Q3 2021 Earnings Call

Company Participants

- Brian Thompson, Chief Executive Officer
- Dirk C. Mcmahon, President And Chief Operating Officer; Chief Executive Officer
- Heather Cianfrocco, Chief Executive Officer
- John F. Rex, Chief Financial Officer, Executive Vice President
- Tim Noel, CEO - Medicare and Retirement
- William Golden, CEO - Employer and Individual
- Wyatt Decker, Chief Executive Officer

Other Participants

- AJ Rice, Analyst
- Dave Windley, Analyst
- Joshua Raskin, Analyst
- Justin Lake, Analyst
- Kevin Caliendo, Analyst
- Kevin Fischbeck, Analyst
- Lance Wilkes, Analyst
- Lisa Gill, Analyst
- Matt Borsch, Analyst
- Ralph Giacobbe, Analyst
- Ricky Goldwasser, Analyst
- Scott Fidel, Analyst
- Stephen Baxter, Analyst
- Steven Valiquette, Analyst

Presentation

Operator

Good morning, everyone. Welcome to today's UnitedHealth Group Third Quarter 2021 earnings conference call. A question-and-answer session will follow UnitedHealth Group's prepared remarks. As a reminder, this call is being recorded.

Here is some important introductory information. This call contains forward-looking statements under US Federal securities laws. These statements are subject to risks and uncertainties that could cause actual results to differ materially from historical experience or present expectations. A description of some of the risks and uncertainties can be found in the reports that we file with the Securities and Exchange Commission, including the cautionary statements included in our current and periodic filings. This call will also reference non-GAAP amounts. A reconciliation of the non-GAAP to GAAP amounts is available on the financial and earnings reports section of the company's investor relations page at www.unitedhealthgroup.com. Information presented on this call is contained in the earnings release we issued this morning and in our Form 8-K dated October 14, 2021 which may be accessed from the Investor Relations page of the company's website.

I will now turn the conference over to the President and Chief Operating Officer for UnitedHealth Group, Dirk McMahon. Please go ahead, sir.

Dirk C. Mcmahon {BIO 18950833 <GO>}

Good morning and thank you for joining us today. Unfortunately, our CEO and colleague Andrew is not with us this morning since he had an urgent but straightforward procedure for a kidney stone. All is very well and we expect him fully back in just a few days. I'm quite confident he is listening, now. So I hope you're doing well boss.

John Rex and I will be for subbing for Andrew this morning and we have our management team with us as usual to help with your questions. We're here today to discuss third quarter results and the expanding opportunities we see looking ahead. As a result of the progress at both Optum and UnitedHealthcare, we have increased our 2021 adjusted earnings outlook to a range of $18.65 to $18.90 per share.

We continue to prioritize three themes Andrew has discussed before which -- before which are foundational to the growth of our enterprise. First, unlocking the collaborative potential within Optum and UnitedHealthcare for the benefit of all. Second, further developing our technology and data science platform to aid patient care and experience and to help the system run better. Third, strengthening our consumer experience capabilities and value.

I'll briefly highlight a couple of items for you. You likely have seen the CMS Medicare Advantage star -- Medicare Advantage star quality ratings showing 95% of our UnitedHealthcare members will be in four star-rated plans or better for 2023, up from 78% from for 2022 and a new high for our company.

Without[ph] Optum Care, on behalf of the many payers we serve, 99% of Medicare Advantage patients will be enforced[ph] our plans are better for 2023. A second important highlight in the quarter, we were encouraged by the ongoing strength in our Employer and Individual business which has now grown by over 330,000 people this year with revenue up 7% year-over-year. We continue to see active interest in our product innovations, such as our All Savers level funded offering and are encouraged by our competitiveness in the market and momentum heading into '22.

We also elevated consumer connectivity by incorporating fitness offerings from industry leading partners. OptumHealth continues to build momentum as well. Entering the open enrollment period for Medicare Advantage, we have more than 2.2 million people served under physician-led, fully accountable arrangements and expect '22 to be another year of record expansion in this key part of our portfolio. Our broad home based clinical care initiatives that Optum and UnitedHealthcare are central to improving near and longer term health outcomes for people with medical, behavioral and social needs.

These efforts include Optum at Home, which delivers high quality primary care services in the convenience of the home setting and supports recovery after hospitalizations. Seniors served by our home and community offering experienced a 14% lower rate of hospital admissions and about a 4% higher rate of physician encounters.

In addition to caring for people in their homes, we continue to expand capabilities and other optimal sites of care, including via digital means. Optum is distinctively enabling virtual care for patients using their own primary care physicians and with behavioral clinicians.

For example, a physician engaging in a virtual visit with the patient can easily bring in a behavioral health professional for a real-time consultation. UnitedHealthcare is using Optum's virtual capabilities to introduce a new suite of digital-first products, offering a seamless experience between virtual and traditional primary, specialty and urgent care.

We expect, during 2022 and beyond, to further build on these opportunities to connect and integrate multiple channels of care, simplify the experience for patients and providers and deliver quality care that is affordable in the optimal setting.

Let me now go a little deeper in a few areas to give you an assessment of how we're doing on the themes I mentioned at the outset. OptumInsight continues to drive better clinical and operational performance at the health system level. Last week, we reached a new multi-year partnership with a leading and innovative health system, SSM Health, whose 40,000 employees, 33 hospitals and post-acute facilities and 300 physician clinics serve the people of Missouri, Oklahoma, Wisconsin and Illinois.

OptumInsight brings real value in helping system strengthen and scale essential functions such as care coordination, revenue cycle management and digital modernization, all to improve health outcomes and patients' care experiences. These, and similar efforts to simplify processes, reduce administrative burdens and help our partners focus -- help our partners focus more attention on their care, on their core missions of patient care.

OptumRx continues to deliver to health system partners such as its new multi-year agreement with Point32Health which serves more than 2 million people in New England through its founding organizations Harvard Pilgrim Health Care and Tufts Health Plan. OptumRx will provide integrated pharmacy benefit and specialty offerings that will enhance services and deliver improved affordability for their plan members.

OptumRx is having a substantial impact through its community behavioral health pharmacies, which now serve nearly 700,000 people with mental health, addiction and other conditions through more than 600 dispensaries across 47 states. The pharmacies deliver a high-touch approach to care that contributes to a more than 90% medication adherence rate and lowers emergency room visits and hospitalizations by 18% and 40% respectively, driving better health outcomes and a lower total cost of care. Within our UnitedHealthcare Government businesses, we have increased processing efficiency by 25% over the last year by using Optum technology to improve auto-adjudication rates and intelligent work distribution to appropriately skilled channels.

We have many such initiatives underway across the enterprise in affordability, provider experience and product development, as we employ advanced technology and data analytics to drive even greater value for the people we serve and the health system. Before turning over the call to John, a quick word on our pending combination with Change Healthcare. We continue to work diligently to satisfy regulatory requests and now believe based on our experience so far, the transaction should close in the first part of 2022. We are highly energized about the positive impact we can have working -- working together with the exceptional Change team, aA team aligned with our mission and values and focused on delivering substantial benefits for the healthcare system.

These benefits will include helping clinicians by simplifying access to real-time evidence-based guidance as they are serving patients. Closing gaps in care more rapidly to improve health outcomes and lower cost, reducing unnecessary complexity by removing administrative waste and obstruction to make the care process simpler, more cost-effective and more transparent and bringing greater convenience and simplicity to managing consumer health finances, while ensuring care providers get paid more quickly and accurately.

Optum and Change Healthcare's capabilities fundamentally are complementary and distinct, because both companies already successfully serve health plans in state governments, care providers and consumers in a highly competitive market. We believe this combination will make the health care system work better for everyone and bring exceptional value to those we serve. With that, I'll turn it over to our Chief Financial Officer, John Rex.

John F. Rex {BIO 19797007 <GO>}

Thank you, Dirk. This morning we reported third quarter and year-to-date revenues of $72 billion and $214 billion respectively, growth of 11% and 12% over last year. This growth was led by Optum Health, primarily our care businesses. In the third quarter, the Optum's platform comprised 54% of enterprise operating earnings and continues to show strong growth momentum. Our performance reflects a diverse and complementary strength of our business, setting the stage for growth in the years ahead.

Our updated full-year '21 outlook includes unfavorable COVID impacts consistent with the expectations we have discussed throughout the year. During the third quarter, while direct COVID care and testing costs ran above the expectations we had nearly a year ago, we again saw elective care offsetting the impacts of higher case rate, much like previous cycles in the pandemic. This quarter, there were approximately 60,000 COVID hospitalizations meaningfully above the second quarter with the month of August peaking at nearly 30,000 and then declining in September.

Looking at specific business performance. OptumHealth's third quarter revenue and earnings increased 32% and 37% respectively year-over-year. Revenue per consumer grew by 30%. This reflects the increasing impact and number of value-based relationships within OptumCare, the expansion of our in-home and community health platform as well as the growing acuity of the needs we can serve. OptumInsight's revenue grew 13% in the quarter and earnings grew 15% as the revenue backlog increased by 12% to $22.3 billion. We see overall business development sourcing and activity levels increasing particularly with care provider customers and for our software and analytics offerings.

OptumRx revenue and scripts grew 6% year over year and earnings 5%. OptumRx has seen both strong customer retention levels and sales success for the largely completed '22 selling season and early activity for '23. Turning to UnitedHealthcare, the third quarter, showed increasing member growth in our commercial offerings, particularly in employer-sponsored benefits.

Increased employment is a broad underlying contributor but we are particularly encouraged by the growth we are achieving in our affordable, consumer-centric offerings. Medicare Advantage membership has grown 745,000 this year inclusive of plans which serve dual special-needs members, we expect to add a total of over 900,000 Medicare Advantage members. The number of people served through managed Medicaid grew by more than 1 million members over last year as we began to serve people in new regions such as North Carolina, Kentucky and Indiana and as state-based redetermination activities remained paused, we were honored to begin serving people and the Missouri Medicaid expansion this month.

Our liquidity and capital positions remain strong with third quarter cash flows from operations at $7.6 billion or 1.8 times net income and we ended the quarter with a debt-to-capital ratio of 39%. As noted earlier, given the strength of our business performance, this morning, we updated our 2021 adjusted earnings outlook to a range of $18.65 to $18.90 per share.

Now with the close of the third quarter, your attention understandably turns to next year. As is our custom, we will offer a few early observations here, while reserving the majority of this conversation for our November 30 Investor Conference, which we hope will be held in person in New York. Our businesses are both growing and operating well with strong momentum heading into next year.

While the pandemic related impacts remain difficult to predict, given the current trends we would expect a lower unfavorable COVID impact than experienced in '21. Still, as the dramatic variation of the last 20 months demonstrated to all, prudent management suggests we should offer an outlook respectful of the fact that the current situation is without precedent.

Taking all elements together at this distance, we see current analyst consensus as reasonably beginning to calibrate a '22 outlook. Envisioning that consensus as being toward the upper end of our initial adjusted earnings per share outlook range, with the range being similar to that offered initially for '21. There's still untapped collaborative potential between UnitedHealthcare and Optum to benefit individuals and the system, the power of applied technology to advance care and service, improved opportunities in consumer health and experience and the passion of our people. These and so many other elements lead us to believe our performance expectations for the years ahead remain fully supportive of our long-term 13% to 16% earnings per share growth outlook. We look forward to going into more detail on both our view of '22 and the many years of growth beyond at our Investor Conference.

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

Questions And Answers

Operator

Thank you sir, the floor is now open for questions at this time. (Operator instructions) So we'll go ahead and take our first caller Matt Borsch with BMO Capital Markets. Please go ahead.

Q - Matt Borsch {BIO 5186998 <GO>}

All right, thank you. Squeaky clean quarter. I was hoping maybe you could just talked about how United and to the extent you have visibility on others are approaching commercial -- group commercial fully insured rate increases for 2022?

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Yeah. Why don't we let Brian Thompson take that question, go ahead BT.

A - Brian Thompson {BIO 1438916 <GO>}

Yeah, thanks for the question, Matt. Certainly as we look forward to 2022, the picture is a lot more clear than as we look at the past 20 months. I would say that we feel optimistic not only about our pricing and the rationality of the market, but most importantly, the value that we're bringing to customers. So we're optimistic as we look forward.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Thank you, Matt. Next question please.

Operator

Next we'll go to Josh Raskin with Nephron Research.

Q - Joshua Raskin {BIO 3814867 <GO>}

Hi, thanks and good morning. My question relates to the value based care but more from the UnitedHealthcare side. And so how does UHC think about the use of value based care providers and maybe some expectations on the movement of membership into fully cap arrangements in 2022?

I think you said 250,000 lives this year, so curious how you're thinking about next year and then maybe as part of that what advantages you see of using OptumCare as a partner over some of the others and kind of how you evaluate partners in the markets?

A - Brian Thompson {BIO 1438916 <GO>}

Yeah. I appreciate the question. Brian Thompson, here again, I would say we certainly are encouraged by continuing our advanced care penetration with partners, Optum Care certainly being one of several. When we partner with Optum Care, we see not only our highest satisfaction but our best benefits and overall performance and you heard that in our star quality results as well and we're encouraged not only by what we have done by what's -- but also by what's on the horizon. Historically you've looked at our combinations largely in a traditional Medicare Advantage space and you're seeing us expand into the complex populations and duals and we're also really encouraged with what we're doing in the commercial marketplace as well. We've got some new offerings coming in that space. So, I would say the key takeaway here is breadth and impact, we continue to scale and expand in that space, and it's important, we really see this value-based aligned care as a way to drive good value for those that we support and serve.

A - Wyatt Decker {BIO 17276367 <GO>}

Thanks BT and Josh. Thanks for the question. This is Wyatt Decker. I would just add that at Optum Health and Care, we are very pleased to be playing a role in reinventing the US Healthcare System focused around patients as consumers and value-based care as a major pillar. As you mentioned, we've grown by 250,000 fully capitated lives this year, and we're excited through our partnership with UHC as well as collaboration partnership with over 90 payers in total to continue to grow our value-based care delivery construct. The other point I'd make is you'll see us increasingly weaving together all of our assets in a comprehensive care delivery paradigm that we feel is unique and differentiated in the marketplace. Thank you.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Okay, thank you for that BT and Wyatt. Let's go to the next question, operator please.

Operator

Yes. So our next we'll go to Ralph Giacobbe with Citi.

Q - Ralph Giacobbe {BIO 6968095 <GO>}

Great, thanks. Just wanted to go to the guidance commentary. And I guess just clarify, John. Is it inclusive or exclusive of the $1.80 headwind from this year. So, when you talked about reasonable relative to consensus, maybe at the higher end, do you factor in $1.80 or can you just provide some guardrails around how you're thinking about that $1.80? Thanks.

A - John F. Rex {BIO 19797007 <GO>}

Hi Ralph. Good morning. So, yes. So as it relates to this year's $1.80, look our expectation is that will clearly be lower than it was in 2021 as we think about it. We also don't think it will be nothing, like I can't imagine we hit January 1 and everything seizes up immediately. So we don't think that will be the case at all. So inclusive of that, when you think about going to that I think getting inclusive and as we look at where the where the analyst consensus currently centers that seems like kind of a reasonable starting point in terms of how we think about -- how we think about that and how we would anticipate and be respectful of the fact that we don't know exactly how this will progress as we move into the new -- in the new year. Thanks, Ralph.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Next question please.

Operator

Next, we'll go to Dave Windley with Jefferies.

Q - Dave Windley {BIO 2411309 <GO>}

Hi, good morning. Thanks for taking my question. Coming back to the -- to the topic that Josh touched on in value-based care, but perhaps more Optum Care focused, I'm wondering if you could talk about one, the providers within the 53,000 that are responsible for the 2.2 million fully capitalized like how does that interweave?

And then secondly if you could talk about the -- call it the margin on the global cap revenue, so how -- how capable or how much impact are those providers having on consumption of downstream care such that Optum Care makes a margin on the capitated revenue? Thanks.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Yeah. We'll go to Wyatt on that, but let me first start by saying, of course, all of the -- all of the providers within Optum Care, they are responsible for managing the downstream spend, whether it'd be specialists, whether it'd be hospitals, global cap is that and you know one of the key things that we do within Optum Care is we've made investments in our systems to absorb, take and manage risk, right. It's just not a paper transfer, it's actually a system where the providers are fully -- are fully aware of the capitated arrangements and they're managing accordingly. So, Wyatt, why don't you add on top of that, you are more in the details.

A - Wyatt Decker {BIO 17276367 <GO>}

Yeah, thanks for the question. And as Dirk mentioned we focus relentlessly on the quadruple aim including lowering total cost of care providing better outcomes and outstanding patient experiences and we are relentless in monitoring specific data points that help deliver that out -- those outcomes, and specifically what we see is the members that are in fully capitated arrangements overall have about a 30% lower hospitalization rate and about 40% lower skilled nursing facility occupation rate than their counterparts and fee-for-service Medicare as an example.

So we'll continue to drive that value proposition and as I touched on in the previous question, but I'll go a little deeper. As you think about us with our home and community assets increasingly meeting people in their terms, in their homes to deliver components of value-based primary care, preventive care and wellness care and identify early conditions that otherwise might have led to ER visit or hospitalization.

You will also see us continuing to bring on board very innovative behavioral health care delivery solutions that are integrated with the primary care providers that again identify and treat mental health and substance use disorders by identifying them early and treating them in lower acuity settings when that's appropriate. So those are just a couple of examples of how we're creating value for those that we serve. Thank you.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Perfect, that's great, Wyatt. Thank you very much for the question. Can we have the next question, operator. Please.

Operator

Sure. Next we'll go to Kevin Fischbeck with Bank of America.

Q - Kevin Fischbeck {BIO 6157376 <GO>}

All right, great, thanks. I'm wondering if you could provide us a little bit more color about utilization trends in the quarter and maybe do that by product line, breaking it out by COVID and non-COVID utilization where you are versus that (inaudible). Thanks.

A - John F. Rex {BIO 19797007 <GO>}

Kevin, this is John. Good morning. So yes, a few perspectives on that as we think about utilization trends in the quarter. And I gave some broad indication just in terms of where we were with COVID inpatient stays and that's for our members. Maybe give a little kind of further commentary. So as we sit here today, about 5,000 of our members are in an inpatient setting for a COVID-related condition right now.

And I'd say versus the peak that we experienced during the quarter that's probably just a little more than 50% of the peak in that zone, probably a little bit of that we experience over the course of the period. That fell across categories, probably categories much like you would have observed in the reports coming out nationally in terms of the types of individuals who are in these settings and average age that was considerably younger than we saw in prior -- in prior periods for COVID. So similar to what you would, what we have noticed across the board. In terms of broad utilization trends, similar to what we would have described in 2Q or we did describe, where we continue to see commercial members be more active in elective care and public sector or government program members a little bit less active. And so kind of similar just trending at different levels given the prevalence of COVID.

It's been interesting over the course of the 20 months, there has been a consistent fairly rapid reaction when COVID cases go up nationally in terms of the preference of patients to whether or not to seek elective care. That again happened this quarter where it comes in fairly quickly in terms of the hesitation in the system to access. So, broadly kind of similar along those ranges. Hopefully that provides a little additional color for you and what we are seeing across the full book of business.

Thanks, Kevin, for your question. Operator, next question please.

Operator

Next we'll go to Justin Lake with Wolfe Research.

Q - Justin Lake {BIO 6460288 <GO>}

Thanks, good morning. First, let me just follow-up there. John, you've talked about I think on the previous calls, your guidance assumed about a 101% and 102% normal in the back half of this year. If you could run that by, it sounds like you're saying commercial might have been on a little higher and Medicare, Medicaid, a little lower.

But if you can give us those numbers specifically just we have kind of a read through to the rest of the industry that might be helpful and what you saw in the quarter and then what do you price, would it be fair to -- for you to share what you priced for next year in terms of trend, did you price to 101% to 102% for next year kind of similar conservatism versus this year? Thanks.

A - John F. Rex {BIO 19797007 <GO>}

Good morning, Justin. So a few other elements on that. Similar broad trends to what we observed in 2Q. Just shifting just shifting because of the COVID prevalence. So downshifting a bit in terms of elective -- in terms of COVID prevalence, but then really fully offset by COVID. So that is elective downshifting because of COVID prevalence and then fully offset as we saw COVID care become a more important part of the business.

So that -- that really flowed across the businesses with those trends across the book like you described in terms of the general outlook on that and let me turn to Dirk here to talk about some implications how we would have anticipated that in our forward pricing.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Yeah, I mean, Justin, you know, I mean we of course are going to always price to our best estimates of forward trend and we're going to take into consideration all the variables that we talked about, that toggle that John just talked about between COVID and what we expect with abatement. I don't want to get into the specific details, clearly that's competitive, but at the end of the day just be aware that we've considered all factors as we priced our forward business within our books.

Thanks, next question.

Operator

Next we'll go to Lance Wilkes with Bernstein.

Q - Lance Wilkes {BIO 4820557 <GO>}

Yeah, I wanted to ask a little bit about employer growth and was interested in for the third quarter, how much of that was new wins versus in account and then as you're looking at '22 and you're getting visibility on national accounts in middle market, if you can just give a little color on those individual segments and what's driving wins in 2022 in particular? Is that product features or is it All Savers product, maybe just a little more color on kind of why you're getting wins? Thanks.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Thanks. Okay. Why don't we send that question to Bill Golden, who will talk about all three of those not only quarter but also why we think we are having some success.

A - William Golden {BIO 1487265 <GO>}

Yeah. So thank you for the question. So we're excited about the traction we're seeing in our third quarter enrollment. Membership growth for the quarter was really attributed to what I would say are three main components. One is in group growth was net positive for the quarter, our wins versus losses was also positive for the third consecutive quarter and obviously the PreferredOne acquisition contributed to our overall growth.

We're expecting continued commercial growth in 2022 across both our fully insured and self-funded segments. We're confident in the value story is resonating in the market. We're getting good traction with our broad product portfolio and so products like Bind and Care Cash and Harmony and Motion and All Savers are all contributing to that growth. 1/1/22 for middle market is obviously a little early to predict exactly how all those products will perform in the market, but very confident in our ability to continue to perform well in the commercial market for 2022.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Yeah. And I would just add on to what Bill said, I mean the new products are important, but one of the fundamental things within the commercial group is clearly affordability and as we sit back. We have a good program where we manage utilization, we manage medical cost initiatives, we work hard on our network contract. So a lot of things contribute to success in commercial and some product and a lot affordability. So thanks for your question.

Operator, next question please.

Operator

Certainly the next, we'll go to Scott Fidel with Stephens.

Q - Scott Fidel {BIO 5322875 <GO>}

Hi thanks good morning. Interested if you could maybe talk a bit about the labor and staffing environment right now in health care and one, how that's impacting the Optum Care provider businesses, whether you're seeing an impact, whereas the vaccine mandates are going into effect as well. And then just more broadly as we look at just some of the tightness around labor and staffing in the system.

How is that influencing your thoughts in terms of where overall health system capacity is right now? I mean, it feels like we're pretty much maxed out right and we sort of just shift between COVID and non-COVID but it seems like it seems like the system itself is running pretty much at full capacity right now in terms of just the staffing dynamics? Thanks.

A - Wyatt Decker {BIO 17276367 <GO>}

Scott, this is Wyatt Decker, very key question. And as you point out, the US Health Care market is very tight right now. For us and our care delivery assets, we are seeing good both retention, engagement and recruitment of physicians and care providers, a couple of examples I gave you, we mentioned at the start of the year our intent to bring on board 10,000 additional physicians to our ranks. And we've already brought on board about 8,000 year-to-date. So just is a high level indicator why and what do we attribute this to and I would say, in partnership with Patricia Lewis and our human capital team we are relentlessly focused on supporting our front-line care provider teams throughout the pandemic and they know this and have been deeply appreciative of it and we work very hard and this precedes the pandemic, but has yielded dividends during the pandemic, to support them in an environment that decreases clinical burden and it allows them to focus on the work they love, which is actually taking care of patients, which is what we all want. So overall we're managing through this, I won't give you -- it's tight and we're keeping a close eye on it throughout all of our operations in our 43 states where we provide care. Thank you.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Yeah, I would. And I would just say, as Wyatt said, we're managing through this, from an environmental standpoint, it's not just clinicians. It's all -- in all workers. But one thing I would say is we had a fairly significant work-at-home presence before the pandemic even started, so sort of our employee value proposition, sort of, was we had a good value proposition before it started and that's sort of carried through and I think like all employees what we're trying to do is take care of our people, do the right things from a reasonableness standpoint and we will continue to focus on our mission and that's we're continuing to do so. I'm optimistic that we're going to continue to be able to staff our operation and provide the services that we need to all of our patients and members across the country.

Operator, next question please.

Operator

Certainly, next we'll go to Ricky Goldwasser with Morgan Stanley.

Q - Ricky Goldwasser {BIO 1977392 <GO>}

Yeah, hi, good morning. Just a quick follow-up question on the 2022 early comments. So couple of variables there. One is, we think about the change transaction. I think you said you expected to close in the first half of the year. If you can give us an updated change accretion number. I think it was $0.20 to $0.50 previously at least for 2021. So how should we think about for 2022?

And then, I understand that there are lot of uncertainties around COVID and $1.80 in net COVID headwinds, but I think previously you quantified about $0.70 is coming from risk adjustments. So should we think that these at least going to reverse next year and maybe how are you tracking with the annual wellness visits completion versus where you were last year or where you were in 2019?

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Thanks for the question. Ricky, I think if you components there and get it try to get it all of those. So just in terms as it relates to change and impact, I'd just point out that we don't bring in acquisitions into our outlook until those close. So my commentary doesn't anticipate change in there and we would look to bring that until it closes. When that does complete, we have no reason to expect that we wouldn't be trending along the same levels that we talked about prior, when that does come in and it's just a question of when it comes in the year and how the benefits play, there's just timing impacts, in terms of that when it would actually close during the year, but not incorporate -- not incorporated in that outlook.

As it relates to kind of the $1.80 that we articulated last year, yeah, we broke out a number of different components that were important in that -- in that element and frankly my hope would be, we're not talking about a COVID number by the time we get into '22 that we move beyond that and we can -- to move beyond business as normal as we can, while being always ready and to address the environment that's at hand[ph], but that would be certainly our intent. As we step out here that we'd be moving beyond that -- beyond that view. In terms of elements such -- in terms of elements such as annual wellness visits and things, I'll ask BT to comment -- Brian Thompson to comment a moment on that.

A - Brian Thompson {BIO 1438916 <GO>}

Sure, John, as you laid out at the beginning while both our Medicaid and Medicare businesses are running still below baseline on a net basis, we are encouraged by the encounters with the physicians, the primary care visits and annual wellness visits, as well as in-home clinical visits. So those have been encouraging. So I certainly expect less of a headwind in 2022 due to those encounters certainly getting traction, certainly compared to 2020.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Excellent. Thank you. Thank you, Ricky. Operator, next question please.

Operator

The next, we'll go to Kevin Caliendo with UBS.

Q - Kevin Caliendo {BIO 3273681 <GO>}

Hi, good morning. Thanks for taking my call. Can you talk a little bit about elective trends in September and as they moved into October, how that's changed at all? If you've seen any uptick in also just on your commercial market growth, your membership growth in the quarter, can you break it out between small group versus large groups? Thank you.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Thanks, Kevin. Let's have Brian Thompson address a couple of those.

A - Brian Thompson {BIO 1438916 <GO>}

Sure. Hey Kevin. Brian here. As I think about elective care what we've really seen is a pretty steady return to normal. We don't really see what I'll call as an unnatural suppression nor have we seen a significant bounce back suggesting a big catch-up, in fact, when you think about scheduled care what we have found is that most of that cycles through in about four to six months, we look at things like colonoscopies and joint replacements as good leading indicators, and those are running pretty close to baseline.

Obviously, with the spike that we saw in September, there is a little bit of that we would expect to flow through in the fourth quarter, but that's our fully accounted for in our outlook, and I would just say from a commercial perspective maybe echoing what Bill said, feeling really balanced really across our fully insured growth for the quarter. So just optimistic that was across not only our group business but we also saw a return of our non-exchange individual growth, so a really good quarter from a fully insured perspective.

Q - Kevin Caliendo {BIO 3273681 <GO>}

Thank you.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Right. Thank you. Operator, next question please.

Operator

Next we'll go to AJ Rice with Credit Suisse.

Q - AJ Rice

Hi, everybody. Maybe just to drill down a little bit on the OptumRx and what's incorporated in '22 outlook headwinds and tailwinds. I know we have the vaccine this year probably helped script trends a little bit. We had some specialty conversions, maybe that helped. And obviously, what was the dynamic around renewing contracts and so forth? What are you thinking about for '22 for OptumRx?

A - Heather Cianfrocco {BIO 18236688 <GO>}

Hey, Heather Cianfrocco here. Thanks. AJ for the question. So you mentioned we talked in the second quarter a bit about vaccine, we saw a little bit of that this quarter in growth, but it's proportionately down. The last quarter I think it was about a third of the growth, this quarter it's down to about, call it between 20% and 25%.

So you're seeing really our growth first on this quarter as a result of modest PBM growth together with continued -- and membership growth together with continued pharmacy services growth. When we look at '22, we're going to see that to continue. So our Pharmacy Services growth, remember that's our home delivery, specialty, infusion, the multi-dose as well as our direct-to-consumer community businesses, those will continue to grow in '22. We see those sort of outpacing a growth of the rest of OptumRx pharmacy and I guess I call out a few things and I think about '22. First of all, we've made those investments and so we're seeing that we talked about Genoa and our community pharmacies, Dirk talked about those this morning and how they're growing not just an expanded sites, but our existing sites are continuing to show really strong growth as they expand services to existing members and expand in different types of health centers. We'll continue to see that in '22 and we think the solutions we're bringing in an integrated way together with our consumer experience and our real push to make drug therapeutics affordable and easy to access for our members. We'll continue to see that and I just put you -- point you back to our long-range growth where we will continue to be I think stable with our revenue and earnings growth in ''22 as we look towards our long-range plan. So thanks for the question.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

That was great. And I think A.J what that points out, clearly a broad pharmacy portfolio with clearly a laser-focus on affordability, a laser-focus on serving people getting their medications in people hands where they need them and basically servicing the entire sort of what I'll call pharmacy landscape with effective products and services. Thank you very much for the question.

Next question please.

Operator

Next, we'll go to Lisa Gill with JP Morgan.

Q - Lisa Gill {BIO 3366446 <GO>}

Thanks very much and good morning. I just wanted to go back to your comments around virtual care and a digital first product in 2022. Can you talk about what that will entail first off? And then secondly, when you talk about connecting multiple channels of care in 2022, I would assume that's primarily keeping the patient in the home, but can you maybe just give a little more detail around what those programs would look like and what the potential cost savings could be?

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Yeah, Hi. So first of all let me let me hit on the the virtual products that we have. I've talked about it before, we sort of getting into from Version 1 to Version 2, the second version is really not telehealth as a standalone service but really effectively integrated into physical delivery in total courses of care. And so as I think about how we might --how we're organizing our products, what we would have is a virtual PCP available to some people and many people across the country don't have relationships with PCPs. So a product-based on having virtual PCP having that PCP manage like a brick and mortar PCP and then manage the downstream expenses being able to refer to digital properties, be able to, as I said, bringing it behavioral specialist where needed. And as we sit and we look at some of the products that we have and we're designing, we're expecting probably about a 15% price advantage to other sort of similar products in the market. So we're kind of excited about the efficiency of virtual knack in that context. So give me your second question again Lisa, I was focused on virtual.

Q - Lisa Gill {BIO 3366446 <GO>}

Just more around when you talk about connecting multiple channels of care in 2022. Should I assume that that's primarily connecting care in the home or is there something that I'm not thinking about?

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

No, you're thinking of this multi-modality right, it's home, it's digital. It's what we do in the office, and that's one of the things that we're trying to do and I'm glad you hit on that. Our ability to serve people where they want to be served is something we're really focused on across all three of our lines of business is very important. Clearly, people have different care needs and they have different preferences for care and we want to provide that access across the board.

A - Brian Thompson {BIO 1438916 <GO>}

Yeah. Within OptumHealth or Optum Care, the build-out of the home and community platform is one of the more important areas that Wyatt and his team are focused on and there's been lots of development there. Wyatt, maybe you could add a little color.

A - Wyatt Decker {BIO 17276367 <GO>}

Absolutely. So we're very excited about bringing virtual care as Dirk said in a differentiated way into people's homes, so that they can access care, we can help triage them and onboard them, we can provide primary care and when needed, we can provide care delivery in appropriate in some instances in the home or we're leveraging a particularly our urgent care platform to provide nearby physical care and then we blended in our virtual and physical behavioral care deliveries as well. So we're now live in all 50 states. We're serving over 7 million members today and we look forward to continue to expand these offerings. Thank you.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Thank you operator. Next question, please. And I think we have time for about two more questions here as we approach the bottom of the hour.

Operator

Okay. Next we'll go to Steven Valiquette with Barclays.

Q - Steven Valiquette {BIO 1928887 <GO>}

Great, thanks. Good morning everybody. So, you touched on the topic Medicare risk adjuster payments earlier, this is also a little bit more topical about a month ago with the Wall Street Journal putting a spotlight on it. So I guess I'm just curious if you have any updated high level thoughts on MRA payments conceptually for the managed care industry overall? And do you see any potential reform of MRA near term or do you expect status quo going forward? Thanks.

A - Tim Noel {BIO 17867531 <GO>}

Yeah. Thank you very much for the question. First, let me point to the value proposition that Medicare Advantage provides. I think that's important context. So MA serves 27 million Americans with very high quality care and compared to fee-for-service Medicare, MA costs less, it is more equitable, has better quality access and outcomes and with greater coverage and benefits with nearly 100% consumer satisfaction.

So very, very important to the care that seniors receive and it's important that we preserve the stability of this program that so many people rely on and we think about the risk adjustment model in the payment system. The model has been critical to providing broad and equitable access to MA. Risk adjustment levels the playing field and ensures that there is no disincentives to care for the most vulnerable. So we really feel that it's essential part of encouraging the right incentives in the program and think that it's something to build on and broadly support that we need to think about how to build on these positive elements and aspects of the program for which this is one of them.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Thanks, Tim. Operator, next question please. Next and final question.

Operator

All right. We'll take our last question from Stephen Baxter with Wells Fargo.

Q - Stephen Baxter {BIO 17987715 <GO>}

Yeah, hi, thanks. Wanted to come back to the labor market and some of the things that we're reading about provider financials. I was wondering what you're hearing from your network partners on this issue and how you think it will or will not influence re-negotiations over the next couple of years? Thanks.

A - Dirk C. Mcmahon {BIO 18950833 <GO>}

Yeah. So thanks for the question. I think. Yeah. What we're hearing from network partners, is that their cost of -- their cost of labor is higher. So that comes up in the negotiations, and like anything else, it's part of what we negotiate and how we try to work with our network partners on coming up with the right pricing and negotiate -- negotiating accordingly. Yes. We're hearing that there is obviously there is staffing shortages, obviously many of the many of the hospitals and other providers have to pay more for their input and that's going to be reflected in the economics as we go forward and of course, all that is reflected in how we price going forward. So yes and that occurs.

Thank you for the question. With that, what I would like to close with is as follows. Thanks everybody for your time and your questions today. We hope you are taking away the impression of a company that is confident, its opportunities and ability to grow and we are deeply aware of where and how we need to improve and we're fully committed to our mission of helping people live healthier lives and helping make the health system work better for everyone. We look forward to sharing with you more at our November 30 Investor Conference, hopefully in person, in New York. Thanks for your time today.

Operator

That does conclude today's conference. We thank everyone again for their participation.