Company Name: UnitedHealth
Company Ticker: UNH US
Date: 2017-10-17
Event Description: Q3 2017 Earnings Call

Market Cap: 212,019.63
Current PX: 220.96
YTD Change($): -28.16
YTD Change(%): -11.304

Bloomberg Estimates - EPS
Current Quarter: 3.459
Current Year: 14.690
Bloomberg Estimates - Sales
Current Quarter: 60707.417
Current Year: 244411.400

Q3 2017 Earnings Call

Company Participants

- David Scott Wichmann
- Larry C. Renfro
- Steven Nelson
- John Franklin Rex
- Brian Thompson
- Timothy A. Wicks
- Eric Murphy
- Jeff Putnam
- Jeff Alter
- John M. Prince
- Daniel Schumacher
- Austin T. Pittman
- Andrew P. Hayek
- Ret. Army Lt. Gen. Patricia D. Horoho

Other Participants

- Peter Heinz Costa
- Justin Lake
- David Howard Windley
- Kevin Mark Fischbeck
- Matthew Borsch
- Michael J. Baker
- Chris Rigg
- Sarah E. James
- Sheryl Robin Skolnick
- Ana A. Gupte
- Ralph Giacobbe
- Zachary W. Sopcak
- Christine Arnold

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

Opening Remarks

- This quarter we are pleased to report continued broad-based growth and forward momentum for our diverse healthcare enterprise
- In our sessions with you each quarter, it is both humbling and an honor, particularly from this chair, to represent the dedication, energy, and work of the 260,000 women and men who comprise this company today
- I have the privilege of witnessing their efforts up close as I work with our people across the globe, and it is inspiring
- Each day our people leverage clinical insights, data and information, advanced technologies, and a service-minded culture to help people live healthier lives and to help make the health system work better for everyone
  - Having the opportunity to live this mission and witness this impact drives all of us

Healthcare Costs

- Over the past two decades, we have evolved as we have grown to serve more people and expanded our capabilities but, to us, it often feels like we're just getting started
- We see more opportunities to serve and to grow further in the next 10 years than ever before
- We are focused on diversifying our business, applying analytics and advanced technology to improve the use of information and better engage people, and to improve the effectiveness of our businesses and, ultimately, the broad health system
  - We are raising our quality through rigorous net promoter disciplines, leading to greater trust and loyalty
- We are reducing healthcare costs to make healthcare more affordable, advancing market-leading innovations, and simplifying the healthcare experience for consumers and care providers

Revenue, Earnings and Cash Flow

- The pace of growth of our organization, that it achieves, will be determined by how well we work with, perform for, and serve others
- The more we effectively serve the healthcare market's true needs, the more we will realize our full potential, leading to predictable and consistent growth in revenues, earnings, cash flows, and enterprise value

Return on Shareholders' Equity

- To that end, this morning, we reported strong performance in Q3 2017
- We grew revenues by 9% to $50.3B and grew adjusted earnings by 23% to $2.66 per share
- And we reported $7.5B in cash flows from operations and annualized return on shareholders' equity of 22.5%, and a debt-to-total capital ratio of 38.2%, down nearly 900BPS over last year
  - We now expect full year 2017 adjusted earnings to approach $10 per share
- We expect this strong business momentum and performance to continue into 2018, 2019, and beyond, driven by growth and service to our customers

- In that light, we will walk you through recent business trends in more detail, beginning with Larry Renfro, our UnitedHealth Group Vice Chairman and CEO of Optum

Larry C. Renfro

Q3 Highlights

Revenue

- Optum's third quarter included continued growth, strong margin in earnings, and further strategic advances
- Third quarter revenues grew nearly $2B to approach $23B, an 8.4% advance over last year
- Optum's earnings from operations of $1.7B were again well balanced, with each segment producing double-digit percentage growth in operating earnings

Earnings

- The nearly 16% increase in Optum's earnings was driven by the combination of strong revenue growth, business expansion, and strengthened operating margins for both OptumHealth and OptumRx, and a steady 20% operating margin at OptumInsight
- Overall, Optum's operating margin of 7.4% increased 70BPS sequentially and 50BPS from last year's third quarter
- OptumHealth grew revenues over 21% y-over-y as it expanded to serve approximately 9mm more consumers over the past year
- OptumHealth has among the broadest reaches in healthcare, directly serving 90mm consumers

Per Capita Revenue Growth

- Per capita revenue growth was again strong in Q3, rising more than 9% vs. last year as earnings from operations increased 27%
- OptumHealth is supporting the U.S. Department of Defense and U.S. Department of Veterans Affairs by providing healthcare services and expertise
- Earlier this year, the Defense Health Agency awarded Optum a five-year agreement to support Military Health System's global advice service
- Beginning in March 2018, our registered nursing staff will provide triage services, self-care advice, care coordination, and general health advice to active members of military and their families 24/7 via secure phone video conference or web chat

Product Offerings

- In August, the Advisory Board and OptumInsight agreed to merge in a transaction we expect to close by the end of 2017
- The Advisory Board has long been a distinctive leading provider of research, consulting and technology, serving about 4,000 hospitals and health systems across the nation

- We believe their outstanding team of independent healthcare experts can extend their work into payer services, life sciences, and other healthcare arenas, leveraging Optum's data and analytics capabilities and the breadth of Optum's product offerings for our combined client base
  - We look forward to their team, led by their Chief Executive, Robert Musslewhite, joining OptumInsight

Triple-S Blue Cross Blue Shield Puerto Rico Health Plan

- We were pleased this quarter to receive a multi-year award to serve the Triple-S Blue Cross Blue Shield Puerto Rico health plan, managing its administrative and operational infrastructure
- We expect our technology and capabilities in core operations, transaction processing, and connectivity will help Triple-S achieve its quality, satisfaction, and cost ambitions

Revenue Backlog

- OptumInsight's revenue backlog has grown more than $1B so far this year, reaching nearly $14B at third quarter's end, and earnings from operations grew 11.6% over last year's third quarter
- At OptumRx, we fulfilled over 320mm adjusted scripts in Q3, growth of 12mm scripts over last year and consistent with our above-market growth rate in 2017

OptumRx

- Earnings from operations grew 11.3% over last year, while revenues grew 4.7% as we deliver substantial value and supply chain economics to our customers
- OptumRx has positioned itself to compete as a market leader
- We serve the generic, brand, and specialty pharmacy needs of consumers in retail, mail, and home infused delivery models

Customer Retention

- We have high customer retention, and we have been awarded meaningful new pharmacy care service contracts, including the State of New Jersey beginning this January, as well as a leading state Medicaid program beginning mid-2018 and ramping up through the course of the year
- These complement growth from our health plan partners and from medium-sized and large employers in the commercial carve-out pharmacy market
- We have strong momentum in specialty pharmacy where we expect full year 2017 revenues to increase 20% over last year and growth momentum to continue into 2018

Summary

Our synchronized, data-driven approach to specialty pharmacy integrates pharmacy and medical engagement

We then drive customer satisfaction by delivering strong service and personalizing the patient's experience across the breadth of information channels they choose to use

Through these and other ways, Optum brings insights to help make health systems perform better

- We recently formalized the way we present our distinctive data and analytics capabilities under the OptumIQ brand

The OptumIQ name shortens our narrative by capturing the rich data in deep, distinctive analytic capabilities embedded in the products and services we deliver to customers

Overall at Optum, we remain relentless in pursuing organic growth, strong execution, raising NPS, innovating, feeding and growing relationships

Steven Nelson

Q3 Highlights

Performance

- Like the Optum team, UnitedHealthcare is pleased to report strong performance across the business this quarter
- At UnitedHealthcare, we continue to focus on a few critical priorities
- The first is quality, which includes both clinical quality and the experience consumers and care providers have with us
  - We are gratified to see our NPS scores advancing with consumers and clients across our product lines and with providers
- Next is our relentless focus on managing costs, as customers expect us to be good stewards of their financial resources
- One example, 2017 is tracking to be the ninth consecutive year UnitedHealthcare's customers will experience fewer in-patient hospital admissions per 1,000 people

Optum

- Third is our partnership with Optum
- We're further leveraging capabilities to improve performance and innovate for our customers and care providers
- Nowhere does our clinical engagement perform better than where it combines with the clinical delivery capabilities of OptumCare's local market ambulatory care practices
- Consumers regularly give OptumCare practices NPS scores in the 70 to 90 range
- And for 2018, 100% of OptumCare Medicare Advantage patients will be in plans rated 4 stars or higher
- Together we are able to better serve the clinical needs of UnitedHealthcare patients with a higher quality, lower cost, and improved consumer experience
- In turn, we strengthen Optum's practices through market-leading growth, innovation, and clinical insights, all aimed at better serving people one at a time every day

Consumer Digital Platform

- The fourth priority is what we refer to internally as distinction
- It is how we describe the truly compelling experience we are creating for people across a variety of dimensions

  - This includes creating distinctive relationships with care delivery system partners and driving simplicity for consumers

- On Rally, our consumer digital platform, we added additional private health insurance plan selection capabilities this past quarter to help pick the best benefit plan for their needs, taking into account their age, family status, health background, and economics

Commercial Benefits

- Doing these things well leads to the final priority I will discuss today, growth, where our innovative commercial benefits have grown with remarkable consistency and we have considerable long-term opportunities for substantial growth in the public and senior sectors

- Nationally, there are about 85mm people representing $1 trillion in annual spending, who do not benefit from managed care offerings

- The majority of these people are served by unmanaged, higher cost, fee-for-service programs operated by federal and state authorities

  - These people will benefit from the insights and the progressive tools that effectively support coordinated patient treatment across all access points in the healthcare system

- Seniors and Medicaid beneficiaries served through our more progressive care models, see higher quality care, lower costs and improved value

- We expect to grow for years to come as the market continues its steady shift from costly, outdated programs to innovative approaches like those offered by UnitedHealthcare

Medicare

- In Medicare, our revenues of $16.3B grew more than 17% over last year

- Over the past year, we added nearly 1mm people, 100,000 of them in just the last three months, split evenly between Medicare Advantage and Medicare Supplement

- We expect more Medicare growth in 2018 based on both a growing MA market and our unique value proposition, which offers stable products, a simple and personal experience, and a distinctive culture

Organic Growth

  - In 2018, our quality star scores advance again, approximately 85% of the seniors we serve will be enrolled in plans rated 4 stars or higher

  - The initial stars data for 2019 payment year once again show strong organic improvement because our underlying plans are performing consistently at higher levels

  - We expect our final star ratings in 2019 payment year to approximate or exceed the high performing levels of 2018, supporting benefit value, and better health outcomes for the seniors we serve, and growth for our business in this important market

Community and State

- In community and state, third quarter revenues grew 12.8% over last year

- Third quarter membership levels remain stable, representing a y-over-y advance of nearly 600,000 people, with a continuing favorable mix shift toward more complex health conditions and higher acuity programs, which is our strength
- During the quarter, we went live with programs in Virginia, and in October the first Californians joined UnitedHealthcare under new Medi-Cal contracts in two counties
- In addition, we are excited by our active pipeline of renewal and new business opportunities as states expand and diversify the populations they serve through managed Medicaid

UnitedHealthcare Employer & Individual

- Turning to UnitedHealthcare Employer & Individual
- Our commercial group full-risk offerings' sustained momentum in a consistently competitive environment, growing to serve 40,000 more people this quarter, more than half a million in the past 12 months and 1.1mm over the past three years
- These results reflect improved experiences for consumers and predictable cost trend management for employers, driven by a combination of innovative benefit designs and locally-tailored networks, all of which lead to rising retention and strong new business generation

Northern Plains Health Insurance Markets

- We recently decided to enter the Northern Plains health insurance markets, including Minnesota, beginning in H2 2018
- Our team in Minnesota is looking forward to serving our neighbors more fully in coming years
- Taken as a whole, UnitedHealthcare grew revenues this quarter by $3.6B to $40.7B, nearly 10% growth, and earnings from operations of $2.4B in the quarter grew over 13% y-over-y

John Franklin Rex

Financial Highlights

Revenue

- Across UnitedHealth Group in Q3, we delivered strong, well-balanced performance with most principal businesses again posting revenue growth rates of 10% or higher
- Consolidated revenues of $50.3B for the quarter grew 8.7% over last year despite the ACA affects at UnitedHealthcare
- Our consolidated earnings from operations exceeded $4B, and our net earnings to shareholders of nearly $2.5B rose 26% y-over-y
- Third quarter adjusted EPS rose nearly 23% to $2.66 per share

Medical Costs

- Medical costs have been well managed within our established outlook range while trending modestly lower

- Q3 medical care ratio of 81.4% brought the YTD ratio to 82%, which suggests we will be closer to the lower side of our full year 2017 outlook of 82.5% +/- 50BPS

Operating Cost Ratio

- The operating cost ratio tipped up 10BPS sequentially to 14.7% in Q3 due to the typical seasonally higher levels of operating expense as we prepare for onboarding new growth in January
- Overall operating costs remain within the range of our expectations even as we see meaningful opportunities to improve our performance in this area
- Cash flows from operations were $7.5B in Q3 or 2.9 times net income, bringing the YTD adjusted figure to 1.6 times net income
- Third quarter cash flow was driven by strong underlying business performance, working capital management, the absence of an annual insurance tax payment in the quarter, and the annual receipt of payments from CMS that adjusts rates to reflect members' medical conditions

OptumCare Platform

- Our strong performance enabled us to reduce our debt-to-total capital ratio to 38.2% at September 30
- Since we acquired Catamaran two years ago, we have reduced this ratio by 11 percentage points even as we continue to expand our business portfolio and enhance shareholder value
- Over that time, we created a unique, diverse, and fully capable pharmacy care service business, continue to build on our OptumCare platform through the acquisition of urgent care, ambulatory surgical, and local market physician practices, and distributed nearly $5B in dividends while repurchasing $2.5B in stock

Adjusted Net Earnings

- We have increased our outlook for 2017 adjusted net earnings and now expect to approach $10 per share
- This would be a full year growth of 24%, and strongly ahead of the original range of $9.30 to $9.60 per share as we communicated at least year's investor conference

David Scott Wichmann

Q3 Highlights

Performance

- Before I give a first look at 2018, let me touch briefly on the federal executive order from last week
- We have a great deal of experience in the area covered in the order: short-term policies, association plans, and expanded use of HRAs
- We will be engaging with policymakers as the regulatory frameworks in these areas are developed over the next 60 to 120 days, and hope to elaborate once the process has concluded

Cost Sharing Reduction

- With regard to cost sharing reductions, you will recall that we have a very limited exchange presence, about 30,000 people in four states who are CSR eligible
- And we've submitted plans for 2018 both with and without the CSR payments
  - Thus, we expect any impact to be extremely small

Guidance

Medical and Operating Costs

- Now, to 2018
- As you look at next year, it is important to keep several tailwinds and headwinds front of mind, themes we have been consistent about over the last several quarters:
  - Continued growth, momentum and performance, particularly with customer retention as our NPS disciplines improve
  - Increasingly effective capacities to manage and contain both medical and operating costs
- The improving performance and capabilities of our modern operating technology and data analytics infrastructure; and ongoing efforts to be strategic investors and thoughtful stewards of the capital you have entrusted to us

Headwind

- With regard to the headwinds, these remain largely around externalities, centering on government programs, funding trends and taxes
- On the latter, the return of the health insurance tax is the most meaningful
  - We and others have advocated strongly for the repeal or continued deferral of this tax
- It ultimately increases costs to consumers through either increased premiums or benefit reductions, and thus affects Medicare beneficiaries, individual policyholders, large and small businesses, and Medicaid recipients

Insurance Tax

- Absent the insurance tax reinstatement, we see our 2008 per share earnings squarely in our longstanding 13% to 16% long term growth range
- In 2018, the insurance tax would represent for us roughly $0.75 per share of comparative y-over-y earnings headwind
- That figure is composed of the rate increase in the tax itself, the effect of our market share gains in commercial and Medicare Advantage since 2016, and the accounting convention that creates a timing gap as it applies to commercial businesses

Adjusted Earnings

- So, as we look toward 2018, we see our per share adjusted earnings within a typically sized range with the topside of that range in line with the current market consensus for 2018

- And we see an enterprise with strong momentum and a commitment to performing to its highest potential in 2018 and beyond

Initiatives

- Before opening up for questions, there are a couple of things we would hope you take away from today's report
- First, our businesses are performing well at all levels and particularly for those we serve
- We expect to continue to do so in 2018
  - That performance continues to produce distinctive growth
- Second, we have focused initiatives in numerous areas such as innovation, digital health, artificial intelligence, data analytics, individual health record custodianship, NPS, and advancing a consumer culture
- The breadth of these initiatives reflects a restless and ambitious team, one determined to make a difference in healthcare, serving one person at a time

Conclusion

Finally, we are a healthcare company, rooted in our core competencies and delivered in benefits and services

Together, UnitedHealthcare and Optum offer distinctive competencies in clinical insight, technology, and data and information

As we bring these key capabilities and distinctive value to clients, we are privileged to serve more people, and we expect to continue strong growth for a long time

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

- We look forward to discussing all of this more with you in more detail at our Investor Conference in November

QUESTION AND ANSWER SECTION

<Q - Peter Heinz Costa>: I'd like to ask you about 2019 Medicare Advantage plans. We've seen good growth in your earnings for Medicare over the last few years. Looks like going into 2019, there's a lot more plans pricing a little more competitively as well as growing geographically. You had great growth in 2018. Can you talk a little more specifically about what you're thinking having seen everybody else's plans now for growth in 2019?

<A - David Scott Wichmann>: Thank you, Peter, and I appreciate you acknowledging our past growth. I think our team has done a very nice job in building this business and really setting the stage for our continued success in that area. Obviously, we're not commenting on the specifics of 2019, but we will give you some general sense of things. So, I'll give it to Steve Nelson.

<A - Steven Nelson>: Sure. I assume the question is about 2018?

<A - David Scott Wichmann>: Yes.

<A - Steven Nelson>: [indiscernible] (27:09).

<A - David Scott Wichmann>: Probably.

<A - Steven Nelson>: Peter, you said 2019.

<Q - Peter Heinz Costa>: 2018, sorry about that.

<A - Steven Nelson>: Just making sure. Okay. A lot of work to do between now and 2019 benefit planning. But we're about two days into the selling season for Medicare Advantage, and yes, tremendous growth. We've been really focused at UnitedHealthcare across all the businesses to really advance the idea that I mentioned earlier in my comments around distinction, and with very key focus on some fundamental areas, substantial growth, advances in quality, leveraging our Optum capabilities, managing our costs, both administrative and clinical, and no work has that, I think, shine through more brightly than our Medicare Advantage.

So, I think it's great to have Brian Thompson, our CEO of Medicare, shed some light on 2017 and kind of outlook for 2018 as you kind of see things shaping up.

<A - Brian Thompson>: Sure. Thanks, Steve. Peter, good morning. As far as 2017 goes, our performance continues to be very strong. What we're seeing aligns to our expectations. So, that really sets the foundation for a robust optimistic outlook, both for the industry at large as well as our performance inside 2018. I think what we're seeing as we look at the marketplace for 2018 is very stable benefits broadly, very few exits, very few closures, really great for the senior. I think that'll enable continued advances in both popularity as well as the penetration for Medicare Advantage at large.

Competitively, no big changes, generally speaking, with respect to the competitive landscape. What we are seeing largely aligns with our expectations. Our offerings, in particular, remain very strong, very stable. Well positioned for continued growth inside 2018, and we do expect to outpace the industry and growth in 2018.

<Q - Peter Heinz Costa>: I was hoping if you could give a little color on the group business vs. the retail business, as well as how you're getting past the health insurance fee.

<A - David Scott Wichmann>: Brian?

<A - Brian Thompson>: Sure. Peter, with respect to group, obviously, 2017 was one of our strongest years ever, both in terms of retention and strong growth. I think it can be considered a bit of an anomaly, but certainly don't want to diminish what is setting up to be a very strong year inside 2018 as well. Great growth again in terms of new customers as well as strong retention.

<Q - Justin Lake>: First, Dave, congrats on the new role. Secondly, just appreciate the commentary on 2018, very helpful. I think what I'd like to try to delineate here is 2017, when the HIF went away, you talked about it, I think in your investor day slides being $0.25 tailwind. This year, you're talking about it coming back as being $0.75 headwind. I'm just curious if there was a change in the way you passed it through in 2017 vs. as it came back in 2018. And if you did, for instance, take lower net income target margins in any of your businesses, can you kind of flesh that out for us a little bit and a little color as to the background there? Thanks.

<A - David Scott Wichmann>: Thanks for the question, Justin, and I appreciate your acknowledgment of the new role. And our guidance on 2018, I'll ask John Rex to respond to your question

<A - John Franklin Rex>: Good morning, Justin. Maybe let me give a little more color on that. So, first, when we talk about the $0.75, that's the sizing of the y-over-y earnings growth headwind that's created from the tax coming back in. I'd say somewhat over two-thirds of that is the explicit 2018 earnings reduction impact that we feel from that, while really, the remainder of that – so that's somewhat under one-third derives from really the tail impact that we saw from our 2017 earnings.

If you think about kind of the composition of that and how that breaks down, on the 2018 end year, I'd say more than half of that derives from Medicare Advantage, and the non-deductibility of the fee, and the rest from commercial risk products. And then as you mentioned, really the other part of that $0.75 is just the other side of the 2017 tailwind. So, that's really the way it breaks down and overview as we think about the 2018 impact.

<A - David Scott Wichmann>: So, hopefully, that's helpful, Justin. We'll break this down greater at our upcoming investor conference, but we do recognize you would like to get some visibility on its components.

<Q - David Howard Windley>: I'm going to flip over to Optum. On OptumInsight, backlog grew nicely. I think previously, the target there had been in the $15B to $16B range to end the year. You'll need a pretty strong fourth quarter to get there, wondered if that's still the view. And then OptumInsight has also been running at very attractive margins kind of above the long term target. Is that sustainable? Or maybe asked a different way, are we looking for a kind of higher target range? Are you revising the range up? Or is there some reason why that might moderate back down into the 16% to 20% range? Thanks.

<A - David Scott Wichmann>: Thanks, Dave. Larry Renfro?

<A - Larry C. Renfro>: Dave, it's Larry. A couple comments and then I'm going to ask Tim Wicks to talk a little bit about this from a financial standpoint and how he sees it in the CFO role, and I'll ask Eric Murphy to talk about it as the business lead on OptumInsight. But as I know you know, Q3 finished slightly ahead. And I would say going into Q4, this is historical for us in terms of what we expect OptumInsight to actually – how they will perform in Q4. And they're right in line with our expectation. I think Tim will probably talk a little bit about that we had a pretty large account that came in at the end of Q3 last year that may have a little bit of impact on the number, the way that you're looking at it. But overall, I would say that the momentum is very strong and we feel confident in our expectations. So, Tim?

<A - Timothy A. Wicks>: Great. Thanks, Larry. Dave, thanks for the questions. Tim Wicks. Good to talk to you. The question around backlog, I think it's really important to know that as we hit $13.9B this year, it was a really great, strong quarter of sequential growth of $500mm. It was led by revenue cycle management, PPO, and government businesses and also, just noting that number has grown $1.3B YTD.

I'd also want to note that it's important to understand that late in Q3 of 2016, we had a very large end-to-end sale that's now in implementation. So, a portion of that has rolled off, but since that time, as I mentioned earlier, we've also added $1.3B of new sales into that number, and the backlog number is now up 11% y-over-y. And I'm going to turn it to Eric to talk about the pipeline.

<A - Eric Murphy>: Yes. Thanks, Tim. Good morning, Dave. Eric Murphy with OptumInsight. In terms of the specific question you asked about our backlog and our expectations regarding Q4 and for the year, first I'll start with Q3 was absolutely in line with our expectations relative to our contribution to backlog. We come into Q4 with a very strong pipeline of active pursuits, so we're very bullish on our ability to be able to achieve our objective, as you said, of $15B to $16B of total backlog for 2017. We anticipate the contributions of that backlog in Q4 being concentrated around our ambulatory and acute revenue cycle management where our pipeline is up 60% year-on-year. So, we anticipate a strong finish to Q4 and to 2017.

<A - Larry C. Renfro>: So, Dave, it's Larry. I'm going to kick this back to Tim because I don't believe he answered the margin question.

<Q - David Howard Windley>: Thank you.

<A - Timothy A. Wicks>: Great. Dave, first just to note, you had mentioned the margin at 20.7% for Q3. I think it's important to note it's up 40BPS from Q3 of 2016, so y-over-y, a 40 basis point margin expansion and the same amount September YTD.

Sequential margin expansion over just the last quarter has been 200BPS. But as you think about that margin expansion, just consistent with prior years, we anticipate seeing continued sequential margin expansion in Q4. And that's really driven by seasonality in the business, whether it's perpetual sales or additional performance and incentive fee payments that we expect to see at the end of the year, as well as Optum360 content sales, and other technology and data and software sales. So, we expect the seasonality and we see it each year as we roll through the year and we'd expect the kind of Q4 seasonality that we have had previously, but not a real expectation to change our overall outlook to anything higher than what it is right now.

<Q - Kevin Mark Fischbeck>: Just wanted to hear your comments around trend so far this year, how it's coming in, what's been – [indiscernible] (37:16) coming in towards the lower end of what you're looking for, and if there is any impact of the hurricanes in Q3, and potentially in Q4?

<A - David Scott Wichmann>: Thank you, Kevin. As in our prepared remarks, we said that our trend is expected to be less than 6%, so within the lower end of the 6% +/- 50 basis point range that we had provided at the investor conference last year. Overall, it's looking strong. Our team does a very nice job of containing healthcare costs. But let me ask Jeff Putnam, our CFO of UnitedHealthcare, to add some details, and then maybe I'll make a few comments on the hurricanes.

<A - Jeff Putnam>: Thanks, Dave. Good morning, Kevin. I'd start, our medical cost trend reflects our efforts every day that we do to manage costs and improve clinical quality on behalf of our customers. And we're driving this in several ways through traditional focus on medical cost management initiatives, getting at the right level of care at the right place of service. We're also increasing the effectiveness of our clinical model with additional focus on those with the greatest need and getting them connected to the right care. And we are increasing the alignment of our provider partnerships, leveraging data and aligning incentives.

As Dave mentioned, we're talking about – looking at our 2017 trend to be below 6%, but that's still within the lower half of our original range from a year ago. And you asked for a little color on where we're seeing it. Overall, unit cost continues to be the primary driver, and when we look at it by category, it's really broad-based. We're seeing trend shifts slightly downward across all categories and then there isn't anything specific that I'd call out around that.

<A - David Scott Wichmann>: And then, Kevin, as for the hurricanes, obviously it's been an unprecedented time period and it's been a really powerful and inspiring time to see how our employees have pulled together to help people that we serve and, frankly, their fellow employees as well in the communities broadly. I just wanted to take this opportunity to thank the countless women and men of our organization that gave so selflessly during this timeframe and continue to do so today.

We invested heavily in the aftermath of these storms. We provided financial relief for employees, we helped our customers get back on their feet. We worked with state leadership and we provided all kinds of financial assistance and in-kind services for the relief efforts in Texas, Florida, and Puerto Rico. So, there is typically some level of utilization offset, but I want to remind you that in the case of Optum, there is also lost revenue from reduced utilization. These are significant markets for our OptumCare businesses. And then we had of course, a fair amount of direct damage to our business, as well as the financial effects of all these relief efforts.

So, in the end, we didn't really pay a whole lot of attention to the financial impacts, if you will, because that wasn't what was most important at the time. But in the end, it ended up being not material to our overall performance.

<Q - Kevin Mark Fischbeck>: I guess regarding Q4 potential implications, I mean, to your point, there's a lot of disruption going on and I think a lot of people are expecting [indiscernible] (40:33) cause Q4 volumes just to be seasonally stronger every year. Do you feel like you've got the visibility into that trend in Q4, that there's any disruption as far as claims processing or anything like that that might create an issue for you one way or the other?

<A - David Scott Wichmann>: We believe we have good visibility to our business and we don't see disruption as affecting our Q4 results.4102

<Q - Matthew Borsch>: Hi. Yes. Thank you. Could you just talk to – I'm not necessarily looking for more numbers here on the question from Justin earlier regarding the health...

<A - David Scott Wichmann>: Matt, it's very difficult to hear you. You're breaking up. Are you on a...

<Q - Matthew Borsch>: I'm sorry. How about that, is that better?

<A - David Scott Wichmann>: Much, much. Thank you very much.

<Q - Matthew Borsch>: Thank you. So, my question was picking up on the health insurer fee resumption. I'm not necessarily looking for more numbers. But just sort of qualitatively, you talked about more than half from MA and the two-thirds of the $0.75, so the rest of it presumably on the commercial side. Is that getting to the fact that in the small group market or where is it that commercial is not entirely a pass-through, at least with respect perhaps to the tax gross up? And has there been any change in the pricing environment that you're reflecting in the way that you're handling the health insurer fee relative to what you've done the last few years?

<A - David Scott Wichmann>: I'll ask John to respond.

<A - John Franklin Rex>: Yes, Matt, on the commercial side of that, that has to do just with the accounting convention on the commercial business in terms of the period that one collects the tax and recognizes that and the period that one expenses it. So, for any piece of business that's other than the January 1 renewal date, there's going to be some gap in the timing that occurs. So, we had called out that one of the tailwinds in 2017 was a result of that.

<Q - Matthew Borsch>: Right.

<A - John Franklin Rex>: Likewise, that flips into a headwind for us in 2018, because we get the full expense recognition in 2018. So, that smooths out over a few years, but it creates this two-year variability.

<Q - Matthew Borsch>: Got it. Thank you. If I could just sneak in one other question here. Is there anything to read into – or maybe you can just talk to any circumstances around the loss of the 500,000 public sector account and does that reflect anything in the competitive environment for a self-funded business?

<A - David Scott Wichmann>: No. I'll ask Jeff Alter to touch on it. It was a single account. There's nothing particularly unique about it other than we happen to lose this one unfortunately so. But, Jeff?

<A - Jeff Alter>: Good morning, Matt. As Dave said, I think you have to think of this account as a very unique circumstance, it's an extremely large account. We were honored to serve them well through a number of renewals. We stayed very disciplined in our pricing on both admin and the projection of that client's health care cost during this renewal and, unfortunately, we weren't chosen to continue to work with that client.

I would say we remain focused in serving that client and their members really well during this run-out period and we hope to be in position to compete again the next time that that client puts their business out to bid.

<Q - Michael J. Baker>: I just want to get some of your perspective on the potential opportunity for more active management of state Medicaid formularies in light of the Massachusetts waiver that was filed.

<A - David Scott Wichmann>: I'll ask John Prince to comment.

<A - John M. Prince>: Good morning. This is John Prince, CEO of OptumRx. Michael, in terms of the question around state Medicaid formularies [indiscernible] (45: 04) specific Medicaid plan. But overall, we're very pleased to be very involved with states. It's a very large business for us. We actually support states from a fee-for-service Medicaid plan in terms of their design and plan. We also support a variety of managed care Medicaid plans and their designs. I think most states are looking at different strategies to create more affordability for their customers. We've been very successful in that market working with states around designs that get out affordability for their ambulant beneficiaries, as well as trying to become more consumer oriented. Not to get into specifics on any given state, but overall, it's a very solid market where people are very focused on value and experience.

<Q - Chris Rigg>: Was just hoping to get a little more color on the increase in the favorable reserve development year-to-year. And then if you could give us any color on the relative performance in the business lines commercial Medicare and Medicaid, that would be great. Thanks.

<A - David Scott Wichmann>: Very well. I think our development is indicative of the cost containment efforts across our enterprise. I'll ask Jeff Putnam to comment on its components.

<A - Jeff Putnam>: Yes. Thanks for the question, Chris. Yes, as Dave mentioned, we're working to control medical costs and improve quality. And our development this quarter reflects that, as well as a modest change in claims processing timelines. And both these, they take some time to mature and get their way into our claims data and reserving as we maintain a very consistent and tightly controlled process.

And with this, when you look at – when you step up and look at this, we're pleased with the overall accuracy and consistency of our reserving over time, especially when you look at $117B in medical spend last year and approaching

$130B this year. You asked by business, as you know, we don't break that out specifically, but I would offer that both our commercial and government businesses recorded favorable development this quarter.

<A - David Scott Wichmann>: And then, maybe Steve Nelson can touch on overall performance.

<A - Steven Nelson>: Sure. Hi, Chris. So, as I mentioned in my earlier comments, I'm really excited about the performance across all of our businesses, really well positioned, and we see a lot of opportunity. So, maybe I'll just ask Dan Schumacher to comment broadly on – I think particularly of note is the strong performance we've had in fully insured. And then, maybe Austin Pittman could just share a little perspective on the managed Medicaid opportunity that continues to be a strong growth opportunity for us.

<A - Daniel Schumacher>: Sure. Thanks, Steve. Chris, to your question around performance, in each of our businesses we're performing, from an earnings perspective, in line with or better than our expectations. And probably within that, I'd highlight, to Steve Nelson's point, our commercial business is standing out a little bit. And that really is built on very strong growth foundations.

So, we're doing well on the fully insured side. We've grown that over the last three years, as we mentioned in the prepared remarks, by 1.1mm lives. And inside the year, we're doing better than what we had expected when we got together a year ago at the investor conference. So, really strong growth.

And underpinning that is some real intentional efforts that we've made over the last several years to broaden our product portfolio so that we could pair that with highest performing physicians and be able to create price points in our offering that can appeal to a broader spectrum all the way from our largest clients down to our smallest clients.

And then I think also worth mentioning is some of the advances we've made in not only our clinical model and medical management but our innovations around the consumer, both our advocates on the phone as well as in our digital experience and a lot of that's in partnership with – very strong partnership with Optum. So, those are some of the things that are contributing to the strong commercial performance.

<A - Austin T. Pittman>: Thanks, Dan. I'll just comment on the Medicaid market overall. It continues to be a very strong marketplace, very active. We're honored with the recent new market wins in Virginia, as well as in Missouri. We've had important renewals recently with Louisiana and Colorado, Arizona, LTSS. So, again, really strong performance across the board I think in recognition of the value that we're bringing to our state partners.

As we look forward, we've got a very strong pipeline over 20 RFPs in house. That pipeline is shaping up pretty heavily with a turn towards populations with very complex needs, which really plays to the strength of Optum and UnitedHealthcare. We've carved out a very distinctive capability in serving those populations. So, again, it's a strong marketplace. I think states continue to look to managed Medicaid to deliver value and predictability in costs, as well as importantly, increasing the quality to the individuals that we serve. So, we're very, very bullish about the future of that marketplace.

<A - David Scott Wichmann>: So, hopefully you're getting a good sense of the consistency of the performance of the business across the board that we were referring to in our prepared remarks. I might add to that, that our international business, our global businesses performed nicely y-over-y as well. Nice progression in particular coming from our colleagues down at [indiscernible] (51:03). Next question.

<Q - Sarah E. James>: Thank you. The theme of consumers on the high deductible plans has been having an increasing impact on the industry and cost trends. And I think United has done the most work here understanding the dynamics between...

<A - David Scott Wichmann>: Sarah, we're struggling to hear your question as well.

<Q - Sarah E. James>: Sure. So, the theme of consumers on the high deductible plans has been having an increasing impact on the industry and cost trends and I think United's done the most work in understanding the dynamics of consumer behaviors, deductibles, and HSA balances.

So, can you talk, big picture, where do you see high deductible plans going as a percent of the commercial market? What's the growth profile there? And can you give us an idea of the cost trend differential or initial headwind to cost trends experience when a consumer moves to high deductible plans from a traditional commercial plan?

<A - David Scott Wichmann>: Yes, so these plan designs have been heavily sought after and have been a key contributor to our growth in part because of our ability to offer an account like an HSA alongside them or an HRA as well. So, it's been a considerable growth category for us and it's expected to continue to rise, but evolve and become more modern with greater focus on tailoring products and networks to individual consumer needs, whether they be individual policies or in the case of group-based policies, the individuals inside those groups. But I think I'll have Jeff Alter provide some additional color or Dan Schumacher.

<A - Daniel Schumacher>: Sure. Thanks, Dave. Good morning, Sarah. Just for context, as you look at our portfolio across our self-funded and fully-insured clients, just a shade under 30% of our enrollment base is in consumer-directed offerings, a little less so in our fully insured offerings, and a little more so inside of our self-funded offerings. And so, we've some very nice take-up in that over time as employers increasingly look to that as a vehicle to help continue to offer high value benefits at a more reasonable price.

In terms of sizing, the delta as people step into initially into consumer directed and then what it does over time, I think obviously that varies considerably based on where people set those attachment points and deductibles. But needless to say that there is a very, very meaningful first-year benefit depending on how you structure it, and we have seen improved performance on a trend basis relatively speaking over time in our high deductible offerings.

<Q - Sheryl Robin Skolnick>: So, forgive me, but I'm going to make an observation here. It is both comforting and remarkable in a positive way to note the consistency, not only of the very strong results across the enterprise, but also the presentation and commentary and guidance. And a brilliant debut, David, and I don't say that for any reason other than it must not be easy to come in front of all of us asking nasty questions on your first earnings call and this is certainly a good way to start. But that consistency is important in the way I look at this company both in terms of the growth and in terms of the deleveraging and the capital deployment which is where my question is going here.

So, you've now returned to stellar ROE performance 22%-plus. You've got your debt-to- total capital under 30% – at 38%, presumably, with the kind of growth you're talking about this year and next year, there's more room. And you have, from what I see, a multitude of opportunities. David, as the keeper of the keys you've been involved in so many of the acquisitions that the company has made and you're now sitting on top of the organization, what's the next strategic direction in terms of capital deployment? I know the basic formula, but where are the interesting things that United needs to go and do whether it's internally or externally to take the company beyond where it is today?

<A - David Scott Wichmann>: Thank you for your kind remarks, Sheryl. I appreciate that. As you might suspect, this transition was architected by Steve Hemsley and our board, and they have done a fantastic job, and I guess that should be no surprise to anyone. And thank you for your acknowledgment of the performance of the business. It does continue to advance quite nicely.

All that said, we are not yet performing at our full potential and there's a lot of opportunity for this organization to continue to improve, to better serve people, to grow organically, as well as deploy capital in ways that it has in the past with maybe a slight tilt in direction overall. As you know, we haven't invested in a significant health plan in nearly eight years. We do do some small plug-in acquisitions here and there, and largely for the purpose to enter into a new market and/or to gain some kind of competency that allows us to better serve people more nationally.

So, the vast majority of what you've seen from us in terms of focus on the UnitedHealthcare front has been to drive an organic growth agenda, and then to push more globally. And when I talk about globally, I mean selectively globally. We entered into Brazil. We felt that that was a good market. It is turning out to, as it continues to evolve to, in fact, be a good market and we look forward to the day when the political climate and regulatory and economic climates of Brazil shape up. We think that that'll be a nice growth category for the middle class, and as a result will lead to nice growth in our business.

You probably saw that we extended that into some initial activities in Chile, Colombia, and Peru through the pre-announced acquisition that's underway with Banmédica. That is – the combination of those two give us the type of South American presence that we believe we can leverage to serve the people of South America in a broader way, recognizing fully that not all markets are investable. So, global will be part of it, but I would say measured global investments.

The more significant investments that we'll make going forward, particularly on the growth front, will be through Optum, as we have in the past. As John articulated in the prepared remarks, we have formed a pharmacy care services business which, frankly, allowed us to have a foundation from which to reinvent that business, if you will, meaning bringing greater technological capacities, bringing our synchronization story and capacities there, as well as also addressing some of the transparency issues that exist in that market overall. We believe we can add considerable innovative value to evolving that.

Second to that would be our – really where a lot of our investments are today is really in the healthcare delivery space, particularly in the ambulatory context across certain major markets in the United States. You've seen us move out on those. Obviously, they're smaller acquisitions that may not show up as much, but the OptumCare business is one in which we have grown nicely through local care practices, establishing a foundation in urgent care, continuing to leverage our nurse at home capacities that came from the XLHealth acquisition dating back to 2012, and then also the recent addition of our surgical capacities. So, Andrew Hayek and his team are continuing to build that business on an organic de novo as well as through the deployment of capital.

And then I think you'll see us also move heavily in this area around technology and taking advantage of the vast assets that this company has in information and data, leveraging that more distinctly like you've seen us with Rally, which is a pre-revenue company three years ago. Now, it's a distinctive consumer digital health capacity in the industry. We will continue to do the same on the healthcare delivery front, as well as find ways to create greater value out of the data assets to better serve the healthcare communities broadly.

So, I'd say those are the directions that we're headed with – so a bias towards investing in Optum. But I would like to just underscore that our capital deployment philosophies will be consistent with what you've seen in the past. It's important for us to drive strong returns and liquidity for our shareholders. You'll continue to see our dividend move to a market rate, and we'll be balanced about how we manage our debt positions as well.

<Q - Ana A. Gupte>: Yes, thanks for squeezing me in. I wanted to ask you about OptumRx and the Clinical Synchronization model that you have tied to medical membership upsale and margins relative to what you're seeing now with the standalone providers like [ph] Express (1:01:17) having pressure, retail same-store sales down, and your thoughts about potential entry, and your response to maybe Amazon coming in which is being speculated.

<A - David Scott Wichmann>: Okay, there's a lot there, Ana. I'll ask John Prince to respond and maybe I'll give you a few comments on Amazon at the end.

<A - John M. Prince>: Sure. Thank you, Ana. It's John Prince, CEO of OptumRx. I'll cover a couple parts. So, I think the first part was around Sync, and the second one is just sort of the broader market, and then lastly is entrance to Amazon and others. So, in terms of Sync, our strategy hasn't changed. Our focus is around how you solve two fundamental issues in healthcare. One is driving the net – the best net cost in pharmacy costs for our customers.

The second one is how we improve the total cost of healthcare and I think that is where we're differentiated in the market where with our capabilities at Optum. We're able to actually solve that total cost of healthcare. We had an earlier version of that in the market the last two years. We've done that with UnitedHealthcare, [indiscernible] (1:02:23) market. Its' actually created great value in the market. We're now pivoting that to a broader solution. So, we have a new version of Sync which we're out in the market selling. It actually not only leverages the touch point of the phone call and how you actually solve broader issues in healthcare, but we're actually very focused on what happens with the prescribing physician, what happens in the doctor's office, and how we can [ph] influence (1:02:46) that. We're focused on our digital assets, which is where a lot of the transactions happen in healthcare. And we're very focused on what happens in retail settings, and have a lot of partnerships in that retail setting. So, we're taking this thing to the next level.

In terms of the second question, which is on market pressure, I'd say at a broader level, I think the market is very active. I think it is very interested in new solutions. We've actually had a really good selling season. We actually have had a lot of good wins in the market, and I think that shows that people are very interested in a new story around what drives value, as well as what drives the experience. And so, I'd say – I'd frame the market as very robust, very interested in value and that has actually played to our hands. So, we're going to end the season with a retention in the high-90s as well as a very strong selling season. So, I think we're in very good position in terms of looking at the broader market.

The last piece is going to cover Amazon and other entrants in the market and I'll frame that discussion from a broader context. So, if you look at what we're focused on from an OptumRx standpoint, we're focused on creating the next generation of pharmacy care models. And as part of that, as I mentioned before, we're focused on total cost, our health care leverage and whole person Sync deal and that model is also very focused on achieving a member's health enrollment goal on behalf of our clients. So, it's a very different model that really leverages clinical expertise and it's at the heart of what differentiates us in the market.

As relates to partners in the market, we're channel agnostic. So, our perspective is that we will meet a consumer where and how they want to be served. So, as we look at various retail partners, we're open to new distribution partners. We're willing to partner with anybody that drives value, decrease costs, and also improves the consumer experience. So, we're open to any partner out there that actually address that.

Our history has been very effective. So, today, we have deep relationships with CVS, with Walgreens, and with other partners in the market, and we're open to continue to build those types of partnerships.

<A - David Scott Wichmann>: I think you addressed any commentary I might say. I was really just going to talk broadly about partnerships. The business has done a nice job of partnering with the marketplace broadly in the past, in no time will that become more important than the future as well. So, we will continue to engage with innovative and thought-leading organizations and seek to serve consumers better, managing their health care needs, and helping make health systems work better for everyone.

<Q - Ralph Giacobbe>: I wanted to go back to MA. Can you help us think about a typical margin profile on year one [ph] of MA vs. ramping (1:05:51) improvement. You've historically seen kind of into year two? When do you get that to sort of full mature margins? And then help us think about any difference between [ph] that ramp (1:06:01) for individual vs. group? Thanks.

<A - David Scott Wichmann>: Brian?

<A - Brian Thompson>: Hi there, Ralph. Yes, this is Brian Thompson. I won't get into the specifics. What I can share with you is obviously as we approach 2018, the return of the tax is the biggest headwind. The good news for us is our own internal advancements are really meaningfully helping us reduce that tax impact to those that we serve. First and foremost is our quality advance. Secondarily is the productivity and scale that we get from that growth. And then to your point, perhaps the biggest tailwind for us is that strong clinical engagement that we get in year one that we see come to fruition in year two, so it's certainly the biggest momentum driver for us as we prepare for the return of the tax in 2018.

<Q - Ralph Giacobbe>: So, what about group vs. individual?

<A - Brian Thompson>: Very comparable.

<Q - Zachary W. Sopcak>: So, Dave, in your opening comments you touched briefly on the types of plans covered in the executive order. I was just wondering if you could give a little bit of color on the experience you had with those? Were they meaningful? And maybe it's hard to say at this point, but how margins may have historically been in those businesses vs. those we're typically accustomed to?

<A - David Scott Wichmann>: Yes. Thank you, Zack. Good question. I'm going to ask – we do have considerable experience with short-term plans. I'm going to ask Dan Schumacher to comment.

<A - Daniel Schumacher>: Sure. Thanks, Zack. Good morning. So, I'll probably address the association as well as the short duration plans. So, on the association front, the reality is we've got decades-long experience in that. Actually, our individual business was founded on an association and we likewise support associations in our group business. All told, we've got about 300,000 members in association plans today. So, we've got a lot of experience, the performance is strong, and I would say generally in keeping with our broader portfolio. And so, we will look forward to engaging the dialogue around how that gets shaped going forward.

On the short duration policies, obviously, the regulation that came in on April 1 that reduced the amount of length of the plans has been challenging for the marketplace. And so, we're excited to see that extended to the full year because the reality is it provides a bridge for people in between coverage. It's a lot more affordable option. It provides very strong access and value to consumers. And the reality is before that regulation, we saw incredible increase in the growth as the cost of exchange offerings have grown, and it's been a bridge for people. So, we look to continue to support people as hopefully the duration of those plans gets extended.

<Q - Christine Arnold>: I think the one thing we really haven't delved in as much detail as some of the other things is OptumHealth and recognizing that SCA is a tailwind to your 10% to 15% top line target, as well as your 8% to 10% margin target. How should we think about that business performing over the next couple of years in the context of that top line and margin assumption putting SCA aside? I know you're still investing a lot in that business, so is that 8% to 10% margin something we should be thinking about near term or should we think about that as a longer term target? Thanks.

<A - David Scott Wichmann>: Maybe I'll ask Tim to comment on the margin, and then maybe Andrew can provide some comments about where we're headed with the business as we close.

<A - Timothy A. Wicks>: Sure. Great. Thanks, Christine. So, as we think about the YTD reported margins grew 50BPS y-over-y and 160BPS sequentially driven by SCA. In addition, there was margin expansion from our care delivery businesses, house calls, and financial services as well. And overall OptumHealth earnings grew 27% while we made strategic investments in the platform, much as you represented.

I think as you look at those investments, really important to think about that we make those investments in businesses that we have an intent to grow, and those investments are designed to further improve that ability to grow. And that's really evidenced even in this most recent reporting period around the revenue growth at OptumHealth of 21% y-over-y for Q3.

Why don't I turn it over to Andrew to talk specifically about the areas of investment and market areas where we're making those investments across the platform.

<A - Andrew P. Hayek>: Thanks, Tim, and thanks for the question, Christine. So, we were pleased to be at the higher end of our range of 8% to 10% margins in Q3. And as Tim mentioned, we continue to balance current profitability with making investments in future growth. And some examples of those are investing to help transition physician groups from fee-for-service to value-based contracts which does require an investment period. Second is investing to ramp up new contracts. And as Larry mentioned in his prepared remarks in our military and veteran segment, as an example for contracts commencing in 2018. And thirdly is opening new MedExpress locations. And as you would imagine, that requires an investment as each location ramps up the profitability.

So, given this, we expect our margin to continue to fluctuate over time and be in that range of 8% to 10%, and we'll continue to balance current profitability with investing. And we were pleased with the 27% growth y-over-y in the quarter. There is strong performance across most of our businesses – local care delivery, house calls, behavioral, financial services, consumer engagement. And so, we're bullish on the business and we'll continue to balance investing with current profitability.

<A - David Scott Wichmann>: Great. And Larry?

<A - Larry C. Renfro>: So, Christine, it's Larry Renfro. I just want to make a couple of comments. One is kind of a commercial here, on the military side, we have a new senior executive leader here by the name of General Patty Horoho. She's joined us about five months ago and she's leading the effort in the OptumHealth side of the military programs. And I might just ask her in a second to comment on a couple of the programs that are coming through on the military side.

The other piece that I would add into this is that we have Optum360 that is part of our OptumInsight organization that utilizes OptumHealth as well in a lot of its programs, especially when we do those programs with major organizations that we have worked with on the West Coast and the East Coast. So, that's tying in as well when you get to physician groups and the surgery centers and so forth.

So, to keep this short, so Patty, would you mind just talking a little bit about what you're working on and give everybody a little prologue here?

<A - Ret. Army Lt. Gen. Patricia D. Horoho>: Thank you, Larry, and good morning. I had the honor to join Optum about 6 months ago after 33 years of experience culminating as the 43rd U.S. Army Surgeon General. And what we've been able to do is really leverage and find ways to transform our healthcare system from one that treats disease to one that promotes to health.

And so, two of our newest five-year contracts [ph] kicked off (1:13:46) in September of this year. We began performing the medical disability exams for military veterans on behalf of the Veterans Benefits Administration. And through this contract, we provide exams in 44 states and the District of Columbia. The second five-year contract is the TRICARE Global Nurse Advice Line where we'll operate the Military Health System's Global Nurse Advice Line starting in 2018. And this is a front line nurse advice care coordination line offered 24 hours a day, utilizing health capability to military service members, retirees, and their families worldwide. And what I would just say is that this is just the beginning of our ability to serve our military, their families, and our veterans, and we're just getting started. So, thank you.

<A - David Scott Wichmann>: Great. So, I think you can take from that that our bench is deep and continues to get deeper. Welcome, General Horoho, and thank you, Christine, for your comments. I'll wrap briefly with this. UnitedHealth Group, Optum, and UnitedHealthcare are intently focused on fulfilling the healthcare needs of the people and customers we serve. As we add distinct tangible value to healthcare, we continue to grow at a sustainable market leading pace.

We expect to continue this trajectory through the remainder of 2017 into 2018, and for the decade ahead. We look forward to sharing more detail with you at our investor conference in New York on November 28. Thank you for joining us and for your continuing interest in our enterprise.