

Q1 2020 Earnings Call

Company Participants

- Andrew Witty, Office of the Chief Executive President, UnitedHealth Group Chief Executive Officer, Optum
- David S. Wichmann, Chief Executive Officer
- Dirk McMahon, Chief Executive Officer, UnitedHealthcare
- John Rex, Vice President and Chief Financial Officer
- Tim Wicks, Executive Vice President, Chief Financial Officer, OptumHealth
- Unidentified Speaker
- Wyatt Decker, Chief Executive Officer, OptumHealth

Other Participants

- AJ Rice, Analyst
- Charles Rhyee, Analyst
- David H. Windley, Analyst
- Frank Morgan, Analyst
- Gary Taylor, Analyst
- Josh Raskin, Analyst
- Justin Lake, Analyst
- Kevin Fischbeck, Analyst
- Lance Wilkes, Analyst
- Ralph Giacobbe, Analyst
- Ricky Goldwasser, Analyst
- Scott Fidel, Analyst
- Steven Valiquette, Analyst
- Unidentified Participant

Presentation

Operator

Good morning, and welcome to the UnitedHealth Group First Quarter 2020 Earnings Conference Call. A question-and-answer session will follow UnitedHealth Group's prepared remarks. And as a reminder, today's call is being recorded.

Here are some important introductory information. This call contains forward-looking statements under US federal securities laws. These statements are subject to risks and uncertainties that could cause actual results to differ materially from historical experience

or present expectations. A description of some of the risks and uncertainties can be found in the reports that we file with the Securities and Exchange Commission, including the cautionary statements included in our current and periodic filings.

This call will also reference non-GAAP amounts. A reconciliation of the non-GAAP to GAAP amounts is available on the earnings reports and SEC filings section of the company's Investors page at www.unitedhealthgroup.com. Information presented on this call is contained in the earnings release we issued this morning and in our Form 8-K dated April 15th, 2020, which may be accessed from the Investor page of the company's website.

I will now turn the conference over to the Chief Executive Officer of UnitedHealth Group, Mr. David Wichmann. Please go ahead.

David S. Wichmann {BIO 3853550 <GO>}

Good morning, and thank you for joining us. With all that is going on, we've structured things a bit differently today. We'll get directly to what's likely top of mind for all of you, the impact of COVID-19, global health crisis on our businesses, and the actions we're taking to support our communities, members, patients, care providers, customers, government partners, and team members and their family. These are still the early days in the response to the COVID-19 and we anticipate we will experience and learn more as events unfold in the months ahead.

UnitedHealth Group was consciously built with the restless mindset, adaptable capabilities, culture and the enduring human values to respond and serve and meeting challenges such as we are seeing today. The commitment and genuity, compassion and engagement of the 325,000 people of UnitedHealth Group has never been stronger.

I will start today by expressing my gratitude and admiration to this restless team for the extraordinary efforts and personal sacrifices being made every day. They are doctors, nurses, pharmacists, social workers, and other clinical and non-clinical healthcare workers on the front lines of care, as well as customer care representatives, transaction processors, supply chain experts, technology engineers, data scientists, and others supporting them, the health system in our community.

The COVID-19 pandemic is deeply personal to them and to all of us. They're connected digitally, triaging people with symptoms, engaging directly with our most vulnerable patients, ensuring essential chronic and COVID-19 related medical and behavioral health services are available and access while helping keep the health system coordinated, connected and working for individuals and their doctors. They are enhancing safety for those most at risk, making sure the right medicines are getting to the right patients when and where they need it, and the right testing and protective gear is available to properly safeguard the health workforce. They are driving innovative solutions around testing, healthcare workforce safety, improving critical product, supply and services availability, helping develop and evaluate therapies, and applying advanced analytics to identify, predict and combat COVID-19.

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For our heroic clinical team, we have further hardened our safety first workforce environment for those carrying for patients -- across more than 1,500 facilities and those providing medications and services carrying for people in their homes. Like all of us, they are concerned about the health and safety of their own families and friends. Yet they remain front and center engaging fully each day to serve, many selflessly away from their families for weeks so they can ensure cares provided to those most in need. I have never been more proud or more humbled to be on their team. Every team member at UnitedHealth Group remains fully employed, supported, protected, and engaged in the COVID-19 crisis.

Let me pause to acknowledge and add a note of deep gratitude to Andrew Witty, who has announced this morning will be taking a leave of absence to provide leadership for the efforts of the World Health Organization, defined to distribute a vaccine for COVID-19. Our gratitude for Andrew is grounded in all he has done to guide UnitedHealth Group and Optum so effectively and sensitively for all who we serve and all who work at the center price. And his willingness to apply his leadership and phenomenal talents to this new assignment for which he is so aptly suited. We couldn't be more proud, call one of our own, to see one of our own serve in this way. And we look forward to both his success in leading this effort and his return to our company once this important work is done. He is on the call with us today and available to respond to your questions before he reports to duty with World Health Organization.

From the outset of COVID-19 outbreak, we mobilized to keep our entire enterprise fully intact and functioning at the highest performance levels. As we stand today, we are supporting all of our products, services and commitments across all of our businesses and markets. We have long had a high proportion of our more than 200,000 person non-clinical team working from home, and we were able to quickly move nearly all of the rest to work at home as well. They have been performing well, and our service levels remained strong for our clients, members, patients, and the health system broadly.

For the millions of people we are privileged to serve through UnitedHealthcare, we have taken every step possible to broaden access to care. We have offered additional enrollment opportunities to those who previously declined employer-sponsored offerings, eliminated all COVID-19 related cost sharings, and removed prior authorizations to speed patient transitions of care, so health systems can diagnose, treat and redirect patients. We have developed revised payment time frames to help people sustain coverage, and we are helping people displaced from their job to smoothly transition to affordable coverage, which meets their needs.

Last week we move to provide nearly \$2 billion in liquidity to the health system, accelerating payments to care providers whose clinical operations have been impacted. We have been partnering with other companies and academic institutions to develop and validate protocols and processes to more rapidly and frequently test healthcare professionals on the front line, deploying new technology to ensure safe and full availability of this critical workforce. This leverages the self-administered collection innovation we developed, which is simplifying COVID-19 testing. And we have been tracking infectious disease pattern to identify supply/demand and equities, and resource

needs in every major metropolitan statistical area across the US health system. This will emerge as a new capability to provide enhanced disease surveillance in the future.

Our high-risk members have been identified and we are surrounding them with services to reduce the impacts of social isolation on their access to physical and behavioral care, while keeping them as safe as possible. And we have provided over \$50 million in initial domestic and global grant funding and investments to advance health workforce safety, support those in geographies most afflicted, aid senior secluded in their homes, and help communities address rising levels of homelessness and food insecurity.

Like the broader health system in recent weeks, we have seen a reduction in elective care, which is impacting both the UnitedHealthcare benefits and the Optum care delivery businesses. Most traditional procedure work has been postponed at our SCA Ambulatory Surgery Centers. Likewise, the UnitedHealthcare and Optum at risk care delivery businesses have seen lower demand for these services. We are seeing time frames and discussions for new business opportunities being extended as most business partners focus on crisis response. Many employers have had to furlough employees, driving higher levels of unemployment, which may ultimately affect the outlook for growth in our Group Benefits business, while increasing our membership in Individual Lines and Medicaid coverages.

While it feels awkward to be talking about earnings outlook set at this moment, you saw our press release, we are maintaining our 2020 earnings per share outlook established at our Investor Conference. We view this as the most reasonable baseline posture in these uncertain times as we continue to grow and operate our businesses while assessing the multitude of potentially offsetting factors across our uniquely diverse enterprise. These factors will become clear in the months to come. The related financials effects on our business will clarify as well.

As they do, we commit to providing swift relief, even as we consider the uncertainty of the environment going forward. While there is still much to understand, we can be very clear with you today that we are committed to ensuring that any financial imbalances which arise from this situation are reconciled proactively and addressed fairly and timely for all those we serve.

Let me now share a few of the specific actions underway at Optum and UnitedHealthcare. Optum has cared directly for more than 10,000 COVID-19 patients to-date and is operating more than 400 test sites across the country. We quickly shifted more than 4,000 additional OptumCare physicians to our digital care clinics on our way to more than 10,000 in the weeks to come. This rapid response was made possible by the swift work of the regulatory agencies allowing flexibility and state licensure requirements for clinicians across service categories and state lines. We thank and commend them for these actions and encourage long-term continuation of these policies.

Our digital health consumer engagement has accelerated in many directions. For example, we have applied new COVID-19 clinical pathways to our device-based remote monitoring services to identify and prioritize high-risk individuals for follow-up care. Our

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newly developed COVID-19 symptom checker provides people with recommendations on how to proceed based on their results. And we provided access to our digital behavioral healthcare services, which give clients on-demand help for stress, anxiety and depression, all content, coping tools and peer support are free to everyone.

Because it's critical, everyone receives their needed medications we are providing early refills, extended authorizations and increased home delivery options. We also extended ours at our behavioral health pharmacies to ensure medication adherence for those with mental health and substance abuse challenges. The spread of the virus has created a significant health risk for those receiving life sustaining infusion services, traditionally administered in the hospital or hospital clinical settings. For these patients, we are providing infusion services through our Optum infusion ambulatory suites and in their homes through our nurse infusion specialist.

Finally, Optum is innovating on the front lines of care delivery, developing screening protocols to identify patients who are likely to need hospitalization and collaborating with health and care delivery organizations to share this knowledge.

UnitedHealthcare is working at full speed as well with partners across the health system to address the current global emergency. For consumers, UnitedHealthcare has made it simple and easy to access care waving cost sharing for COVID-19 testing and treatment and eliminating many administrative requirements. Tens of thousands of people have taken advantage of this -- of a special enrollment period we opened for those needing coverage for health benefits. And more than 2 million consumers took advantage of our offer to obtain early prescription drug refills to ensure no experience gaps in treatment.

UnitedHealthcare digital and telehealth services were ready and as a result extensively used as a safe, simple and freeway to connect with care providers, either through a partner or directly with the patient's own doctor. UnitedHealthcare is paying careful attention to vulnerable members, especially in Medicare and Medicaid by expanding access to our personalized digital care platforms, which provide up-to-date information about prevention, coverage and care. People can quickly talk to a nurse, refill and schedule home delivery for prescriptions and get access to emotional support 24 hours a day.

We are also helping federal, state and local authorities to address system capacity shortages by supporting them with domain operating experience. One example involves 2 UHC Community & State leaders Dr. Jeffrey Brenner and Kathleen Stillo who are now working exclusively with the state of New Jersey for the next several months to establish a critically needed field based hospital system. These are just a few examples of how the people of Optum and UnitedHealthcare have mobilized to respond to this public health challenge. There are many more and they are happening every day.

Now I'll turn it over to John Rex, our Chief Financial Officer.

John Rex {BIO 19797007 <GO>}

Bloomberg Transcript

Thank you, Dave. I know you've had an opportunity to look through our first quarter financial results this morning, and as such, given the unique circumstances, I'll be brief about the quarter.

As Dave said, while it feels somewhat uncomfortable to be speaking of the financial aspects of this challenging situation, we know this is what you need to understand for your work. Given the timing of the with COVID-19 outbreak and its progression in United States, the first quarter financial impact is limited. As you know, incidence rates in the US only started moving meaningfully in mid-March, and elective care trends did not begin to be meaningfully impacted until later in the month.

At the segment level, UnitedHealthcare and the OptumHealth, Insight and Rx businesses all reported first quarter operating earnings that were in line with our own expectations going into the year. Looking ahead, we are maintaining our full-year 2020 earnings per share outlook. As I'm sure you would expect this view is subject to a number of key considerations that yet to play fully out, including the full incidents and intensity levels we experience, the duration and ultimate impact on economic, employment and business activity levels, and the duration and extent of disrupted care patterns as the virus runs its course.

Beyond our maintained earnings per share outlook, we anticipate other key Investor Conference metrics likely will play out differently than we expected at that time. And our quarterly progression will likely vary from historical patterns. For example, the environment today suggest the second quarter could be the lowest medical care ratio of the year, potentially meaningfully so, with elective care demand still restrained. Offsetting this impact, we would anticipate the second half medical care ratio could be meaningfully elevated.

Among some of the factors we consider, people will hopefully have more comprehensive care access by the second half of the year. And some of the currently deferred care can be restored. Individuals with chronic conditions are among those for whom we have considerable concern in this environment. While we are mitigating the impact through other means, mistreatments can aggravate health status, resulting in initially more intensive care needs as the system reopens. We will proactively work to help them quickly seek care. And the impact of testing and coverage expansion such as serologic tests. These are just a few of the factors we must consider, and I'm confident you are eager to probe into all of these areas and likely more.

We appreciate your understanding of our need to differ on providing point estimates and even ranges today given the evolving situation, the multi-variables at play and their interdependencies, and our regard for the mini thoughtful views that will shape the situation. Our strong financial position and liquidity enable us to fully meet both our operational and strategic needs. We ended the quarter with an intentionally higher excess cash balance and a higher than normal debt to capital ratio. This was a prudent response to what we saw in more volatile financial markets during the month of March.

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When considering our quarter ending excess corporate cash position, we size our debt to total capital ratio at about 40.5%. As markets become more normal, we will return to our previous cash management and leverage position. Given our critical relationship with our healthcare delivery partners, we move quickly to implement policies to provide enhanced liquidity for care providers, by accelerating nearly \$2 billion in payments, provided needed support to help systems and individual care providers. These types of actions are important to help provide more financial stability for the system. We expect some metrics such as days and medical claims payable and cash flow will be impacted as a result of these actions. Well, that will be transitory as we move through this situation together.

With that, I'll turn it back to Dave.

David S. Wichmann {BIO 3853550 <GO>}

Thank you, John. I hope this gives you some insight into what we are seeing and the actions we are taking to serve people, communities, and the health system during these unprecedented times. We are committed to applying the full capacity of our enterprise to serve not just our patients, members and customers, but also the hundreds of millions of people impacted across the nation and around the world. We will continue to protect our team members and their families, apply our skills, energy, and broad capabilities to serve and aid others in this time of crisis.

Our mission is to help people live healthier lives and to make the health system work better for everyone. This moment of challenge is proof of the resolve of the 325,000 women and men of UnitedHealth Group to achieve this mission. And you can also expect us to be fully prepared to excel on the other side of COVID-19, ready to respond to demand for health system resources, and adapt our strategic priorities to emerging opportunities, to lead in the development of the next generation health system in a socially conscious way.

Let's open it up to questions please. One per person, so we can get to as many as possible. Thank you.

Questions And Answers

Operator

(Operator Instructions) Thank you. We'll go first to Gary Taylor with JP Morgan. Please go ahead. Your line is open.

Q - Gary Taylor {BIO 3571633 <GO>}

Hi, good morning. Thank you very much. Wondering if we could get the quarter end IBNR before the quarter and if you could just comment on OptumHealth performance from 2007 to 2011 and how the business is different today in terms of more risk-based business? You've added some fee-for-service businesses, but how you would expect the performance of OptumHealth to track versus how it performed back in the financial crisis? Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

Gary, can you clarify the first part of your question, please.

Q - Gary Taylor {BIO 3571633 <GO>}

Yeah, I was just hoping, within the medical claims payable number you could give us the IBNR number that typically shows up in the Q?

A - David S. Wichmann {BIO 3853550 <GO>}

Do you want -- do you want the dollar estimate --

Q - Gary Taylor {BIO 3571633 <GO>}

The dollar amount, yeah.

A - John Rex {BIO 19797007 <GO>}

So, Gary, this is John Rex. We get our Q out very, very quickly and we'll have that for you and you can follow up with Brett also if you need any color on that particular metric.

A - David S. Wichmann {BIO 3853550 <GO>}

And -- so as for -- I think you can see that our days payable are consistent with quarter end -- last quarter and then also slightly elevated year-over-year as well. So I think you can take something from that. And then also just generally speaking, what's going on with development in terms of the continued conservative posture of the business and how it records its year end -- quarter end, year end and other IBNR estimates. Just also rely on the fact that it's consistently applied to the best of our ability as always and then from not just by claim lags but other things as well.

So on OptumHealth, just -- I might suggest that rather than responding directly to your question, I'd just suggest, it is right on our expectations. I know there is some commentary about it this morning, but it was definitely on our expectations. What people I don't think realize about this business is that the elective and chronic disease management deferrals work both ways in a business that has two-thirds of its business. Our revenues are risk based and a-third of them are fee-for-service space. So you might want to think about that as you think about the performance expectations of this business going forward. I just want you know, I'm very proud of this team and how they've served and how they've adapted.

And if I can, I'd ask Wyatt Decker to provide you with a few examples of how the teams performed.

A - Wyatt Decker {BIO 17276367 <GO>}

Thank you, Dave, and thank you Gary for the question. Yes to characterize the response to COVID-19 of Optum and OptumHealth, I would use four additives: courage, compassion, collaboration and a can do spirit. The over 65,000 doctors, nurses and advanced practitioners and others of this team have been on the front lines of the COVID response

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as you heard earlier from Dave, and has stood up over 436 testing centers. We have dramatically scaled our ability to care for patients digitally, including through telehealth, vehicles, and will by the end of this month have over 10,000 providers on telehealth platforms and solutions.

We have been proud to be also on the front lines of innovation, collaborating with R&D on a whole host of solutions. And just as an example, in New York and New Jersey, we have over 329 care sites, including 49 urgent care centers and stood up the first drive-through testing solution for the state of New Jersey and continue to work very closely with those states and the cities within them to respond effectively to COVID. So much more to come. We anticipate to emerge on the other side of this, an even more sophisticated digitally enabled national provider of healthcare that is focused on serving our patients and delivering value based healthcare. Thank you, Dave.

A - David S. Wichmann {BIO 3853550 <GO>}

So that was Dr. Wyatt Decker. I think most of you know, Dr. Decker well enough by now, having been with us for a while. But just as a reminder, he was the CEO of Mayo Scottsdale, which is obviously one of their strongest flagship locations. He is also an emergency room physician, which clearly showed through in this crisis or is showing during this crisis, he is intensely calm right in the middle of a crisis. And if you think about the numbers and things they've had to deal with, but just say it's been -- it's been an honor and a privilege to have them here with us today.

Next question please.

Operator

We go next to Justin Lake with Wolfe Research. Please go ahead.

Q - Justin Lake {BIO 6460288 <GO>}

Thanks, good morning. First, I wanted to dig into early trends on commercial membership. Would love to hear what you're seeing in the commercial risk book for instance, in terms of premium collections in April through mid-month, right. How much have you collected in April given all the uncertainty here versus a typical collection? And how many of your members you think have been furloughed? We're just trying to understand the impact of furlough versus unemployment.

And then, I know there's a lot of uncertainty out there, but if you go into promotional renewals that have to be priced for (inaudible) up to set Medicaid, Medicare bids in the next four to six weeks. A lot of questions on how you're going to be bid set price relative to the potential for deferred utilization coming back next year, possibility of a COVID return during flu season, et cetera. So any color you can give us on pricing as well would be really helpful? Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

Okay. Dirk?

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A - Dirk McMahon {BIO 18950833 <GO>}

Yeah. Thanks, Justin for the question. So on a premium relief, we're working with our customers on a daily basis to find the right solutions to ensure their employees can continue to have access to the care they need. I'll give you a little bit in numerical context. In a typical month, we extend grace periods or offer payment plans to customers that represent about 0.4% of our premium base. From March 1 premiums, we collected most of the premiums prior to the COVID impact really kicking in, and these extensions increased to about 1% of our premium base. So for April 1 premium so far, the amount of extensions have grown to about 3% of our premium base. So a little bit elevated, but we're going to continue to work with our customers on payment plans to give them the options for coverage that they need.

Let me switch to your second question. You talked a little bit about commercial pricing. Of course, we're in the process of developing our pricing for 2021. We're closely monitoring the emerging COVID-19 information, including things like the claim experience from our members who have been diagnosed with the disease, as well as the abatement of other procedures. We're going to continue our commitment to pricing to our forward look of costs, including estimates of things like significantly increase testing costs, as well as hopefully the cost of the vaccine. Our view of the 2021 cost will continue to evolve as we learn more about the virus. The majority of our member months, they should note are really priced after September. So we'll have time to get a better view on what the 2021 environment will look like.

A - David S. Wichmann {BIO 3853550 <GO>}

And if it's okay, Dirk, the one of the more immediate needs as well as what we're doing on pricing for Medicare. So, Tim, do you want to take that?

A - Tim Wicks {BIO 7451713 <GO>}

Good morning, Justin. Thanks for the question. And as you know, some of the key inputs to the 2021 Medicare Advantage bid process were published by CMS only last week. So really early in the process and we never hardened our position at this stage. In 2021, as always, we strive to provide consistency and benefits for the members that we serve. We have a long track record of stable to improving benefits and accomplish this in some challenging circumstances in the past. The hit dynamics that played out over years are an example. So too early to talk in detail about our benefits and some of the assumptions there, but our clear goal is stability. Stability is always extremely important to our members and it's especially important at a time like this.

A - David S. Wichmann {BIO 3853550 <GO>}

Thank you. Next question please.

Operator

We go next to Steven Valiquette with Barclays. Please go ahead.

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Q - Steven Valiquette {BIO 1928887 <GO>}

Great, thanks. Good morning everyone and thanks for taking the question. Hope everyone is staying safe. So just a follow-up further around the commercial enrollment trends. And I guess I'm curious for 1Q20. Curious how that membership shook out relative to your own expectations, think there was any impact yet related to the rise in unemployment in late March in those 1Q numbers and how are you thinking about unemployment impact and overall membership for the overall company as the year progresses, implying that you recapture or gain some members in the Medicaid book as well. Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

Dirk, you want to take that?

A - Dirk McMahon {BIO 18950833 <GO>}

Yeah. So thanks for the question. As I said, in January, we were expecting to be down for both fully insured and self-funded membership in the first quarter, but we expected to gain that membership in both areas as we paced through the year. With the current COVID crisis, we expect to be down for the year as business is closed, and employers we do payroll associated in driving group attrition. At this early stage, I can tell you what that will be. Again, I will say, we will continue with our pricing discipline to remain focused on delivering the unique value proposition for both our customers and consumers. We do expect to see as you noted, increases in Medicaid and our individual products to ultimately offset some of the losses we experienced in the commercial group business.

Q - Steven Valiquette {BIO 1928887 <GO>}

Okay. I just wanted to get confirmation question just on that \$2 billion of accelerated payments to care providers. That's certainly commendable and very much appreciated on the receiving end. From an accounting standpoint, does that have any impact on the reported MLR of 81% in 1Q or does the timing not change in your P&L from cost recognition perspective around?

A - John Rex {BIO 19797007 <GO>}

Hi. This is John Rex here. No. We didn't have any impact on that.

Q - Steven Valiquette {BIO 1928887 <GO>}

Okay. I just want to make sure of that.

A - David S. Wichmann {BIO 3853550 <GO>}

It could affect our cash flows in the Q2. That's maybe the way to think about it. Next question please. Thank you. Steven.

Operator

Next is AJ Rice with Credit Suisse. Please go ahead.

Q - AJ Rice

Hi, everybody. And I also echo, hope everyone is staying safe. John, you mentioned in your comments about the slowdown in some re-contracting RFPs and that makes sense that people can have face to face meetings when they're considering big deals. I assume that that would impact potentially group sales on the insurance side, the OptumRx, selling season and the OptumInsight selling. Can you just maybe flush out a little bit more of how big an impact that is? What you're seeing in those different businesses with respect to large sale activity?

A - David S. Wichmann {BIO 3853550 <GO>}

So AJ, it's Dave. I'm the one to answer that. So, yeah, just as this hit, there was a lot of activity in the commercial markets, let's call it, where folks were trying to get their employees to safe place, work at home, and kind of reestablish our operations as you would expect. It isn't as if everything dried up, but it did slow down a lot. And at least as it relates to the commercial markets, I would expect that that will come back online here as we get to the other side of COVID-19 or at least for a period of time.

Well, I think the other place I'd like me to have commentary on would be with Andrew Witty. If Andrew might want to talk a little bit about the impact of the COVID-19 on the appetite for health systems and health plans and others and what their availability has been for business as well.

A - Andrew Witty {BIO 3471756 <GO>}

Yeah, thanks very much Dave. And AJ, thanks for the question. As Dave said, it's a very interesting situation, I would say, pipeline opportunities for Rx and for OptumInsight, very strong. The timings of meeting obviously disrupted by the COVID crisis as Dave just referred to. But focus really just now on the OptumInsight portfolio and pipeline, we were actually seeing significant engagement and interest, I'd say, actually a step-up in terms of general interest for innovation of how to start thinking through to improve healthcare delivery, how to try and improve their economics as different players in the system become under pressure. We've seen particularly more and more interest in the John Muir type deal that we announced last year, the more comprehensive engaged system.

So timing is unpredictable. We just don't know, but in terms of appropriateness of our offering for the needs that we're hearing our clients and customers express feel very good about that. And I would also say, the team led by Robert Musslewhite of OptumInsight are working super hard in terms of innovating our offerings in response to some of the new needs that are being expressed by our clients at this time. So I would say, overall, feels like a continued meaningful opportunities for OptumInsight. Timing unpredictable, and we have to wait for a little bit more time to go by before we can be certain of when some of these things get closed.

A - David S. Wichmann {BIO 3853550 <GO>}

Thank you, AJ. So my view is that we'll see a strong demand for Optum's value proposition you know once we get to the other side of the situation. Next question please.

Operator

Okay. And the next question is from Kevin Fischbeck with Bank of America. Please go ahead.

Q - Kevin Fischbeck {BIO 6157376 <GO>}

Great. Thanks. I appreciate the commentary about the seasonality in MLR lower in Q2 and then higher in the back half of the year. Do you guys have any just general thoughts and framework about whenever things do get back to normal, I know that's still a moving target, but how much of what is deferred actually comes back when you see disruptions like this and how long does it take for that deferred volume to actually come back into the system?

A - David S. Wichmann {BIO 3853550 <GO>}

It will be very difficult for us to project that at this stage given all the uncertainties that are out there, Kevin. It's a really great question. It's something that we're going to monitor closely and I think by the time we get into the second quarter call, we'll probably have a better -- a better view of all that.

John, do you have anything you want to add?

A - John Rex {BIO 19797007 <GO>}

I would just add. This situation is just so different than anything we've seen before. When we look back at prior situations when you've seen a cessation demand, it's a different event. If a hurricane and some other event where the system shuts down and when the system opens up that demand comes back quite quickly actually, as long as everything is up and operating. But this is one of these where we just haven't been through it before either. So in terms of us trying to step out and understand, both when systems are up open and operating, when comfort levels are there to reengage with systems are elements that we certainly haven't experienced yet. And so I wouldn't want to step out and kind of predict that the past -- that the past events that we've seen when something like this is occurred are predictive at all of that.

A - David S. Wichmann {BIO 3853550 <GO>}

So it will have a lot to do with whether it comes back in the fall. What the time frames are wearing off. Whether the elective procedures come back online and what pace. There's just so many unknowns right now, Kevin, so -- and which we could answer your question more fully and we hope to be able to provide you guys more guidance going forward. Next question please.

Operator

And we'll go next to Josh Raskin with Nephron Research. Please go ahead.

Q - Josh Raskin {BIO 3814867 <GO>}

Thanks. Good morning. Just wanted a clarification. When you're saying guidance is unchanged despite the moving parts and the metrics moving, is that just at this point you view the COVID impacts to be offsetting or is this just simply we're going to wait to change anything overall?

And then my real question is just on the physician groups. You talked about two-thirds of the payments being capitated, so obviously that's a huge help from a liquidity perspective to the providers. But is that two-thirds of the total dollars of the Optum care physicians or are you talking about just two-thirds of the dollars from UnitedHealthcare to the Optum care providers?

A - David S. Wichmann {BIO 3853550 <GO>}

It's across the entire business, Josh.

A - John Rex {BIO 19797007 <GO>}

Josh, it's John Rex. So two-thirds of OptumHealth revenues are risk -- are premium revenues, capitated revenues.

Q - Josh Raskin {BIO 3814867 <GO>}

Okay.

A - David S. Wichmann {BIO 3853550 <GO>}

So obviously there is a -- there is deferrals of services. Their utilizations lower against their capitated base as an example. So and as it relates to the guidance going forward based upon what we see at this stage, we're maintaining that guidance is really not a whole lot more to be said about it. What you -- what I think John articulated well which would suggest that the elective deferrals to date are offsetting COVID-19 costs and what we committed to, to date is to the extent that drives any imbalances in terms of our performance or economics across the system, we are committed to rectifying those as swiftly as possible. Obviously, we have to be thoughtful about how we go about that, but it is -- that's one of the commitments that we're making today.

A - John Rex {BIO 19797007 <GO>}

Josh, clearly we have a number of surveillance tools that we use and kind of both the data and the direct communication. We have members, patients, clinical workers, and all these are going to continue to inform our response in our forward planning.

A - David S. Wichmann {BIO 3853550 <GO>}

Thank you, Josh. Next question please.

Operator

And we'll go next to Ralph Giacobbe with Citi. Please go ahead.

Q - Ralph Giacobbe {BIO 6968095 <GO>}

Thanks, good morning. I just wanted to clarify and understand the commentary around sort of that. What you just said in terms of ensuring financial balances are reconciled. Does that mean potentially rebating back this year beyond any MLR triggers or -- I'm just hoping to understand the context a bit more there? Thanks.

A - David S. Wichmann {BIO 3853550 <GO>}

Yeah, it could be. So there is a number of things to take into consideration. There was challenges with health system funding and liquidity at the beginning, so we put \$2 billion to work. There was clearly homelessness and insecurity issues evolving, so we put a fair amount of dollars for that. There is a shortage of PPE broadly across the country, including with our own care delivery capacity, so -- and we will remain resolved and committed to making sure that not only our health workforce but the health workforce broadly stays protected. So not only did we source PPE, but we also focused on generating new and innovative testing capacities that would resolve PPE use as well as keep broadly the health workforce safe across the globe.

So those are all the good examples of what I'll characterize as imbalances that occurred throughout and obviously there is the possibility of financial imbalances to occur as well. And so as we think about those, employers are having a furlough employees. They have no revenues to-date. They need and want to keep people in coverage, and they very well could be that in -- under the circumstances, deferrals of services outweigh COVID-19 costs. In those situations, not only would there be normal MLR rebate situations. But we very well -- may well find ourselves in a position where we can provide some additional premium relief to those clients. It remains to be seen whether or not we are able to do so and to what extent, but it is something that we're deeply committed to doing.

A - Unidentified Speaker

Next question please.

Operator

The next question is from Scott Fidel with Stephens. Please go ahead.

Q - Scott Fidel {BIO 5322875 <GO>}

Hi, thanks. Good morning, everyone. My question is just thinking about the individual business and your current footprint there and if we assume that the economic impacts persist for a period of time and that impacts commercial group enrollment. Just interested in your thinking about potential appetite for reentering the ACA exchange markets that you had exited? And I guess just given the timing of when you need to submit those filings, I would assume that that's probably a decision that even though there is a lot of uncertainty right now, you guys are probably going to have to start thinking about right now and I'm just interested in how your thought processing is right now on that?

A - David S. Wichmann {BIO 3853550 <GO>}

What you could count on us is we will make no snap reactions to this situation in terms of making strategic decisions about move -- going into markets. But we have given this considerable thought leading up to this crisis and through it all. And Dirk, would you want to comment?

A - Dirk McMahon {BIO 18950833 <GO>}

Yeah, sure. Thanks, Dave. Yeah, we began to look at participating in more exchanges prior to the COVID-19 crisis. And so but we're still in the process of going through market-by-market, evaluating the relative efficiency of our network, our ability to compete and states where we would like to extend Medicaid. To be honest with you, we'll have a more hardened view of our individual exchange intentions on the second quarter earnings call.

A - Unidentified Speaker

Okay. Next question, please.

Operator

And we'll go next to Ricky Goldwasser with Morgan Stanley. Please go ahead.

Q - Ricky Goldwasser {BIO 1977392 <GO>}

Yeah, hi. Good morning. So one follow-up question and a real question. So first of all understood obviously that it's very difficult to predict now the -- when procedures are going to come back. But when you think about the capacity of the system to catch up on elective procedures. If we're going to see things coming back in the fall or this is just kind of like a 2Q phenomena, how much capacity is there to catch up by end of year versus what might spill over to second quarter? And the follow-up question was on the pricing, now your membership guidance provided in the 4Q assumes some level of mid-year renewals. So any color about pricing for midyear in light of all the puts and takes of the situation?

A - Unidentified Speaker

Yeah. Sure, I'll give the second question to Dirk. The first we just don't know exactly when elected deferrals will come online and what the overall capacities are broadly for them to come online given the circumstances, I think you just think about the evolution of this disease, how fast it came on in the United States, which is where 95% of our revenues are across our company. But think about the evolution of that and then think about the tail and then the possibility of it coming back or not and the timing of a vaccine and the number of other things that need to be taken into consideration. That -- they just create an uncertain future to get specific around things, our ability to respond to questions like you just asked. So I apologize that we can't, but it's just very difficult for us to give you the responses to those kinds of details. Dirk, do you want to talk about mid-years?

A - Dirk McMahon {BIO 18950833 <GO>}

Yeah. Well, like you said to begin with, the majority of our member months to start off with are repricing for -- the majority of our member months for 2021 are going to be priced after September, so we'll have a little bit better view. Now, many of the mid-year renewals has sort of gone out the door, so that's sort of the scenario we're in.

A - Unidentified Speaker

And let's say just as it relates to our care delivery practices, we've been evolving -- the ways in which we provide care and ensuring that our chronic members who have also deferred treatment that they have the option to get treatment through these telehealth capacities the way in which we're working in OptumRx to make sure that they are compliant with their pharmacy solutions in the way in which general pharmacies are available and community mental health centers and federally qualified health centers to ensure that those patients who have high needs are attended to as well. So there is evolutions that are going on underneath what's happened here to make sure that we're opening up capacities in new and different ways. And then the only other thing I would say is that when we get to the other side of COVID-19 our operations are all standing ready to respond to the demand that might be there. So our ambulatory surgical care centers will be available immediately to respond to the demands, the pent-up demand that will exist for joint replacements and the number of other things that they do so well. So part of what we're doing is making sure that when we get to the other side, we're ready. And not only ready to respond to the immediate demands, but also we're ready to adjust and evolve our business strategies to respond to the things that we've learned through this crisis.

Thank you. Next question please.

Operator

And next is Charles Rhyee with Cowen. Please go ahead.

Q - Charles Rhyee {BIO 6968091 <GO>}

Yeah. Thanks for taking the question. So I know you guys have been hesitant to put hard numbers around how you expect like to procedures to sort of rebound back particularly in the back half of this year. But Johnson & Johnson on its earnings call yesterday noted that there's a slide also in the presentation, like the procedure volumes to be down about 55% to 80% in the second quarter, but third quarter also down about 40% with the rebound really above baseline in the -- coming in 4Q of around 15%. This seems sort of more conservative in terms of a rebound than you're kind of noting. Maybe you can -- can you kind of give us some of your thoughts on what's behind your assumptions and or your thoughts on how they're looking at the situation perhaps and then, John, I know you said that this is not like other situations obviously natural disasters things bounce back fairly quickly because demand has really gone away, it may be looking at something like the financial crisis, a better proxy than or how we might think about elective procedures kind of coming back? Thanks.

A - Unidentified Speaker

FINAL

Sure. Hey, thanks, Charles. So a couple of thoughts, and I won't opine on anyone else's -- any other companies comments they put out there. But let me just kind of try to give you a few of our comments. I think one of the very important things to keep in mind in this extremely different situation are the co-dependencies and the interplays across a business like us in terms of all the things you're describing. And so when you talk about, there's a lot we don't know right now and we're actually not going to try to make calls in some of those. Keep in mind that there are factors that move differently in a diverse enterprise like this. Intensity levels, duration of the virus impacts also the duration and intensity of the deferral of elective procedures. So there are factors in there as you go across the range of options that we consider the multi-variable factors that we look at when considering our outlook, that interplay. And so that informs kind of how we think about how we just think about trying to consider different ways that things would play out. Certainly Dave did mentioned that and yes and I mentioned also that we did -- we have seen declines in procedural volumes and we saw those starting kind of late in March and those continued into April, but trying to use some of these other examples even as you mentioned the financial crisis as a measure.

From our perspective, aren't necessarily still measures that we think are all that instructive, because we haven't seen a cessation in activity before like this. And the reasons for this cessation in activity are very, very different and the duration of those also is quite different. So I don't know that I'd even go to that one as kind of -- as the instructive measure for us.

Okay. Thank you, John.

Q - Unidentified Participant

All right. Thank you

A - Unidentified Speaker

Next question please.

Operator

And we'll go next to Dave Windley with Jefferies. Please go ahead.

Q - David H. Windley {BIO 2411309 <GO>}

Hi, good morning. Thank you for taking my questions. I wondered -- my question is on capital deployment. I wondered if you might comment on how the crisis is impacting your thinking around that with maybe two opposing specific thoughts. One being your comments around conservation of liquidity at the corporate level. But then also the thought around, say, larger health systems being more capable of responding to a crisis like this and the strain on some providers perhaps presenting some consolidation opportunity. So I'm wondering if you might comment on capital deployment?

A - Unidentified Speaker

John.

A - John Rex {BIO 19797007 <GO>}

Sure. So I think our long-term capital deployment strategies remain our long-term capital deployment strategies absolutely in terms of how we think about allocation of our capital into our businesses, into new organic growth opportunities, M&A opportunities and we think about things like dividend and share repurchase also. And clearly you saw, we responded -- we were in a fortunate position of being able to respond to what we saw as some instability in the financial market in March by increasing our cash position in order to fortify that. And in part kind of given the role that we play in being reliable partners for the broad healthcare delivery community. And so that part being important. You can be sure that as we think about things in kind of the very near term, we're respectful of markets that is financial markets and how they're behaving and we'll continue to be respectful of those and understand kind of that they are functioning and functioning fluidly as we consider those elements. And that may impact the timing of how we think about different capital allocation activities. We're going to be super respectful of that because of the important role that we play in the health system and our obligation to be -- to provide health security for people we serve and to be ready, enable and reliable partners for healthcare delivery community broadly.

Q - David H. Windley {BIO 2411309 <GO>}

Thank you.

A - Unidentified Speaker

Thank you. My comments would be that this is exceptionally well-capitalized company. It's been maintained with -- capital structure have been maintained very consistently with high integrity. And I think it's one of the strengths of an organization going into this situation to have the capital structure that we have today and the financial backing broadly.

Next question please.

Operator

Next question is from Lance Wilkes with Bernstein. Please go ahead.

Q - Lance Wilkes {BIO 4820557 <GO>}

Yeah. Good morning, and I appreciate all that you guys are doing. I thought it was a great job outlining the number of things that you are contributing to the system. Just wanted to ask a couple of questions really more OptumHealth, OptumCare related, I mean -- and it's just one variant of the same question. For right now, could you describe how you are standing up Telehealth enablement and virtual care delivery within the services? And then as you -- before you get to kind of post COVID as you are thinking about that transition period as you are ramping back and so the economy is ramping back into service. Have you guys come up with perhaps how you will scale back, meaning, are you going to be doing temperatures, mask per patient, things like that, to try to get a sense of how quickly you can start to ramp back in the ASC business and some of the other physician businesses?

A - Unidentified Speaker

Thank you, Lance, and appreciate your comments about the company's performance during the time frame, Dr. Wyatt Decker?

A - Wyatt Decker {BIO 17276367 <GO>}

Yes. Thank you, Lance, for your question. And on the digital health and telemedicine side, we have both our internal capabilities which we're leveraging extensively including telepsychiatry, that's the nation's largest telepsychiatry platform. We're also working with partners, collaborators and vendors and have over half a dozen national partners who are assisting us to stand up solutions quickly. I would also add that we believe that telemedicine is not all created equal and we're very focused on keeping the personal and intimate nature of health care alive and well. One of the ways we're doing that is by making sure whatever possible that our OptumCare patients have reach out to there already established provider using telemedicine, which is a very different experience than a random or unknown provider as an example. So we'll continue to leverage this -- we're also leveraging the Internet of Things, caring for people in their home and AI enabled symptom checkers as other examples of how we're really dramatically accelerating our digital health solutions.

And then to your second part of your question around the other side of this and how do we adapt. Obviously, that's something that is evolving. We will of course, we're -- and have been -- we're hand in glove with local, state and federal recommendations and authorities on one, is it safe to resume elective and scheduled care and procedures. We will -- also as Dave mentioned, are taking great care of our healthcare workforce so that they are able to resume activities really quickly, which we expect to be a differentiator. And then the final thing I'd say is that we look at OptumHealth, one of the remarkable things is what it a resilient and diversified healthcare business it is. So we're in 43 states. We have ambulatory care surgical centers. We have primary care. We have specialty care and because of the COVID epidemic and pandemic is playing out differently across the United States, we feel we're really well positioned and have been able to keep our workforce busy contributing to the communities they serve, while we adapt to the changing environment. Thank you.

A - Unidentified Speaker

Now one of the things we did was -- as part of our -- as we created a -- leveraging that lobbying testing capabilities, so it allows for self-administration in the clinical setting. We also alongside that developed a new set of testing protocols, procedures and the applied technologies for the health workforce. And part of it was to ensure that that workforce is safe to apply their services, but also that we were able to ensure that they were as fully available as possible, which I know is on the top of minds for each and every one of them. So that technology, those protocols, that process that was developed, likely find this way not only into a clinical setting, but also could find its way into other essential business settings as well as a normal course of business going forward. So we could applying those types of concepts across OptumCare, but frankly, across the industry.

We have time for one more question, please.

FINAL

Bloomberg Transcript

Operator

And we'll go next to Frank Morgan with RBC Capital Markets. Please go ahead.

Q - Frank Morgan {BIO 1498100 <GO>}

Thank you. You've had a lot of success with engaging physicians to taking risk and I'm just curious how do you think this long-term impact of pandemic will affect the interest from physicians in participating in the risk model? Thanks.

A - Unidentified Speaker

I think as it relates to this one, we so far -- they probably have performed just fine. Obviously, remind the number of them about how important it is to align with certain partners that have a strong financial standing, and I would characterize UnitedHealth Group in particular Optum and OptumCare as being those kinds of entities. So I hope what they do is they seek a greater sense of alignment towards -- with partners, they chose their partners based upon the strength of them in multiple different dimensions, and I think why it has done a great job of building that business in a multidimensional way with a great number of strength. So hopefully, we'll see greater alignments in UnitedHealth Group.

A - David S. Wichmann {BIO 3853550 <GO>}

Thank you for your question. And thank you all for your time and your questions today. As we've shared with you, we're going to continue to apply the full breadth of our resources, technologies innovations and compassion to support our members, our patients, provider partners, our team and the broader health system as we see our way through this global health crisis together. Please be safe each and every one of you and thank you for your time today.

Operator

And this will conclude today's program. Thanks for your participation. You many now disconnect. Have a great day.

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