

Company Name: UnitedHealth
Company Ticker: UNH US
Date: 2018-07-17
Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
Current PX: 250.29
YTD Change(\$): +29.83
YTD Change(%): +13.531

Bloomberg Estimates - EPS
Current Quarter: 3.298
Current Year: 12.659
Bloomberg Estimates - Sales
Current Quarter: 56346.333
Current Year: 225663.769

Q2 2018 Earnings Call

Company Participants

- David Scott Wichmann
- Andrew Philip Witty
- Steven Nelson
- John Franklin Rex
- Tarrant Jeffrey Putnam
- Brian Thompson
- Daniel Schumacher
- Timothy A. Wicks
- Dirk McMahon
- John M. Prince
- Andrew P. Hayek
- Molly E. Joseph

Other Participants

- Justin Lake
- Sarah E. James
- David Howard Windley
- Peter Heinz Costa
- Stephen Tanal
- Michael J. Baker
- Kevin Mark Fischbeck
- Lance Arthur Wilkes
- A.J. Rice
- Joshua Raskin
- Ralph Giacobbe
- Gary P. Taylor
- Steve J. Valiquette
- Ana A. Gupte
- David S. MacDonald
- Matthew Borsch
- Michael Newshel

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

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

David Scott Wichmann

Business Highlights

Opening Remarks

- We are encouraged by how our businesses are advancing in service to customers, consumers, physicians and across the health care system at large, encouraged but far from satisfied
- Continuous innovation and improvement in health care experience are critical to fulfilling our mission
- Helping people live healthier lives and helping to make the health system work better for everyone
- Consistency in high quality care, consumer experience and value build trust and loyalty
 - These drive retention and growth and position us to deliver strong and reliable financial results in 2019, 2020 and beyond

Revenue and Adjusted Net EPS

- H1 2018 performance illustrates strong execution on this path
- Compared to last year's H1, revenues of \$111.3B increased 12.7%, or \$12.5B
- Adjusted cash flows from operations grew \$7.2B and adjusted net earnings grew 28.2% to \$6.19 per share
- For the full year, our outlook for adjusted net EPS is increasing to a new range of \$12.50 to \$12.75 per share
- And we expect cash flows from operations for 2018 to approach \$15.5B, which is the upper end of our previous guidance

NPS

- Importantly, our enterprise-wide Net Promoter Score is tracking to advance meaningfully, again, in 2018, after increasing 6 points in 2017
- Our NPS is particularly strong or strongly improving across our government program customers and consumers, within our care delivery businesses, with network physicians and their practice managers, and with customers and consumers at UnitedHealthcare Global and the pharmacy business at OptumRx
 - NPS across the employer health benefits base remains solid with upside opportunities to distinguish our performance among commercial market consumers
- We believe emerging innovations around a next-generation of digitally-enabled highly personalized services combined with more evolved consumer-centric benefit offerings will further advance our NPS performance

Medicare Advantage

- Quality continues to be strong and rising
- Approximately 80% of our Medicare Advantage seniors will be served by four-star rated plans in 2019
- And we are looking to improve on that strong base in 2020

Commercial Benefits

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

- For commercial benefits, we expect more than 40 local market health plans will be rated in the top HEDIS categories in 2018, up from just 10, two years ago
- And we continue to help create a better future for health care through venture investments, building new businesses organically, ongoing investments and innovation throughout our enterprise, and open source innovation through partnerships and strategic acquisitions of businesses and capabilities
 - We look forward to sharing some of these and other innovations and developments with you at our Annual Investor Conference

Long-Term Growth

- As you know, we apply core competencies in clinical expertise, technology and data analytics to serve people in differentiated ways across our operating platforms, focusing on our five long-term growth pillars
- Transforming pharmacy care services is just one of those pillars
- Applying our core competencies in the pharmacy arena yields a better service experience, transparency, simplicity, lower costs, higher value, and growth

learnings

- And we do so engaging proactively with customers, manufacturers, distributors and retailers across the industry
- UnitedHealth Group now has more than five years' experience synchronizing medical care and pharmacy care for patients
- Over those five years, we have continually applied learnings to refine our approach, while hardening, scaling, and expanding our services

Market Share and NPS Gains

- Results in market share and NPS gains suggest we are the clear market leader in capability, experience, and value
- We deliver integrated pharmacy care services to employers and health plans on both a carve-in and carve-out basis
- Health plans and employers continue to award OptumRx new business, while existing customers are retained at a high 90s percentage rate year-after-year
 - Here's how this integration of pharmacy and medical care actually works

Digital Weight Loss and Diabetes Prevention Program

- Optum's analytics engine processes administrative, demographic, clinical, lab, pharmacy, and behavioral data to produce specific next best action information at the individual consumer level, and identify the highest value actions in individual is most likely to take
- That likelihood is a critical element, because inaction not taken produces no value
- We then deliver the insight to patients, consumers, and physicians on a multi-channel basis, perhaps they need help adhering to a medication regimen or digital coaching to better manage a chronic condition or they would benefit from our digital weight loss and Diabetes Prevention Program

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

- This year our customer advocates will help people in real-time schedule hundreds of thousands of doctors' appointments to close specific gaps in care
- Together these services are helping clients advance, quality, lower costs, and improve consumer satisfaction
 - This integrated approach improves pharmacy adherence by 12%, while helping to reduce hospital admissions and ER use by 6%

Digital PreCheck MyScript Service

- Our digital PreCheck MyScript service offers clarity, transparency, and simplicity to the prescribing physician to their electronic medical record, while helping patients at the point of care
- Already today, PreCheck MyScript is integrated into the practice flow of physicians who treat as many as five million OptumRx consumers over the next year, and we will grow that figure aggressively over the course of the next 18 months
 - These people have a simpler experience at the pharmacy counter as a direct result of the real-time preauthorization capacities and the formulary cost and coverage information delivered to their physician by PreCheck MyScript

OptumRx

- OptumRx continues to emphasize timely convenient perception delivery for consumers
- Our specialty pharmacies have long used local hubs to provide same day and next day delivery with clinical support and counseling provided by pharmacists via modern telemedicine
- We provide infusion services, delivering specialty pharmaceuticals to patients in their homes over 350,000 times annually, and we have begun to apply these services more broadly through our OptumCare sites
- Patients using maintenance medicines receive refills in advance of their refill date through our home delivery services providing value and convenience for these prescription needs

Consumer Value

- Finally, we are improving real consumer value, as a leader in offering transparent, point of sale discounts to consumers at the pharmacy counter
- These meaningful discounts will be embedded in the basic benefit design for more than 7mm UnitedHealthcare insured consumers

Pharmacy Supply Chain

- We are the only party incented to reduce both the net cost of drugs for people and the total medical cost for customers, giving us a unique value role in the pharmacy supply chain
- All of these capabilities appropriately manage pharmacy and medical cost trends, ensure the highest levels of patient safety, simplify the consumer experience and improve value
- Innovation, quality, service and performance across all five growth pillars will be critical to helping us fulfill our mission and doing our part to help the markets we serve advance care access while reining in growth in health care spending

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

Andrew Philip Witty

Q2 Highlights

Opening Remarks

- I'll start today by expressing my admiration and appreciation toward all those whose work has created the extraordinary Optum platform, which is frankly unlike any other health care business in the world
- As a member of the UnitedHealth Group Board of Directors, I have the opportunity to get to know the company and its people
- And now, as Optum's CEO, I am further impressed with the capabilities and talent we have at every level of this company and the breadth of opportunity for Optum to serve and grow in pursuit of its mission

Optum

- Optum is vibrant and performing well
- This young company will continue the nimble, market-responsive approach it has embraced since its inception, enabling Optum to serve more people, in more ways, and producing consistent, strong growth in revenues and earnings

Backlog

- In Q2 2018, OptumHealth increased the number of people it serves by 7% to 92mm
- And revenue per person grew 12% over last year, as OptumCare grows and diversifies its businesses
- Optum Insight's backlog grew nearly 15% y-over-y, on the strength of its technology, data analytics, business process and advisory services
- And OptumRx again filled over 3% more adjusted prescriptions, as it continued to expand its market share

Revenue

- Overall, Optum's second quarter revenues grew by more than \$2B over last year, growth of about 9% to nearly \$25B
- Optum's earnings from operations rose 21.5%, driven by strong revenue growth and 80BPS of margin expansion, due to both operating advances and solid, fundamental expense disciplines
- Importantly, all three Optum segments expanded margins and grew operating earnings strongly

Pharmacy Care Services

- Now, looking ahead, the differentiated value we deliver to customers positions us to sustain growth into 2019 and beyond
- Digital health is a UnitedHealth Group growth pillar, like pharmacy care services
- Rally, part of Optum, has emerged as a market-leading comprehensive consumer digital health platform, fully implemented and operating at scale, with multi-payer capabilities, Rally is our digital front door for the consumer

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

- Rally helps people easily select the best health benefits plans for their families, assess their health, pursue wellness and, when care is needed, engage effectively with the health care system
- Rally has now surpassed \$1B in cumulative incentives paid to consumers, standing apart in an early-stage digital health marketplace
- Consumers earned these incentives for taking real actions to improve their health, like receiving biometric screenings, working to stop smoking, or selecting a primary care physician, to just name three of many

Digital Coaching

- By moving to digital coaching from legacy telephonic models, Rally triples the number of individuals engaging in our programs, while creating much higher consumer engagement intensity and loyalty
- As a result, our customers are avoiding millions of dollars in downstream medical costs
- Already one-third of our wellness coaching customers have moved to this new approach and more than 90% of their coaching engagements are digital, compared to an entirely analog experience only one year ago
- Optum Insight continues to grow steadily, working actively with payer customers, large and small, supporting their efforts to maintain and improve clinical quality, administrative accuracy and payment integrity

Optum Performance Analytics

- Our artificial intelligence capabilities in areas like natural language processing for clinical information are embedded in our product sets and have proven valuable to both payers and care providers
- Today, care providers who deliver care to nearly one-third of all Americans use Optum Performance Analytics, deepening and enriching the clinical datasets we use to improve performance of health care systems and the health of people

OptumCare

- At OptumCare, we're creating the structure to advance more modern and locally effective clinical and administrative models, for the benefit of physicians, patients and customers
- OptumCare actively advances the practice of evidence-based medicine and meaningfully improves consistency in care quality, while sustaining NPS scores in the range of 80 and offering more convenient sites of service for applicable procedures and examinations at more than 500 community locations nationally
- Savings are more than 50% compared to less effective sites of care
 - This business is early in its growth curve, and like digital health, we see it as another important long-term growth pillar for the enterprise

NPS

- Finally, as you heard Dave say, the value being delivered in pharmacy care services is translating into higher NPS and continued client retention rates in the high 90s at OptumRx, and new wins, including three new health plans for 2019
- We are already hard at work with prospects for 2020, even as we further strengthen capabilities for 2019

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

Summary

In sum, our businesses are growing and performing well today and preparing for next year

And we believe our investments in people, technologies and processes position us to grow for years to come

I am energized by the potential Optum has to make a meaningful difference in health care

Steven Nelson

Q1 Highlights

Revenue

- UnitedHealthcare grew to serve 2.2mm more people over the past 12 months
- All-in, our revenues advanced more than \$5B over last year to nearly \$46B in the quarter, growing at a 12% pace with Medicare & Retirement revenues growing nearly 13% and Community & State by more than 17%

Commercial Business

- Our commercial business continues to serve nearly 27mm people, with steady growth of 50,000 people in risk-based offerings this quarter, while the public and senior sector grew to serve 60,000 more people
- We also experienced minor attrition in our fee-based products in Q2, similar to Q2 last year

Pricing

- The pricing we are receiving for risk-based products remains consistent with our expectations, and commercial medical cost trends remain steady, also in line with expectations
- And we're performing well on managing administrative costs across UnitedHealthcare
- In total, our second quarter earnings from operations of \$2.4B grew 7% over second quarter last year
- Looking forward, we are progressing well on two more enterprise growth pillars, consumer-centric benefits and global, as we improve our total cost of care position and simplify the consumer experience

Consumer-Centric Benefits

- In consumer-centric benefits, we continue to align our approaches with value-based care delivery, supported by modern digital resources and data-empowered human and digital advocates, who help people navigate the system and achieve their health and care objectives
- This modern integrated approach increasingly enables greater personalization, better information flow and improved consumer experience and value, as measured by NPS.

Medicare Products

- For example, in our Medicare products, value-based care is driving 5% increases in key screenings, a 13% lower rate of emergency room use and a 3% increase in the number of seniors with regular doctor visits, all of which ultimately impact cost, satisfaction, consumer retention and growth for our business

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

Health Benefit Offerings

- It's all about helping people at the moment they need it, and then making it as simple as possible for them to make the best decisions to improve the effectiveness and quality of their care, affordability and overall satisfaction
- These themes hold true, whether the person making that decision is a patient with a medical issue, a healthy consumer focused on prevention, a physician treating a patient, or a business executive understanding value drivers in their health benefit offerings
- Looking ahead, we expect to continue to see strong growth in serving those with higher acuity needs, like seniors, dual special needs, long-term support services and the chronically ill

Banmédica

- UnitedHealthcare Global just completed the first full quarter with Banmédica, which is growing and performing well, serving the people of Chile, Colombia and Peru
- Strong y-over-y improvements in business performance were made in Brazil, as focused efforts over the past half decade have strengthened Brazilian clinical integration and business alignment
- These efforts have been instrumental in improving earnings in that region and will continue to gain momentum going forward

South American Business

- Amil's recent recognition as the most innovative health insurance company in Brazil was informed by advances in technology, consumer experience and product design, and investments in primary care delivery and new models for paying for care
- Our young South American business is well-positioned with strong assets, a stabilizing business environment and a long runway for growth

John Franklin Rex

Financial Highlights

Adjusted Earnings

- The well-balanced quarter we reported this morning includes consolidated revenues growing 12% over last year to more than \$56B
- Our earnings from operations exceeded \$4.2B, growing nearly 13%, on steady operating margins
- Adjusted earnings increased 28% to \$3.14 per share, and our cash flow from operations grew to \$4B

Medical Care Ratio

- Turning to details, we continue to expect our 2018 medical care ratio to run in the range of 81.5% +/- 50BPS, with commercial trend well within our range of expectations of 6%, +/- 50BPS.
- In the quarter, our consolidated care ratio of 81.9% reflects the impact of the health insurance tax, offset by changes in business mix and reserve development, both compared to last year

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

- This quarter's favorable development was principally due to favorable cost true-ups from Q1 2018 business

Operating Cost Ratio

- Our second quarter operating cost ratio of 15% increased only 40BPS over last year, despite including about 1 percentage point cost increase from the return of the health insurance tax and higher investments in innovation and business development
- We offset that pressure with strong revenue growth in lower operating cost ratio businesses like Medicare and Medicaid and operating expense discipline across the board

Balance Sheet

- Turning to our balance sheet, we continue to maintain distinctive strength and flexibility
- Return on equity for Q2 exceeded 24%, and our debt to total capital ratio was 40.8% at June 30
- In June, the board of directors raised our shareholder dividend by 20% to an annual rate of \$3.60 per share
- And we continue to deploy capital to further diversify our company through focused merger and acquisition activities and for our longstanding share repurchase program

Cash Flow

- We are optimistic as we look ahead to H2 2018 and into 2019, and strive for continued performance improvement, while taking a realistic and prudent view of the future
- As Dave mentioned, we now expect 2018 cash flows from operations to approach \$15.5B, and adjusted earnings in the range of \$12.50 to \$12.75 per share, growth of 24% to nearly 27%

David Scott Wichmann

Q2 Highlights

Performance

- We think about the numbers shared with you today as the result of serving millions of people, one person at a time, one health system at a time
- We continue to advance value, simplicity, affordability and quality
- Doing so in differentiated ways increases our value and sustains our growth
- Growth provides even more opportunities to fulfill our mission and deliver long-term performance for the people we serve and our shareholders

Tailwind

- As we pass the midpoint of this year, we begin to shift focus to the year ahead, when we expect our enterprise to continue to innovate, grow and perform strongly for society and for our investors

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

- We expect to grow revenues, earnings and cash flows broadly across the expanse of our uniquely diversified and increasingly global health care portfolio
- We won't get into specifics now, but at this distance we see more tailwinds than headwinds

Investments

- As was the case heading into 2018, the tailwinds in our businesses are largely generated internally, coming from strong and diversified growth across our five distinct pillars, all aimed at achieving our longstanding mission
- To achieve this growth, our businesses will continue to make deeper investments in quality improvements, technology deployment, delivery system optimization, consumer-centric financing mechanisms and other innovations to improve the value individuals receive from the health system
- These investments will also serve to lower our cost structures, improve NPS and enable sustained growth and differentiated value for years to come

Headwind

- As to headwinds, we expect the policy debates surrounding coverage expansions and health care costs to continue into next year
- Additionally, the return of the health insurance tax in 2020 will cause higher premiums and lower coverage levels for people, and we will be advocating on behalf of our customers and consumers for a delay or outright repeal of this tax

Business Leaders

- As solid as our performance may seem, we are not satisfied, given our organization's capabilities and capacities to serve
- Despite strong top line growth and results, we are not performing at, nor consistently growing to our full potential
- This has and will continue to be an area of intense focus for our business leaders

Summary

Perhaps even more critical from my perspective, we must work enterprise-wide to improve our speed and agility, so the pace of innovation and change better reflect our restless drive to deliver even more value to those we serve, and unleash the full transformative impact of this enterprise

We will provide some initial direction on 2019 in our Third Quarter Earnings Call, followed by a full review at our Annual Investor Conference on Tuesday, November 27

- We hope you can join us there

QUESTION AND ANSWER SECTION

<Q - Justin Lake>: My question is on reserve development, given the relative lack of prior [indiscernible] (00:24:59) development in the quarter, I was hoping you can give us some increased color on cost trend and reserve development across the commercial Medicaid and Medicare segment?

And then just to make sure, we understand prior-year development trends overall. Can you tell us what percentage of claims, if any you have, you steadied the quarter per adverse deviation, key reserves, I think most companies talk about

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

mid-single-digits, but just wanted to confirm yours? Thanks.

<A - David Scott Wichmann>: Okay, that's Jeff Putnam.

<A - Tarrant Jeffrey Putnam>: Good morning. Thanks for your question, Justin. Starting with development, we maintain a reserving process as you know that's tightly controlled and consistent over time, and we're very comfortable with our reserve position at the end of the quarter and really pleased with the overall accuracy of our reserving over time.

When you look at our YTD development, because, yes, second quarter was fairly modest, but when you look YTD as a percentage of our medical – prior year medical expense, it's right in line where we are historically.

As that works into trends, we are always very respectful of trends, but as we stand right now, we've not seen anything to date that would inform or change our view on commercial medical trends for the year by [ph] cost-cut (00:26:19) category or in total.

And we don't get into details on trends in Medicare and Medicaid businesses, but I could offer a couple of comments. Medicare trends are generally stable with last year, and we are seeing some elevated consumption over time similar to last year related to the market-leading growth that we've had. And Medicaid trends also really need to be looked at state-by-state as always there are some areas with increased trend and then we're working to manage those down, but nothing really notable to call out on those.

<Q - Justin Lake>: The Medicare trend you mentioned, can you just expand on that, like what drives that in terms of your market-leading growth? I apologize.

<A - David Scott Wichmann>: Maybe I'd ask Brian Thompson to speak to that.

<A - Brian Thompson>: Sure. Hi, Justin, Brian Thompson here. Again, we're really not seeing any trend emergence in 2018, I want to make that clear. What we're seeing is very consistent with what we saw in 2017. I think the point is, given our market-leading growth, we do prepare for and have seen a utilization uptick as we grow meaningfully compared to the rest of the market. We see that both in the form of new enrollees, as well as our improved retention holding onto folks later in line. So again, what we're seeing in 2018, looks a lot like what we saw in 2017 and 2016, this being the fourth year now for strong market share gains, and it really provides a very credible good baseline for us as we look forward to 2019.

<Q - Sarah E. James>: My question is on the 2019 commercial environment. On the last call, you had mentioned the national account RFP pipeline is larger than normal.

<A - David Scott Wichmann>: Sarah, Sarah...

<Q - Sarah E. James>: Yes.

<A - David Scott Wichmann>: Sarah, we're having hard time hearing you. So can you – you may be on a headset or something, can you shift...

<Q - Sarah E. James>: Sorry is that better?

<A - David Scott Wichmann>: Yes, it is, thank you.

<Q - Sarah E. James>: So my question is on the 2019 commercial pricing environment. On the last call, Dan mentioned that the national account RFP pipeline is larger than normal, you have then some concerns [indiscernible] (00:28:36) pricing. So could you walk us through how you're seeing national accounts, small and middle market develop?

<A - David Scott Wichmann>: Sure. I think the question relates to national accounts pipeline and development, Dan?

<A - Daniel Schumacher>: Sure. Thanks, Sarah. Good morning. So on the national accounts front, as we continue to progress through the selling season, I think I shared last quarter and would likewise amplify this quarter is that, it's

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

really a theme around incumbency that continues to be at – as we progress through the selling season. At this point, I would tell you that we've had some nice new client wins, as well as expansions in existing clients, but we've also had some clients leave us as well, and obviously, there's still more to be resolved in the selling season. We are doing well, again, to convert retirees to group Medicare offerings, and likewise, we continue to do very well in the middle-market segment as we work through the year.

So that's sort of the self-funded, national account profile. I think you also were asking a bit about the pricing environment, and as it relates to commercial risk-based offerings, and from our perspective, we are happy to see, as we have told you last quarter, we'd expect to return to growth in the commercial risk-based group offerings as we progress through the year. We did that in Q2 and had nice contributions across all market segments from individual, small groups through to middle market as well. And so as we look at that environment, it is competitive, it has been competitive, we always have pockets of competition that we're responding to, but we find ourselves well-positioned and well-served by our broad footprint, both geographically as well as by markets segment and funding status.

And as we talked about in this form for some time, we've done well to expand our product portfolio really along that value and price continuum and increasingly align that to care providers that are high-performing. So, hopefully that gives some color on what's happening both in the self-funded and the fully insured segments in the commercial market.

<Q - David Howard Windley>: I want to flip over to Optum, kind of two-parter here. So the first part, Optum Insight margin has performed very well YTD. I wondered if you could talk about either pricing or mix of business, drivers of that? And then secondly and more broadly is, Andrew talked about Rally and the uptake of different technologies. How do you think about broadening the uptake or the adoption rate of your technologies in an environment where we might see competition directly from a technology company?

<A - David Scott Wichmann>: Great. We'll take both those questions. Tim, do you want to take the first one?

<A - Timothy A. Wicks>: Sure, happy to do that. Dave, thank you for very much for the question. So, on Optum Insight, as we think about the quarter and we think about the margin growth, it really is two items. One, you referenced pricing and mix, and there's a significant amount of mixed opportunity that is occurring in terms of growth of business around the risk and quality businesses, as well as payment integrity.

And then the secondary of that is also important and continues to be important, you heard us talk a significant amount in 2017 about the discipline that we drove, financial discipline, and overall cost management, and that's really coming through the business, frankly, all across Optum, but specifically in Optum Insight in the quarter as well.

<A - David Scott Wichmann>: Great. And then if I can, I'll just make a few remarks on Rally as well. Thank you for the question. Rally, as you can tell on the script, is something that we're very proud of having developed over the course of the last four years. Obviously, there was a lot of work that went into in an advance of our alignment with them, but they've done a very nice job of taking a single product company and making it multidimensional along the lines that Andrew has described.

So we are seeing, probably the – a very fast uptake and, in fact, accelerating uptake of that business as we expand our offerings to respond to a greater levels of consumer need. So as an example, when we gave Rally the responsibility for our Premium Designation Program, which is effectively the way in which consumers search for and find a physician and/or other care services, we gave that responsibility, we all of a sudden started to appeal to a broader group of consumers, which dramatically increased the registration rate across that platform, now sitting at, I believe, somewhere around 18mm people are registered with Rally today.

So, we believe that the expansion of the value that is offered on the Rally chassis is the single best way to get there, and that really requires that we continue to provide significant value to consumer – consumers both in terms of cost containment, but also in terms of the improved health that they each receive.

So, we're continuing to expand and diversify that offering, keeping it simple for people and we look forward to the developments that we'll see with the individual health record, and how that drives next best action and to the consumers that we serve and expect to see increased utilization as a result as well.

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

<Q - Peter Heinz Costa>: My first question is regarding Optum. Andrew, welcome aboard, and your first quarter in the hot seat. And I kind of want to understand what you expect to be different about growing Optum going forward under you relative to how it's grown in the past? And then if you could, in the quarter itself, the growth in revenues at Optum slowed down from Q1. Can you spike out how much of that was related to M&A?

<A - Andrew Philip Witty>: Sure, Peter. Thanks very much for the question. I'll ask Tim in a second to address your second part of the question. But in terms of the first, obviously, very early days for me here at Optum. I think terrific foundations have been laid over the last seven or eight years in terms of the asset base that this company has. It's really, I think unparalleled in terms of the portfolio of assets that we have.

As we look forward, I think the opportunities are going to be very much centered around how we start to drive the gearing between all of these assets to really bring to life the full potential of this portfolio, and I think what we see a very high level is significant direct, local interface as care provider and touch points with patients and consumers, so a business with a real face, backed up with an extraordinary, evolving digital capability, which then allows us to drive high frequency contact, really all underpinned by tremendous commitment to care and delivering quality of care, commitment to bringing down total cost of care and ensuring all of that done in an extraordinarily high quality way.

So, I think all of those [ph] tenets (36:12) of the business, which have got us thus far, are going to be absolutely the characteristics going forward. What I'm focusing on now, of course, is really making sure I understand all of the various parts of this business, working with the team to figure out the next steps, but it's going to, I think, be characterized very much in the way I've just described.

Maybe I can pass it to Tim to answer the more specific question on the quarter.

<A - Timothy A. Wicks>: Sure. Peter, thank you for the question. First, what I'd say is, as we look at the growth rate of revenue at Optum both y-over-y and sequentially, it is in line with our plan in both of those ways of looking at it. The revenues of \$24.7B were up 9% or up \$2.1B compared to a year ago, with both OptumHealth and Optum Insight posting double-digit growth rates, and with OptumRx posting a 7% growth rate y-over-y.

In each of those businesses, organic growth was very strong, both in OptumHealth in terms of care delivery with market expansion, as well as OptumServe volume growth, and then behavioral health. And then in Optum Insight, strong growth with the addition of the advisory board, but also pretty significant volume growth in terms of our risks in quality business and then also volume growth in payment integrity.

Also when I mentioned OptumRx earlier in the overall revenue growth there, I think it's important to understand that that's driven by new sales growth in terms of new clients that have come on as well as very strong expansion in terms of specialty as well. So, really solid growth across the businesses and in line with our expectations.

<Q - Peter Heinz Costa>: I was hoping you would spike that out quantitatively exactly what the growth was from M&A this quarter vs. the growth last quarter?

<A - Timothy A. Wicks>: We don't spike that out specifically, Peter, but I would tell you it's not an appreciable difference.

<Q - Stephen Tanal>: I just wanted to follow-up on sort of the decline in ASO, coupled with another strong quarter of growth in the group risk business. Can you give us a sense for what you're seeing out there? Has that, sort of, decades-long shift to ASO stalled or slowed? And are you seeing greater demand for group risk products now, and if so, why do you think that is? And just in this context, if you could comment on NexusACO, I'd be really curious to hear what's happening there. Thanks.

<A - David Scott Wichmann>: Dan?

<A - Daniel Schumacher>: Sure. Thanks, Steve. This is Dan Schumacher. You had a few things tucked-in there. First, just on the quarter and the decline with regard to self-funded enrollment, the reality there is it's just sort of the normal seasonal pattern, particularly in our national accounts and in quarter-based attrition. So, if you look at that outcome in comparison to the average of the last 5 or 10 years, it's very much in keeping with that. So really just the normal

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

seasonal pattern we see on the ASO front.

I think you'd asked about is there an acceleration or a change between the migration from fully insured to self-funded, that continues to be a recurring theme I would say, it's sort of at a comparable pace to what we've seen over the last several years. So I wouldn't spike out any acceleration or deceleration in that.

We don't believe on the fully insured side to see greater take-up rates, what we're doing there is we're actually taking market share. And I think that large contributor to that is really the work that we've done, as I've mentioned before, around expanding our product portfolio around that value continuum and then making sure, importantly, we pair it with really high-performing care delivery partners, both OptumCare as well as externally, and then improving as we talked about the consumer experience and making it simple and personal for them.

You had asked, I think also about NexusACO. We continue to build that product and are excited for the prospects. And just as a reminder for those on the phone, the NexusACO offering is really a national accountable care offering. So we string together our best solutions locally into a national solution. Today, we've got about 75,000 enrollees on that. We'll double that as we turn into the year, and we'll look to double that again by the time we get to the end of 2019. Thanks, Steve.

<A - David Scott Wichmann>: So, really Steve, what you hit on is this category of growth for us – pillar of growth around consumer-centric benefits, and NexusACO would be one example. But if you look to the distinguished group insured growth over the course of the last three years or so, and why we're bullish on growth going forward, it's really because of these new designs that we're progressively putting in the marketplace. And then maybe tied to the question, too, before that, our ability then to use digital assets in other ways to engage consumer around lifestyle behavior modifications creates a great attraction to these products as well.

<Q - Michael J. Baker>: I was wondering if you could outline some of your promising Ventures investments in light of your drive to reshape the future health care?

<A - David Scott Wichmann>: We'll start with Dirk McMahon.

<A - Dirk McMahon>: Yeah, sure. So Optum Ventures, they generally invest in digital health companies that use data and analytics to improve consumer's access to help the health care services and health care across the board. Also Ventures really invest in things that make the health care system more reliable and easier to navigate.

Ventures' investments are focused on, I would say, four main areas: health analytics, digital on demand, consumer-focused health and health care system management. I would also say and conclude that there's a lot of synergies between Optum and Optum Ventures. Optum providing a good scalable platform to test Optum Ventures, and Optum Ventures being able to sort of give us some shots in the arm with respect to our digital agenda.

<Q - Michael J. Baker>: Thanks, Dirk.

<A - David Scott Wichmann>: And I'll just add a little bit to that, if I can. We also build businesses organically, as well, inside our company and maybe just comment on a couple. One would be a business called Renai where we're advancing new platforms for dialysis, really trying to promote home-based dialysis and use as well as trying to drive greater value to consumers in that whole category, if you will.

And then just I'd also mention, when we announced this in the last couple weeks where we created a company called – along with our venture partner Lemhi created a company called Bind, which is an on-demand health care insurance platform, which I would characterize as being pretty revolutionary in terms of the potential it holds to fit a particular market segment in the group insured marketplace, as well as the self-funded market as well.

So those are a couple of additional examples. These are the things that we hope to profile for you to a greater extent when we get together in November. Next question, please.

<Q - Kevin Mark Fischbeck>: I wanted to ask you about the guidance, because I'm struggling a little bit with the guidance that's happened so far YTD. Because Q1, you raised guidance by less than the beat, in Q2 you basically

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

raised guidance with the beat, even though announcing a few pretty big deals during the year, Banmédica, [ph] Sound (00:43:58) a few other things at about at least a third of what the total guidance range has been.

So I wanted to see if you could kind of rectify why the guidance hasn't been raised by more given the tailwinds in M&A and then given [ph] a fairly, (00:44:12) pretty solid trend so far in H1, is there anything you would highlight as either one-time in H1 or a headwind [ph] combined with (00:44:21) H2?

<A - David Scott Wichmann>: Thanks, Kevin. Well, I think we've actually raised expectations pretty strongly over the course of this year. So twice by a total of about \$0.175 is the mid-point and that's despite some pretty substantive flu pressure and a new HIF effect that was identified in Q1 around \$0.22 or so. So the way we look at it at least from our vantage point, we have raised by about \$0.40 or so, so far this year.

But I think important as we look to the balance of 2018, we're focused on growth, we're continuing focused on cost containment and achieving the full potential of this enterprise capacities. And you can see that we're deeply investing in innovation to drive constructive measure change and improve health care economics in both North and South America. So we are also laser focused on these five areas of growth, advancing quality, driving NPS or measured by NPS, I should say, and again, continuing to invest and diversify our businesses, so that we can achieve a long-term, sustainable growth rate that we've outlined for you in the past of which we remain deeply committed to as well.

We did buy Banmédica in Q1. Banmédica is interesting for us. Right now, it's in winter, so not particularly accretive in the second and Q3 the year, happen to bear the same characteristics as our UnitedHealth Brazil businesses as well. So we don't see a lot of material improvements in our results as it relates to that, and maybe we'll start to see that closer to Q4 or so.

But part of what I laid out as well is that, and maybe this is what you're suspecting is that the company has so much potential given its assets and just performing to its full potential is our ambition and that's what's this team is aiming to achieve. So we'll continue to get after costs. We're going to continue to get after growth and diversifying and growing our business, and importantly, investing in it for the long-term, so we can serve more people and serve more health systems better.

<Q - Lance Arthur Wilkes>: I had a couple of questions or a question on the PBM in particular. I was interested in understanding for margin in OptumRx, it look like margin was up for the quarter, although cost of product was also up. So I was just interested in some of the drivers of that and I guess, related to the long-term view there, how are you looking at the online pharmacy strategy of United overall and with an entrant like PillPack and Amazon? What's your view as far as adding them in network, partnering with them, et cetera? Thanks.

<A - David Scott Wichmann>: Great question, Lance. Appreciate it. John Prince, do you want to take that?

<A - John M. Prince>: Sure. Lance, John Prince, CEO of OptumRx. Thanks for the question. [ph] I'll just talk (00:47:29) about the margin in general. We're comfortable with our long-term outlook of 3% to 5%. I think when you see in different quarters, you see a variation with mix over time. The product is really driver of our specialty, home infusion and that's what drives our business in terms of the product mix. And so I think that this will fluctuate over time. But ultimately, we're comfortable with our long-term outlook and also comfortable with how we're executing in the market from an overall perspective.

In terms of online pharmacy, we work with various partners across the health care system. We've been very focused on our consumer experience in our home delivery, our specialty and our infusion business. That has been the key driver of our growth over the last year-and-a-half. We've done exceptionally good job of improving our NPS in those areas.

We've become hyper-local. Those are businesses where we are in the market. And if you look at our strategy we obtained home delivery, specialty, infusion. We're in a 35 markets being hyper-local. We've added six this year. We're going to add six more this year. We see the market really pivoting to being both same-day and next-day service. We've been investing heavily in that and I think we're in – we're flexible based on how a consumer wants to work with us in terms of where they want to be online, digital, in the market, et cetera. I think we've got a good strategy to execute against that. Thanks for the question.

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

<Q - A.J. Rice>: So I thought at this point, maybe just ask about the comment you made toward the end, Dave, in your prepared remarks where you talked about restless drive. I think the comment was not satisfied with performance, a few layers – a few areas where we could do better. And then I think also maximizing performance consistently.

I mean, you've done 28% EPS growth in H1, pretty good by most standards for this industry. What are the areas where you think you're still underperforming, and what are you sort of referring to with those comments?

<A - David Scott Wichmann>: Thanks for the question, A.J. I appreciate it. I think we've highlighted some of those today. We didn't really talk about in terms of levels of disappointment, but I think it's fair to say that we're not particularly pleased with how we've done in large case, ASO marketplace overall.

If you look at our performance over the course of the past years and it's just – it's not reflective of the winning capabilities of this company, and so, that is a good example of a place that I think we need to improve.

Very satisfied with our NPS performance, but extremely anxious to get that moved up and at the same time, manage the interchange of that with the evolutions that are required in order to respond to consumer demands. So figuring that out is one of our challenges.

And I'd say, maybe another one is, just the pace of which we are driving adoption of the use of technology and digital broadly. And by most measures, there's nothing wrong here. I don't want to leave you with that point of view. But by most measures, with a company that could – of the capacity that this one has, I just believe we should be able to move faster with greater speed and agility to respond to emerging market demand for these kinds of services. We are well out front with all of them. But my view is we need to get these into the hands of consumers faster and make a bigger difference on how the effectiveness of health systems and the health of people.

And so maybe just call – chalk it up a little bit to having maybe higher expectations than what we're currently achieving largely, because we have a good inside view of what the internal capacities are of this enterprise overall. So, expect this to step it up.

<Q - Joshua Raskin>: I wanted to ask on two specific growth opportunities in 2019. The first around Medicare Advantage, and now that you guys have submitted your bids, I'm just curious, there's a thought around relatively generous reimbursement, especially relative to what we've seen over the last decade or so, and how you think about the Medicare Advantage market overall, and then United within that?

And then the second area, just public exchanges, individual public exchanges, curious if you guys are getting more interested or, I guess, that would be any interested in potential expansions there and how you're thinking about that market over the next couple of years?

<A - David Scott Wichmann>: Great. Thank you, Josh. Brian Thompson will take your first question.

<A - Brian Thompson>: Hey, thanks, Josh. Brian Thompson here. As I mentioned last quarter certainly encouraged by the direction of the 2019 rate, it's up nearly three points vs. last year, and then complement that with some policy changes around the framework that provide greater flexibility around how we can define benefits, all good for seniors.

As you mentioned, I do think that ushers in an opportunity in 2019 for an environment that will provide stronger coverage's and innovations and benefit enhancements for the seniors served. So, should be great for MA.

As I think about our position in it, we will approach 2019 with an expectation of continuing the momentum that we've demonstrated over the last four years with share gains in 2019 as well.

<A - David Scott Wichmann>: And as it relates to exchanges, maybe I'll just take that one. I think, Josh, as we've said in the past, first of all, our decisions are made state-by-state, and as you know, we have a very modest presence overall. I want to kind of reaffirm that nothing is fundamentally changed since we made our decision several years back now, which has absolutely turned out to be the right one for us, and as always, we'll evaluate for future participation on a market-by-market basis.

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

One thing you may read is, there was some noise out there about us joining the Massachusetts Exchange, I just wanted you to know that that was largely due to our small group penetration having grown to a point where we were required to participate in that exchange. So it wasn't necessarily a voluntary decision on our part.

<Q - Joshua Raskin>: [ph] Thanks (00:54:12).

<Q - Ralph Giacobbe>: Just wanted to go back to MLR, a little bit higher than we expected, obviously we like to move in parts. Can you maybe just talk about whether you've seen a bit of an uptick and maybe cost per claim or acuity, and then it'd be helpful to breakout the 6% trend between what you're seeing in terms of utilization vs. unit costs?

And then the last piece, just if you can give us a sense of how much Banmédica and seasonality there may be impacted MLR in the quarter? Thanks.

<A - David Scott Wichmann>: All right, thank you, Ralph, I will have Jeff...

<A - Tarrant Jeffrey Putnam>: Yeah, quite a few questions inside that, Ralph. But thanks for the questions. First on MLR, just to say that that was right in line with our expectations and as we noted earlier there, we're not changing our outlook for the full year at all, and the y-over-y change is an element that we described, the insurers' tax impact favorable, and then business mix and the less favorable development going the other direction.

As far as acuity, overall, acuity in aggregate is in line with our expectations there as well. What you will see over time, though, as we work hard to keep moving lower acuity in each category to its appropriate place of service that what remains in each category will naturally have a little bit upward pressure on acuity inside those categories.

No change in our view on unit costs vs. utilization, still at 4%, primary driver being the unit cost and 2% of utilization and then I think the last piece was Banmédica, I think Dave touched a little bit on that earlier from a given the size of Banmédica against our total medical expense base, it's really not a material factor at this point.

<A - David Scott Wichmann>: [ph] So you can conclude from this that our – (00:56:10) the trends are very much in line with our expectations for the year. Our teams are performing very well maintaining health care costs, and they are pricing to a forward view of trends. Very consistent with the actions that we've taken in the past.

[ph] To also take (00:56:31) as it relates to last comment around international, but our international businesses in South America are performing very well. Very nice growth y-over-y, off of strong baselines, good start for Banmédica as well.

<Q - Gary P. Taylor>: Just a quick two-parter. Any specific comment on days claims payable being down just a touch? And then the second part is we've kind of tipped toed around the talking about trend, and I've heard and appreciate all your comments, but I just wanted to specifically ask on hospital trend given the [indiscernible] (00:57:12) hospital saw such a marked acceleration of same-store revenue in Q1, [ph] if with a (00:57:19) little more visibility at this point, if you have seen, in fact, just on the hospital piece, any pick-up in the trend?

<A - David Scott Wichmann>: Gary, I think I'll take that last one first and that we really haven't, things are really aligned and consistent with what our expectations were coming into the year and as we moved throughout the year as well. The first part of your question with respect to the days, Jeff, do you want to take that?

<A - Tarrant Jeffrey Putnam>: Sure. Just to start by as we mentioned, we're comfortable with our level of reserves here as of June 30, and at 48.3 days, that's well within our expected range that you – and you have seen us historically which is typically been 47 to 49 days.

Other than the period where we have the individual ACA affects that elevated it, up to closer to 50 days, and it's down y-over-y about a day, when you bring it out to a decimal point there, and there's a couple of things contributing to that. One is, we continue to see, we've talked about this earlier, a little modest reduction in provider claims submission timing. Then also, there was a timing impact from when we released capitated payments that are directly linked to risk and quality revenue receipts that just changed from third quarter to second quarter relative to last year.

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

<Q - Steve J. Valiquette>: So this is a little bit granular, but we are getting a few calls around the new expansion in 2018 of total knee replacement from just the inpatients and now the outpatient setting. So I think at a high level, I mean, there should be some cost savings around this, but there also could be an increase in utilization just because of the availability now in the lower cost setting. I'm just curious maybe at a high level what you are seeing around this phenomenon so far this year. Thanks.

<A - David Scott Wichmann>: Maybe Andrew Hayek, who came to us from SCA would respond.

<A - Andrew P. Hayek>: Thanks, Steve, for the question. I'll offer some general commentary. I do think that the CMS policy announcement is consistent with our overall view that more surgery, including higher acuity surgery will shift to the outpatient setting and ultimately for the surgery center setting. And that's based on improvements in technology and surgical technique and aesthetic technique, and all of that improves the quality experience and cost of care.

So, from an SCA standpoint, we have been seeing a continued growth in total joint replacement procedures in the commercial space. We are beginning to see that happen with knees from a Medicare standpoint in terms of physicians preparing to shift those cases [ph] We think that's (01:00:13) really good for the patient in terms of quality and experience, very high NPS, fantastic quality outcomes, and then substantial cost savings.

We've been seeing that on a commercial basis for a number of years, working very collaboratively with leading health plans and we think that will be a great benefit to Medicare over the coming years. And we expect them to continue to widen the range of procedures that are eligible for outpatient. It's all the right things for the patient and for the health care system.

<A - David Scott Wichmann>: Which is one of the reasons why we invested in SCA, which we viewed as the right ambulatory surgical platform, properly positioned in the higher acuity surgeries that were offered in those settings and with great ambition for its ability to expand and meet the needs of more people with higher quality and greater levels of consumer satisfaction. Just as a reminder, SCA operates in a 91 NPS zone. So very progressive and doing so well, saving consumers about 50%. Next question, please.

<Q - Ana A. Gupte>: The question is on drug pricing reform, and if you have any change in your plans or actions to aid the administration's agenda on overall spending, specialty Rx, transparency and out-of-pocket for seniors. You have the largest [ph] kind of set of (01:01:38) capabilities at scale with Medicare Advantage bundled with Part D, [ph] have (01:01:43) the largest Big 3 integrated PBM and [indiscernible] (01:01:47), I was just curious.

<A - David Scott Wichmann>: John Prince?

<A - John M. Prince>: Thanks Ana. It's John Prince, CEO of OptumRx. In terms of overall drug pricing, we are very focused on lowering drug cost for consumers. And as you know, Ana, our strategy is focused on lowering the net cost of drugs, decreasing total costs of health care and really creating a transformative consumer experience. And that's very aligned with what is happening to the broader market. So in terms of what we're focused on, we're very focused on initiatives that bring down the list price of drugs, but more importantly, the net cost of drugs.

So a lot of things that we've been focused on, [ph] as we have been (01:02:28) providing our ideas around what we're doing exactly. So as you know, in Q2, late first quarter, we started direct-to-consumer pharmacy discounts for UnitedHealthcare that impacts 7mm people, and David talked about it in his script, that impacts people from [indiscernible] (01:02:47) costs.

We've been very focused on investments in PreCheck MyScript. That now is being used by almost 100,000 physicians in the market that directly links into the electronic medical record. That is helping in transparency. It gives the doctor an idea of what is on formulary, how much it costs, is there a lower-cost alternative. We're very focused on value payments. We're heavily focused on – we've had 15 of those in the market right now, continue to expand on that.

And then lastly, we're very focused on our drug negotiations in encouraging our pharmaceutical partners to lower the list price. And so we've been working with people as they come to market with products to have a lower list price and when people have done that, we put them [ph] on preferred on the formulary. (01:03:35) So it gives you a series of examples that we're very focused on lowest net cost, improving total cost of care and we've been doing very practical

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

things in the market to make that a reality.

<Q - David S. MacDonald>: Just one quick question on Global. I was wondering if you guys could spend a minute on what you're trying to do at the local level to increase the penetration of private insurance, and also what you're doing more at the national level to try and drive increased public-private collaboration with these governments? Thanks.

<A - David Scott Wichmann>: Okay. We'll have Molly Joseph, our Chief Executive of UnitedHealthcare Global respond.

<A - Molly E. Joseph>: Sure. So, our focus is around our Latin America platform. And there, we really see a very strong demand for access to private health care and a limited supply of affordable private health care. And our core capabilities create tremendous value across affordability, access and outcomes for those that we serve.

Our businesses in these markets are broad, they are diversified and they are scaled, and that is both from a health benefits perspective and from a medical delivery perspective. And we work to use these platforms in combination with our enterprise core capabilities to advance health care modernization, make care more affordable and make it more effective for those that we serve. In doing that, we open up access to serve broader segments of the private health care market and over time, we earn trust to serve these markets more holistically by partnering with government.

<A - David Scott Wichmann>: I think one of the strongest examples of that is our public-private partnership in our hospital in Portugal is an example, where we're leading on quality and provide a very cost-effective solution working with government to serve the needs of the people of Portugal.

And Molly and her team has really done a nice job, and particularly you saw in the script around innovation and bringing new innovations to the market. What you're starting to feel is the introduction of information analytics, use of digital capacities, increased product modernization and designs in countries that have historically not had a great deal of diversity of offering.

So that helps to create demand for all folks and that access to private health system, and serves the needs of multiple different price point expectations that those consumers have. So we're very pleased with the work that they've done. Next question, please.

<Q - Matthew Borsch>: If I could just – sorry, this is on a very technical near-term data point, but maybe in response to the first question that you had in the Q&A session here on the reserving. I guess, what I'm just trying to understand is, clearly, there's a positive bias and there was, again, this quarter to your reserve development, but is there any – is there a specific margin for adverse deviation, if that's the correct term I'm using, that you target, or is there some – should we expect that zero is in your view the best result as we move ahead?

<A - David Scott Wichmann>: Jeff?

<A - Tarrant Jeffrey Putnam>: Yeah, thanks for your question, Matt. That's not something we disclose publicly. That said it is not zero. We do have a target that has been very stable over the years built up by business for adverse deviation.

<A - David Scott Wichmann>: Yeah, and what that really shows itself is when you carry over from over a year, it doesn't really show up quarter-to-quarter. It shows up going from Q4 to Q1 and less dramatic when you get into Q2. Our development as indicated in the script really relates to Q1 this year, and it's not all that different from the development that we experienced in Q2 2017 related to Q1 2017, as well.

<Q - Michael Newshel>: I wanted to ask how much headway from the health insure fee moratorium you're expecting in the back half of year for major commercial renewals. Dave, I think you mentioned \$0.22 impact earlier, is that right? And was any of that absorbed in H1?

<A - David Scott Wichmann>: The \$0.22, I'm sorry to confuse you, really related to the impact of flu combined with that. I think that specifically, the HIF component was, what, \$0.06, \$0.07, something in that zone, if I recall correctly. Mike. Okay?

Company Name: UnitedHealth
 Company Ticker: UNH US
 Date: 2018-07-17
 Event Description: Q2 2018 Earnings Call

Market Cap: 240,524.00
 Current PX: 250.29
 YTD Change(\$): +29.83
 YTD Change(%): +13.531

Bloomberg Estimates - EPS
 Current Quarter: 3.298
 Current Year: 12.659
 Bloomberg Estimates - Sales
 Current Quarter: 56346.333
 Current Year: 225663.769

<Q - Michael Newshe>: Got it. And then most of that falling in H2, but small?

<A - David Scott Wichmann>: That's right. Yeah.

David Scott Wichmann

Q2 Highlights

Accomplishments

- We accomplished one of our performance metrics and that was to make sure that we were able to answer all of your calls – all your questions, excuse me, and so I appreciate them, they were all very good
- But to sum up our report for Q2, the people of UnitedHealth Group, Optum and UnitedHealthcare executed well on our strategic path, improving quality, affordability, and consumer satisfaction for the people we serve, resulting in growth and reliable returns for our shareholders
- Revenue, cash flow, earnings, and importantly NPS scores continue to advance
 - While we recognize there is much more to be done to reach the full transformative potential of our enterprise, we are committed to help positively reshape health care to be higher quality, more affordable, simpler and of higher value to people
- We are confident that we will continue this strong performance in H2 this year in 2019, 2020 and for many years to come.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP.

© COPYRIGHT 2018, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.