordable private healthcare. And our acquisition of Banmédica will put us in a leading position in four of the largest economies across that region. Collectively, these countries have a population roughly equal to that of the U.S., but perhaps more growth opportunity in these emerging private healthcare markets, as well as a broader, longer-term opportunity to serve the systems more holistically by also serving public markets. So, we think we're really well positioned for value creation over the long horizon and we are focused on bringing value to those markets.

<A - David Scott Wichmann>: So, we took a little bit of time there because we hadn't had the chance to discuss this at our Investor Conference and, of course, this came right on the heels of that, as did DMG, which we've referred to earlier today. As it relates to the international markets and, in particular, I just want to stress again that our approaches to those markets will be measured, approach to deployment of capital in those markets will be measured and deeply respectful of the volatility that's inherent in each one of those. And our expectations are that they provide returns that are reflective of those risks and risk profiles that exist in each of those markets. Not to belabor this, but there is one other acquisition that we had closed, The Advisory Board that I might just ask Larry Renfro to make a few comments on as well. Thanks.

<A - Larry C. Renfro>: So, A.J., I know this would be something important to you. The Advisory Board we closed, I think it was in the latter part of November. So, we're in the process of kind of implementing the Optum playbook in terms of integration and alignment, but it's gone extremely well, well received in the marketplace, and we really believe that this is going to enhance our sales pipeline as well as our sales for 2018. It's very, very complementary business and their management team is strong and it's so complementary to us. We're looking for a lot of good things

out of The Advisory Board.

<Q - Chris Rigg>: Actually, just had a follow-up on the international or global strategy. When we think about at least South America, do you think over time this becomes one sort of cross-border enterprise under a unified brand name or is it sort of a portfolio approach where you'll continue to run both businesses separately for the long term? Thanks.

<A - David Scott Wichmann>: Just like North America, South America is an inherently local market, and so in that regard, at least for the time being, we have two very strong – or three very strong brands now in Brazil, both Amil and Americas Médicos Serviços (sic) [Americas Serviços Médicos] and then in Chile, Colombia and Peru, predominantly Chile, Banmédica as the holding company, but they also operate with a series of very recognizable local brand names, both in healthcare delivery as well as healthcare insurance. So, I think you'll continue to see that posture. To the extent that we need to clarify that like we've been doing with some branding activity in Brazil this past year, we will do so, but for the most part, we're deeply respectful of the brand value that these folks have created over time.

<Q - Joshua Richard Raskin>: So, wanted to talk a little bit about Med Supp, and I'm curious what percentage of your book today has first-dollar coverage, and then maybe you could talk a little about sort of a migration strategy. We've only got one open enrollment period before the changes take effect for 2020, and I guess I'm just curious on the economics of that switch. I assume that gross margin dollars are higher, but I'd be curious if the returns are any better. And then I guess lastly, do you think this is a big impact on the industry, i.e. sort of a step function for MA in 2020, or do you think this is going to be more incremental? Thanks.

<A - David Scott Wichmann>: Great question, Josh. And as you might suspect, a lot of the growth we see in MA comes from our Medicare Supplement products overall. But I'd ask Brian Thompson maybe to more specifically respond to your question.

<A - Brian Thompson>: Sure, Dave. Good morning, Josh. Thanks for the question. Maybe I'll start with the last point. I don't see this as a big transformative change. We've seen this and been aware of this change for some years now. We have the vast majority of our business today in first-dollar coverage, but have been very pleased with our introduction of what we call the Plan G in the middle of 2017 and we are certainly seeing that resonate in the marketplace.

But actually in terms of the seniors' perspective, we like the continuation and really the collision of both the Medicare Advantage and the Medicare Supplement products in the marketplace. It really provides a broad, good choice for those that are choosing and again as we're selling right now, very pleased with the margins on both plans. I don't think there's much to be differentiated in terms of economics of either, but certainly don't see this as a big move over the long term.

<Q - Kevin Mark Fischbeck>: I wanted to go back to tax reform and the long-term sustainability of the benefit. I appreciate that things can change over next year, so you have to kind of watch and wait. But I guess, I kind of thought that United actually almost literally wrote the book on pricing for membership and although I guess competitors might decide to put that back to the benefits, you obviously don't have to follow suit. And so, I would think that [ph] you'll be largely accused of (53:42) how much of the benefit you decided to keep vs. not keep. So, maybe if you could give some perspective on that.

And then if there's any thoughts initially about where you think competition-wise there might be more pressure within the business. I would think that most of the Optum businesses actually would probably have less pressure than the health plan businesses, but want to get your perspective on that.

<A - David Scott Wichmann>: Sure, Kevin. So, as it relates to the $400mm to $500mm just again to reiterate, most of that is a combination of two things. One is the minimum MLR amount that we would need to return to policyholders, if you will. And then the second relates to the lower tax rate on the health insurance tax. So, that is what I would characterize as more of a – I hate to say it, but more of a kind of a mechanical element, if you will, in returning those premium values to consumers.

As it relates to sustainability, again, I would urge you to think about the tax reform affecting our cash flows and earnings in – as a kind of in a bifurcated way. One is, as it relates to the services business which – and as well as all the

unregulated aspects of UnitedHealthcare which are substantive, those components are the ones that we're retaining and investing, if you will. And then think about the other half – or the other portion is being that which relates to the regulated entity, of which you can see a substantial dollar amount is being returned to the market.

And on top of that, we invest in managing healthcare costs better as well as applying better services and then, on top of that, invest more fully in what I'll characterize as more substantive and/or transformative change to improve the health system and improve our offerings broadly to the marketplace. So, in our view, we believe it to be sustainable because of the fact that we have such a substantive amount that's already been reverted back in premium values, plus the other changes that we've outlined. So, our intention is, at this stage, from this distance, which is – it's pretty early on that we've kind of made the right allocations, if you will, in determining how to best utilize this tax reform value.

<Q - Gary P. Taylor>: Just want to ask a little bit about OptumRx. And it looks like the year-to-year revenue growth accelerated sequentially and the OI accelerated pretty meaningfully the growth there sequentially. And anything you wanted to call out for us there?

<A - David Scott Wichmann>: Gary, I'm not sure we got your question. It was fairly broken. So, if you could rephrase it, please.

<Q - Gary P. Taylor>: Oh, sure. I'm sorry, I was asking about OptumRx.

<A - David Scott Wichmann>: Okay, thank you. Much better.

<Q - Gary P. Taylor>: Okay. Sorry. And the question was, it looks like the year-to-year revenue growth accelerated sequentially a fair amount and then the OI growth accelerated pretty substantially sequentially as well. Just wondered if you could give us a little more color on that performance.

<A - David Scott Wichmann>: Sure. I'd ask John Prince, please.

<A - John M. Prince>: Sure, Gary. It's John Prince. In terms of the acceleration, I think the key driver of that is our strong increase in adjusted scripts. So, if you look at our volume which is driving our business, our adjusted scripts is up 5%. Our scripts have actually been accelerating all year long. So, our script growth was the highest in Q4 vs. any other quarter in the year. So, that is really driven by the success we've had in the market in terms of taking on new clients, winning new business, and keeping our existing clients. And so that is the key driver from it.

One other driver from it has also been the specialty pharmacy business. So, we highlighted that at Investor Day that we've been very successful in the specialty market. That's a market where you both win with existing business and also compete in the open market. Our value story has been resonating, our experience has been very solid both for members and physicians. And so we've been getting in a lot of uptake in our specialty pharmacy business. That all has been driving our overall revenue growth. So, very solid from the business standpoint.

<Q - Ralph Giacobbe>: As a little bit of time has passed and you've had more time to think about the executive order and lack of the individual mandate, any updated thoughts on how disruptive you think that will or won't be? Maybe have you had dialogue with small group? What's your sense for their appetite to maybe change their approach? And does that at all relate to your commentary on your call around sort of enrollment being – pulling back, I guess, in Q1 and coming back due to small group, I think? If you could flesh that out as well. Thanks.

<A - David Scott Wichmann>: Thank you, Ralph. So, I'll address the executive order and then I'll have Jeff Alter talk about the market dynamics here in just a moment. So, the executive order had three components to it. The one, I think, that has the most momentum or at least initial momentum is around the association health plans, but we also have HRA and short-term limited duration policy considerations as well.

So, what I think is happening across all of these is that the administration is pursuing an expansion of products that are available to consumers and within – in an effort to lead to more participation. And I think that that will also lead to more insurance market stability, broadly. So, we're supportive of that, of expanding the choice of the offerings that consumers have. And I think each and every one of these regulations or attempts are really geared in that way. So, we're supportive of these efforts to improve choice and, frankly, provide access to lower-cost alternatives because as

you well know, healthcare costs too much and consumers are seeking more affordable options.

We're still reviewing the association health plan rules at this time and we're not going to speculate on the potential outcomes of regulatory matters. But I would remind you that we have significant experience and do offer association health plans today, primarily in our individual business and/or operate in markets like PEOs and others that have similar characteristics.

What's important about these is they must be designed carefully in order to enhance coverage options and to ensure that they don't destabilize other aspects of the insurance market like the small group market. So, that's largely where our commentary will be aimed is making sure that there's no unintended consequences of these. And then with respect to enrollment in Q1, Jeff, can you touch on that, please?

<A - Jeff Alter>: Good morning, Ralph. Thanks for the question. It's Jeff Alter. As you saw, we had another strong quarter of growth at the end of 2017 and that makes a run of 13 consecutive quarters of strong fully insured group growth. When you look at 2018, our outlook that is unchanged from our Investor Conference has a market dynamic that has the full introduction of the [ph] health insurance acts (01:02:02) and that's resulting in much higher premiums and quite frankly, much higher y-over-y increases for our clients. So, with that in mind, we look at our very large [ph] 01/01 (01:02:17) enrollment in our larger business. We continue to see small group growth, and we believe that as the year paces, we will return to growth in that – the remaining three quarters and continue our run of strong growth.

<Q - Zachary W. Sopcak>: Just wanted to ask quickly about your MedExpress-Walgreens co-location pilot. I think you're at about 15 sites at your Investor Day, [ph] can you tell how (01:02:53) that's going and how you think about from your perspective what kind of metrics you have to see to think about a broader rollout for United and Optum. Thanks.

<A - David Scott Wichmann>: Good question, Zack. Thank you. I know this has gotten a lot of attention here, in particular, over the course of the last week or so with some activity at the JPMorgan Conference. I want to keep this into context. We have about a dozen or so locations that we'd brought online throughout 2017 and that was really to see whether or not a retail site of service in this case with Walgreens would be an attractive venue for care delivery. The results are not near final, but we're hoping that our MedExpress urgent care model with an adjunct pharmacy performs as good or better than without, meaning that we can provide more convenient service to consumers at a lower cost and with very, very high levels of quality as MedExpress has had as reflected in their NPS scores from consumers.

I also want to put into context in that is, this is just part of developing an overall higher performing local health system. So, it'd just be one component that may be nested inside a local care delivery market with ambulatory surgical capacities and house calls and things of that nature. This is the future health system that we see delivering considerable value to people.

The other thing I just want to emphasize is that we'll evaluate other venues and partners as well. This isn't exclusive to anyone in particular. Our interests are being able to align as productively as possible with others in these local communities to see if we [ph] can (01:04:39) deliver additional value to people.

<Q - Ana A. Gupte>: So, on the provider side of the house, I wanted to see what your thoughts are on your organic strategy and M&A and firstly on the build-out of the OptumCare into 35 and then into its target 75 markets, what type of competition are you facing with either other plans or private equity or other health systems, and how do you become the acquirer of choice? Obviously, you did get the DaVita asset.

<A - David Scott Wichmann>: Thank you, Ana. This is a great question. I think we're nicely positioned initially here, but we've got a long ways to go. But why don't we [ph] overview (01:05:29) that for Andrew Hayek?

<A - Andrew P. Hayek>: Yeah. Thanks, Dave. So, first and foremost, we started this strategy to build out OptumCare and high-value ambulatory care what was several years ago, and so we're several years into the strategy. The addition of DMG is another step forward in that process. We're excited about the opportunity to combine with DMG, and I would also remind you that we're in the midst of an approval process that's under way. And this step forward for us allows us to combine DMG's outstanding clinicians, local leadership and national leadership. They've achieved very

strong results in [ph] stars (01:06:08), clinical outcomes and patient experience, and our capabilities and our strategies are very complementary.

We anticipate that many of DMG's capabilities will make OptumCare stronger; reciprocally, we believe we can add a lot of value to DMG. And by doing this, we enhance the value we provide in the markets we serve. More broadly, the markets that we are targeting and entering have been and remain competitive. We earn the right to partner with medical groups and IPAs, surgery centers, neighborhood care centers through value, and we need to demonstrate our ability to enhance clinical outcomes, the patient experience and reduce the overall cost of care, and that is true across OptumCare and each component part. So, we earn that right to partner, and we think as we continue to grow and enhance our capabilities, we become a more and more attractive partner, and now that we have the ability to combine various ambulatory care assets with the medical group and the IPA, we can address a broader swath of healthcare needs in the marketplace and become an even more attractive partner over time.

<A - David Scott Wichmann>: So, Ana, very good question. One of our five key areas for growth in the future, this one, very early stages. Again, it feels like we are assembling relatively quickly, but it's one thing to enter into the market, it's another thing to apply information, technology, and really enable these health systems to be strong performers and make a difference on the cost and quality consumers receive in those markets. So, more to come over the coming years on this strategy as we continue to roll it out. Next question, please.

<Q - Frank Morgan>: For several quarters now, you've called out the growth in the behavioral health services as one of your drivers of growth inside of OptumHealth. I was curious, can you give us any additional color on that growth area. What specific services, inpatient, outpatient, and at what particular markets? Is it more of a government or a Medicaid product? And then one is just a clarification. I think you said on Surgical Care Affiliates, 7% growth and I wanted to confirm is that organic and then also could you break out price vs. volume? Thanks.

<A - David Scott Wichmann>: Frank, thank you. That is the same-store growth rate as we described, but Andrew oversees all those businesses. Andrew Hayek?

<A - Andrew P. Hayek>: Sure. Frank, thanks for the question. I'll start with SCA, so the 7% is our same-site net patient revenue growth. So, that's how we'd measured organic growth at SCA for several years, and so that's the combination of volume and rate, keeping in mind that a total joint replacement could take a couple hours and reimburse $20,000, a pain injection could take 10 or 12 minutes and reimburse less than $1,000.

So, we use same-site revenue as the organic growth measure. And 7% is a very strong number. That's the high end of the range that we have grown over the past several years and is a reflection of the cumulative impact of the strategy we pursued partnering with health plans, medical groups and health systems, being very disciplined in shaping our portfolio, the right M&A as well as some strategic dispositions to make sure we're in the right markets, focusing on high acuity procedures, ramping up total joints, cardiovascular, complex spine, et cetera. So, we're very pleased with the 7% same-site growth rate, and as Dave – as was mentioned in the script, we continue to grow our SCA portfolio.

On behavioral health, we've had strong performance across the board and that's including our medical expense, our ability to serve our consumers, including the growing needs in autism and substance abuse disorder. And so really we feel very good about our product and our presence and we continue to ramp up and add external customers and grow in virtually each of the segments that we serve. So, we feel very good about behavioral, the trajectory we're on and the prospects for 2018.

<Q - Sarah E. James>: Can you speak to the OptumCare ASC surgical trend environment? So, how is the trajectory going this year vs. in the past? Are you seeing consumerism impact total annual surgical demand or is it just back-end loading and changing the location of service? And then taking that one step further, do your systems allow you to see the impact of inpatient diversion for non-UHC members? In the past, you said that you could track this on an individual member basis on the insurance side, but I'm wondering for [audio gap] (01:10:50) choosing OptumCare's ASC, can you tell how much of that volume was diverted from inpatient or does the data and technology not currently exist for that?

<A - David Scott Wichmann>: Andrew again.

<A - Andrew P. Hayek>: Sure. So, thanks for the question. I'd say from a wide lens, stepping back, the ASC environment certainly fits into consumerism. And so over the past several years with rising membership and high deductible plans, consumers being more aware of various alternatives, sites of care and having more financial responsibility for the cost of their care, we've studied this, we hear it anecdotally, patients are asking more questions, they're asking questions of their physician and they are searching more and when they do, the ASC environment for clinically appropriate procedures is at very attractive site based on quality outcomes, based on the patient experience, we have a Net Promoter Score of 91, as well as the cost effectiveness. Procedures in our setting of care are roughly half to less than half the price of the same procedure in a hospital environment.

So, we do fit very well into consumerism and we have some data as well as many, many anecdotes that affirm that consumerism does drive increasing interest in our sites. In terms of the back-ended nature, the years have always been seasonal, that's due to members and patients when they're at the end of the year and they have a deductible that's spent, they would rather get the procedure done by Q4 before the plan year resets. So, there's nothing new or different about that trend.

And then in terms of inpatient diversion or share of the market that we're receiving, we work with multiple plan partners to measure this in various ways. We have a number of pilots underway with multiple health plan partners to track this and do a better job of capturing the right clinically appropriate procedures. We're making progress. We feel very good about it and we're still in the very early days. There's still a lot of opportunity to think about higher acuity procedures like total joint replacements, complex spine, cardiovascular procedures. So, we're very optimistic about what the future holds.

<Q - Christine Arnold>: OptumInsight backlog $15B kind of uptick nicely in the quarter. And could you talk about the specific areas where you're really seeing traction in OptumInsight and where that backlog is really building?

<A - David Scott Wichmann>: Eric Murphy?

<A - Eric Murphy>: Yeah, thank you, Christine. Eric Murphy with OptumInsight. To your point, we added $2.4B to our backlog during 2017. In Larry's opening comments, he shared that's a 19% year-on-year growth. So, we're pleased with that performance. We had a strong Q4 in terms of sales, which enabled us to achieve the $15B objective. For Q4 sales, the primary contributors to that backlog came through our state government business, as well as our ambulatory rev cycle business. In terms of the path forward, we take a very robust pipeline into 2018, which should help us achieve our $17B to $18B guidance that we provided to you during the Investor Conference.

<Q - Peter Heinz Costa>: My question goes to your guidance. Well, I appreciate very much that your guidance change only includes tax reform items and so that makes things easier for us, but Q4 looked like it was running ahead of your guidance and the fact that you even called out the UHC was ahead of your own expectations in Q4. So, why aren't there other changes to guidance going forward? Does that imply that you're more comfortable with the top end of the range now? Or were there some negative things that we should be thinking about that came into play during the quarter?

<A - David Scott Wichmann>: Well, Peter, I think really what it's reflective of is we're maybe 45 days from the time that we had our Investor Conference and first laid out the depth of our initial guidance overall. We're quite pleased with the performance of the company and how it's advanced through the balance of 2017 and how it's established itself nicely for 2018 and beyond. At this distance, we didn't think it was appropriate or necessary to reflect any additional guidance changes based upon the core performance of the business. Let us get through a quarter or two here and we'll reevaluate what our expectations are for 2018.

<Q - Peter Heinz Costa>: And what was the prior period development in Q4, if you don't mind?

<A - David Scott Wichmann>: John?

<A - John Franklin Rex>: It was $200mm favorable.

<Q - Peter Heinz Costa>: Thank you.

<A - David Scott Wichmann>: $200mm.

<A - John Franklin Rex>: [indiscernible] (01:15:46).

David Scott Wichmann

Closing Remarks

To wrap up, in 2017, UnitedHealth Group, Optum, and UnitedHealthcare delivered quality products and services, practical innovation, a better consumer experience, and increasing customer satisfaction

Financial performance was strong, marked first and foremost by distinguished and diversified growth, meeting or exceeding our outlook by virtually every measure, including revenue, cash flows and earnings

We have carried this momentum into 2018 and expect to continue to improve quality and NPS scores and build greater trust and loyalty, enabling continued growth for many years to come