Q1 2017 Earnings Call

Company Participants

- Andrew P. Hayek, Chief Executive Officer
- Austin T. Pittman, Chief Executive Officer - Community & State
- Brian Thompson, Chief Executive Officer - Medicare & Retirement
- Daniel Schumacher, President and Chief Operating Officer
- David Scott Wichmann, President
- Dirk McMahon, President and Chief Operating Officer
- Eric Murphy, Chief Executive Officer
- John M. Prince, Chief Executive Officer
- Larry C. Renfro, Vice Chairman-UnitedHealth Group and Chief Executive Officer
- Stephen J. Hemsley, Chief Executive Officer & Director
- Timothy A. Wicks, Executive Vice President, Chief Financial Officer

Other Participants

- AJ Rice, Analyst
- Ana A. Gupte, Analyst
- Chris Rigg, Analyst
- Christine Arnold, Analyst
- David Howard Windley, Analyst
- Gary P. Taylor, Analyst
- Joshua Raskin, Analyst
- Justin Lake, Analyst
- Kevin Mark Fischbeck, Analyst
- Lance Arthur Wilkes, Analyst
- Michael J. Baker, Analyst
- Michael Newshel, Analyst
- Peter Heinz Costa, Analyst
- Ralph Giacobbe, Analyst
- Sarah E. James, Analyst
- Scott Fidel, Analyst
- Sheryl R. Skolnick, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. I will be your conference operator today. Welcome to the UnitedHealth Group First Quarter 2017 Earnings Conference Call. A question-and-answer session will follow UnitedHealth Group's prepared remarks.

As a reminder, this call is being recorded. Here is some introductory information. This call contains forward-looking statements under U.S. 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 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 amount is available on the Financial Reports & 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 18, 2017, which may be accessed from the Investors page of the company's website.

I would like now to turn the conference over to the Chief Executive Officer of UnitedHealth Group, Stephen Hemsley.

Stephen J. Hemsley {BIO 14003331 <GO>}

Good morning and thank you for joining us today. 2017 begins with stronger than expected revenue growth, reflecting improved customer retention and broad-based growth across UnitedHealth Group. This, in turn, was driven by our consistent focus on customer value, fundamental execution, and Net Promoter Scores. We remain optimistic about 2017 and, accordingly, we are modestly strengthening our revenue, earnings, and cash flow outlooks.

Considerable national attention over the past three months is focused on U.S. healthcare and tax policies, so we'll begin with some brief commentary there this morning. We have engaged with elected officials from both parties, and at the federal and the state levels, to address improving quality, access, affordability, costs, and satisfaction for all stakeholders.

Affordability can be improved most in the immediate term through lower taxes, and we hope Congress acts soon to permanently repeal the health insurance tax before it further worsens consumers' premiums, state budgets, and senior benefits. We have no insight as to whether that will or will not occur and, accordingly, our plans continue to assume the taxable return in 2018, which will raise premiums and/or reduce benefits for commercial businesses, states, and our nation's senior population.

In the longer term, the policy changes that improve healthcare and the health system play to our strength. UnitedHealthcare delivers modern, innovative, high performing network-based health benefits with market-leading capabilities and consumer engagement, value-based reimbursement, network architecture, and clinical management. We tailor these capabilities to address the needs of programs of every type and the consumers they serve.

Optum's customers seek better data and analytics to improve decision making in the doctor's office, in the ER and acute care settings, at points of consumer engagement, and on payer and employer desktops. As an open market integrator, Optum uniquely serves across all payers and care providers. Optum's own comprehensive clinical care delivery services have a highly compelling quality and cost profile, and Optum offers pharmacy care that integrates with medical care to support a whole person's clinical experience.

This UnitedHealth Group portfolio is flexible, adaptable, innovative, and positioned to contribute constructively to virtually any change agenda. We will continue to serve and grow through the changes that follow evolving social policy. A core part of that adaptability is, we continue to broaden and strengthen our leadership team by developing executive talent. We routinely give proven leaders new challenges that deepen their experiences and skill sets. UnitedHealth Group has a tradition of developing leaders in this way, and doing so when our businesses are performing well, which is the best time for change.

In this vein, we will highlight for you some of our most recent actions. UnitedHealthcare's executive leadership team has performed exceptionally well over the past few years. We have made a few changes to evolve that team, with Steve Nelson will step forward as UnitedHealthcare's overall CEO and Dan Schumacher will serve as President. Brian Thompson, Medicare & Retirement's CFO for the last several years, becomes its CEO. This UnitedHealthcare leadership team, anchored by Jeff Alter, Austin Pittman, Dan and Steve for the last several years, will continue to operate as one team. They are committed to accelerating UnitedHealthcare efforts to drive growth and deepen the quality and consistency of its performance and its relationships in serving all stakeholders.

Optum's performance over the last five years under Larry Renfro's leadership has been nothing short of exceptional, and we are laying the groundwork for even higher performance levels. Larry is evolving Optum's leadership team as well, with Dirk McMahon, a 14-year UnitedHealth Group veteran, serving as Optum's Operating President. John Prince is leading OptumRx. Eric Murphy, Optum's long-standing Chief Growth Officer, has assumed leadership of OptumInsight. And we're pleased to have Andrew Hayek, who has joined us by way of the SCA merger, assuming overall leadership for OptumHealth.

Bill Miller has made the decision to spend less time on airplanes and more time with his family in Kansas City. And Mark Thierer, who as CEO of OptumRx played a central role in leading the integration of OptumRx, has also decided to step back, take a well-earned and deserved rest, and pursue his own investment interests. We deeply appreciate their exceptional leadership in advancing Optum and the many contributions they've made.

We'll now begin our first quarter performance review with UnitedHealth Group Vice Chairman and Optum's CEO, Larry Renfro. Larry?

Larry C. Renfro {BIO 1449565 <GO>}

Thank you, Steve. As you said, it's the right time to evolve our leadership team. Veteran leaders with new focus, new energies, and high expectations working with a mission from a platform like none other in healthcare. Across UnitedHealth Group, our team continues to deepen the disciplines of responsive service, consistent quality, innovation, and relationship trust, all in the context of our mission and our culture.

We have meaningfully advanced the Net Promoter System, NPS, across UnitedHealth Group and fully aligned our compensation system with annual and long-term NPS goals. This year's first surveys of consumer NPS at UnitedHealthcare shows scores rising 4 points in each of our commercial, Medicare & Retirement, and Community & State businesses, and Optum's results show strong satisfaction as well.

The greatest value of this discipline lies in the insights NPS provides, enabling our people to design focused action plans to improve the consumer, client, and care provider experience. Our enterprise-wide goal is ambitious. We are targeting a world-class NPS of 70 within seven years, or 70-in-7. For us, NPS is both an operating and a growth metric, because our operational responses to customer needs increase trust, loyalty, retention and reputation, and these ultimately translate to growth. And our businesses are experiencing consistently higher customer retention.

We are becoming adept in relationship and pipeline development and management, with a laser focus on our five high growth markets for the enterprise. Those markets are technology-enabled information and services, clinical care delivery, pharmacy care services, consumer-centric benefits, and global opportunities. Alone, each one of these areas represents a substantial opportunity to serve. And combined, they drive the next decade of growth for UnitedHealth Group.

Turning to Optum's first quarter, we grew earnings from operations by $173 million year-over-year, a 16% earnings growth rate on revenue growth of $1.6 billion, virtually all organic. Operating margins expanded to 6% overall and earnings from operations grew year-over-year by double-digit percentages for each reporting segment. Strong first quarter operating metrics provide visibility into continued revenue growth in 2017.

Compared to the first quarter of last year, OptumHealth grew to serve 6 million more people, with average per capita revenues growing about 10%. OptumRx fulfilled 15 million more scripts, an above market 5% growth rate. And OptumInsight's revenue backlog grew 19%, or $2.1 billion, in the past 12 months, with more than $0.5 billion added in the first quarter. First quarter activity included the completion of our merger with Surgical Care Affiliates, a strategic addition to our OptumCare platform. SCA and its strong leadership team and outstanding workforce move us one more step toward creating the next generation of healthcare delivery, clinical care that is community focused, high quality, consumer friendly, and cost efficient. Today we serve patients as an in-network care provider on behalf of more than 80 payers.

We offer urgent care at nearly 250 neighborhood care centers, primary care through local medical practices in nearly 30 markets with 22,000 dedicated physicians. House calls, 1.3 million home visits this year performed by 1,700 skilled, certified nurse practitioners. Complex care and management services, both in home and in nursing facilities, and now high quality consumer and clinically differentiated surgeries in 33 states and more than 200 convenient free-standing surgical centers with top-flight medical partners in local health communities.

When we align and integrate enriched patient level data and applied analytics with our own care delivery capabilities, we are better positioned to serve healthcare through more effective value-based contracts on a multi-payer basis, and that holds true for those we partner with as well.

This effort, when fully scaled, yields more consistent health outcomes, lower cost, and greater convenience for patients and the health system as a whole. This will continue to evolve as we advance and connect these practices and patients and integrate their pharmacy and other ambulatory and acute services. We are just in the beginning phases of this multi-year effort.

OptumRx was selected last month as a pharmacy care partner by the Healthcare Transformation Alliance (sic) [Health Transformation Alliance], which represents Fortune 100 national employers. Proven OptumRx capabilities in applying data and analytics to improve both pharmacy care and healthcare were important to earning this new opportunity. We see the potential for multi-year growth through HTA following our notable business awards implemented in 2017 from several of the largest, most sophisticated customers in the market.

Our health financial services capabilities continue to drive growth across channels, products, and platforms as well. The nation's second largest retirement plan administrator, Empower Retirement, named OptumHealth its exclusive partner for health savings accounts. Empower helps people understand the direct connection between health and wealth, and is offering customers Optum's HSAs and digital tools to help retirees and active workers plan and save for their future healthcare expenses.

These examples further illustrate how we serve effectively as strategically interconnected businesses with platform level capabilities.

It has been over five years since we began One Optum, an effort that built a robust and growing first generation information and technology enabled health services platform. Many of you have tracked Optum's success in bringing a differentiated approach to helping customers better solve their complex problems. This year our revenues are on pace to triple from 2011 and we are continuing efforts to align and integrate our businesses to position leadership, to build deeper relationships, and to focus on mission, culture, and growth.

Today, we are driving a second generation One Optum effort to position Optum to truly enable a better performing healthcare system from the local community, to national and global levels.

Our first quarter demonstrates we are on track to achieve the strong level of results in 2017 we have discussed with you and we plan to enter 2018 with considerable momentum.

Now let me turn it over to Dave.

David Scott Wichmann {BIO 3853550 <GO>}

Thank you, Larry. UnitedHealthcare began the year with exceptional results. Outside the ACA individual market, the business grew to serve 2.5 million more people year-over-year and 1.5 million more people in the first three months of 2017. This continues a multi-year run of seven figure membership growth, performance that remains distinctive in the market year after year, an expectation we remain committed to for years to come.

Our commitment to improving consumer value in healthcare drives us to continually improve healthcare quality and lower healthcare costs. Medical costs remain well-controlled. Current year cost trends are running in line with our expectations.

As you are all aware, the health insurance tax was deferred in 2017, reducing premiums for customers in 2017 and adding about 150 basis points year-over-year to our consolidated medical care ratio. Absent this impact, our first quarter medical care ratio improved, mostly due to our significantly reduced participation in ACA individual offerings. Our consistent focus and innovation around medical cost performance and consumer experience continue to drive customer loyalty, leading to higher retention and strengthened growth.

Let's look at growth by business and product, starting with Employer & Individual. In commercial offerings, we grew to serve 480,000 more people in the first quarter, 225,000 through risk-based products and 255,000 through fee-based offerings. And as you are well aware, last year we made a difficult decision to reposition our ACA individual offerings given our views on the sustainability of that market segment. At the same time, we remained committed to working with states and federal policymakers to find ways to offer these markets and the uninsured more viable and sustainable health benefits.

The year began strongly in the public and senior sector as well, with the number of people served increasing by more than 1 million in total, including more than 300,000 people in Medicaid and 675,000 people in Medicare Advantage, about half of which were in employer retiree programs.

Consumers are responding to our strong and consistent quality, distinctive Star Ratings, clinical engagement, stable premiums and benefits, and the service experience our employees deliver. Across UnitedHealthcare, we are growing both through increased penetration in long-standing markets and through geographic expansion, in Maricopa County, Arizona, in the western slopes of Colorado, and in Upstate New York, as examples.

Our clinical engagement has been increasingly differentiated, as we care for a greater mix of members with higher care needs. The Dual Eligible Special Needs, or D-SNP market, is a good example. The dually eligible make up just 15% of the total Medicaid population, but they account for roughly 35% of the total Medicaid spending. This demand on healthcare resources reveals the need to deliver highly coordinated and integrated health and social solutions that improve consistency of access and care, decrease the use of unnecessary services in high-cost settings, and ultimately reduce costs without diluting care.

While these individuals' health needs are more complex, they have been historically served in unmanaged environments. Only 2 million of the dually eligible are currently enrolled in managed care, while nearly 9 million remain largely unmanaged in state-based fee-for-service systems. So far in 2017, we have entered into five new state markets, and we expect to serve nearly 100,000 more dually eligible people in total this year. UnitedHealthcare's core capabilities align with serving individuals with complex needs and helping them maintain their quality of life, which benefits the individuals, their families, and the state and federal program sponsors tasked with financing their care.

By the end of this year, we expect to serve more than one-quarter of the 2 million Dual Special Needs Plan beneficiaries enrolled in managed care nationwide. We see D-SNP as a new and early stage market with great potential to grow by serving those with challenging needs.

Last on the subject of growth, more broadly and as a reminder, while we continue to see real opportunity for growth, we are disciplined and firm about participating only in those markets that remain sustainable, and we'll make the tough decisions to exit unsustainable markets, as demonstrated by recent exchange actions and selective Medicaid exits in the past.

Taken as a whole, the UnitedHealthcare businesses grew revenues this quarter by $4.2 billion, or 12% year-over-year, to $40.1 billion. That is despite forgoing $1.6 billion in quarterly revenues, or 5 percentage points of the year-over-year growth from the ACA insurance market withdrawals and the health insurance tax moratorium. Earnings from operations exceeded $2.1 billion in the quarter, growing 15%, fully in line with our top-line growth in the quarter.

Bringing the quarter together on a consolidated basis, UnitedHealth Group grew revenues – or revenues of nearly $49 billion grew 9.4%. Consolidated earnings from operations were $3.4 billion and our net earnings to shareholders grew 35% year-over-year to nearly $2.2 billion in the quarter. First quarter adjusted EPS rose 31% to $2.37 per share.

Overall, we now expect 2017 revenues of approximately $200 billion, and adjusted net earnings per share to be in a range from $9.65 to $9.85 per share. This is an increase of $0.30 per share from the midpoint of our outlook in January, partly from an improved tax rate in the area of 32.5% for the full year. The tax rate improvement is driven by a number of factors, about half of which are more discrete in nature, such as share-based compensation and half which we would expect to be more sustainable into the future.

We expect our full year fully diluted share count to be approximately 980 million shares and we have increased our expectations for cash flows from operations to approximately $12 billion this year. With these considerations, we expect second quarter adjusted earnings per share to be largely consistent with the first quarter earnings we reported this morning.

Steve?

Stephen J. Hemsley {BIO 14003331 <GO>}

Thank you, Dave. So we remain positive and constructive with respect to our organization's potential to better serve the health and the well-being of individuals and improve the health system overall, fulfilling our mission to help people live healthier lives, and to make the health system work better for everyone. In fully responding to the market needs we see every day, we'll realize the remarkable potential of this enterprise. And as we do that with consistent excellence, I'm confident we will continue to experience diversified, balanced, and consistent growth as we've seen today.

So thank you for your interest today and, operator, let's turn to questions. And again, one question at a time, we'll try to get to all of them this morning.

Q&A

Operator

The floor is now open for questions. We'll go to our first question from Peter Costa with Wells Fargo. Please go ahead. Your line is open.

Q - Peter Heinz Costa {BIO 1500085 <GO>}

Hi. Thanks, guys. Lot of management changes there. Can you talk about if there's any reason why you are doing them now, and does it have anything to do with sort of the selling season coming into 2018 going forward?

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Peter, I don't really have anything to offer, other than what we did. We develop and think about these changes in advance. We've kind of evolved them in our organization. We do these things when things are really, I think, in strong order, and I think our tradition has been to do these kind of every two – between two and three years, and we're excited about it. I think it provides fresh new focus, a lot of energy, and we have a tremendous leadership team, great depth. So we have a lot of talent to choose from. And in many respects, we move from one spot to another to broaden experience as well. So I wouldn't read anything more than we feel very comfortable taking these steps at this point in time.

Q - Peter Heinz Costa {BIO 1500085 <GO>}

And so you are anticipating the 2018 selling season to be similar to the past seasons, or how are you picturing it?

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Well, we think pretty positively about 2018. We'll have some challenges with respect to the health insurance tax as it sits right now. But as a total enterprise and our opportunities, I think you can see momentum growing in our business here for the last couple of years and we expect that to carry through into 2018. So we do...

Q - Peter Heinz Costa {BIO 1500085 <GO>}

Thank you.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

...expect a strong 2018.

Q - Peter Heinz Costa {BIO 1500085 <GO>}

Thank you.

Operator

And we'll take our next question from Dave Windley with Jefferies. Please go ahead. Your line is open.

Q - David Howard Windley {BIO 2411309 <GO>}

Hi. Good morning. My question is kind of a follow-up on the last, which is on the health insurer fee, by what point would you need to know whether that moratorium will be extended or if it will be permanently eliminated in order to price appropriately for 2018, or has that date already passed? And if the health insurer fee is reinstated for 2018, what impact would you expect that to have on growth in Medicare Advantage? Thanks.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Sure. So we will parse those questions up, I think Dan will talk about.

A - Daniel Schumacher {BIO 18299394 <GO>}

Sure. Good morning, Dave.

Q - David Howard Windley {BIO 2411309 <GO>}

Hi.

A - Daniel Schumacher {BIO 18299394 <GO>}

Obviously, from our perspective, we have been long supporters of the permanent repeal of the health insurers' tax. At the end of the day, obviously, it just increases the cost of healthcare, makes it less affordable, and compromises people's ability to gain coverage. So we are certainly advocating along those lines. As we think about the tax itself, obviously, we've got to deal with it as it sits currently in law, and so that's what we are doing. We're planning accordingly. We're incorporating it in pricing. We're also incorporating it in our thinking as we plan our benefits in Medicare.

In terms of timing, there's different timings based on the businesses. So, obviously, small business starts to resolve itself clearly now and into May, for next year large group takes later in the commercial process, and then as you look at the Medicare business, that first Monday in June is when we are doing our filing. So, as it sits right now, we will plan accordingly and incorporate it. And as you think about if it were repealed, obviously, we talked about the benefit of the moratorium in 2017 and size that in the $0.25 EPS range. Obviously, when it went out versus when it would come back in, the size of that, if it were to stay, is about a 30% increase in the tax itself, and then obviously we've done well to grow market share over that time. So you can expect that if the tax comes back in, it would come back in at a greater impact than what we talked about for 2017. I believe that covers it.

Q - David Howard Windley {BIO 2411309 <GO>}

Thank you.

A - Daniel Schumacher {BIO 18299394 <GO>}

You bet.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Next question, please.

Operator

We'll take our next question from Josh Raskin with Barclays. Please go ahead. Your line is open.

Q - Joshua Raskin {BIO 3814867 <GO>}

Thanks. Good morning. My question is just on sort of a retail presence. And I'm just curious, do you think UnitedHealth Group overall would benefit from a larger retail footprint beyond just sort of urgent care centers and where does that stack up on your list of priorities in terms of capital deployment and what you want to do?

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Interesting question. I think we're actually gaining market presence through OptumCare and through that growing portfolio. And I think we probably don't talk much about this, but we have also tried to increase our community presence in our UnitedHealthcare benefits in terms of we do offer some storefronts, kiosks. So that is a coming trend, but I think we'll take that in a measured way.

And I think the other thing, Josh, to think about is kind of your digital presence. If you think about it, whether retail is or physical presence is as strategic today as digital presence might be, and we've obviously taken some really powerful steps in terms of developing digital capabilities through the rally platform and our other applications. So we kind of are moving out in kind of both those directions and we'll take it kind of in a measured way and make sure that we are staging into the marketplace and that presence thoughtfully. Beyond that, I don't think I can offer too much.

Q - Joshua Raskin {BIO 3814867 <GO>}

Okay. That's perfect.

Operator

We'll take our next question from Scott Fidel with Credit Suisse. Please go ahead. Your line is open.

Q - Scott Fidel {BIO 5322875 <GO>}

Thanks. I had a question, just if you can talk about how you are calcing out the final MA rates for 2018 and any swing factors that you saw or whether that was pretty straightforward. And then just also separately, just related to MA, maybe just give us an update on how the claims experience seems to be tracking so far on the MA book, particularly in terms of the new members that you've added so far this year. Thanks.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Sure. And I think in the benefits, obviously, we'll be more measured, because that is more strategic, et cetera. But, Brian, do you want to respond?

A - Brian Thompson {BIO 1537785 <GO>}

Sure, thank you. Good morning, Scott. With respect to the rates, we do continue to be concerned about the underfunding of the MA program. I think this is now 13% in cuts since 2010. The final rates were, I believe, 45 basis points of improvement year-over-year to the industry, still in positive territory, but less than what we did experience a year ago. I do believe, though, our Stars advance in 2018 will help us relative to the industry and will help us as we continue to navigate through this funding environment to provide what is one of our number one priorities around benefit stability for underlying members.

As we think about the growth that we're experiencing, we're three months in and what we're seeing is aligning to our expectations both in terms of mix and cost profiles. And we are very pleased with our industry-leading growth. As you know, about half of that growth is coming from our group business, with the balance inside our individual. And I can't emphasize enough the role retention has played. I believe this is the third consecutive year where we'll be breaking our own performance records on member retention, and that is the biggest driver of our individual growth this year over the last. And as Dave mentioned at the outset, the themes are the same as a year ago; stability in our offerings, in our network; the advancements we've shown in our quality; as evidenced with our Stars, continued improvement in engagement and satisfaction with our house calls. And when you wrap it all up, we're certainly pleased with what we are seeing and I think this growth is a positive validation of the priorities we've been focused on.

Q - Scott Fidel {BIO 5322875 <GO>}

Okay. Thanks.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Next question, please.

Operator

We'll take our next question from Kevin Fischbeck with Bank of America Merrill Lynch. Please go ahead. Your line is open.

Q - Kevin Mark Fischbeck {BIO 6157376 <GO>}

Okay, great. Thanks. I just want to go, I guess, to Larry's comments about momentum heading into 2018 in Optum, because I guess when we look at this year Q1, Optum growth for all three businesses was less than the annual number for 2016. I think 2016 for all three businesses was less than what we saw in 2015. So when you talk about momentum into next year, obviously, the absolute growth rates are still pretty strong, but it's been decelerating over the last couple of years. When you talk about momentum in 2018, are we talking about consistent growth, re-accelerating growth? I mean, how do we think about that context? And of those businesses, which business do you feel most confident about seeing the momentum into 2018?

A - Stephen J. Hemsley {BIO 14003331 <GO>}

I'll let Larry take that, but I think the growth is – actually across Optum has been pretty impressive and each year they drive bigger numbers, so they are growing off a bigger platform. And I think people lose sight of the sheer size and scale of Optum. But, Larry, you can handle this yourself.

A - Larry C. Renfro {BIO 1449565 <GO>}

Sure. So, Kevin, I guess the way that I would – let me approach it a couple of different ways. We have put together, obviously, our plans in terms of how we attack the market for the first five years, and we're in the process, as we talked about early, that we are developing a second generation plan that we are going forward with right now. When we are looking at sales and we're looking at growth, we look at certain factors as an organization and pretty much everybody in Optum operates off of these factors.

Number one would be the backlog that we talked about being up about $2.1 billion year-over-year. We talked about – I guess, we didn't get into what we look at in terms of our sales pipeline that finished 2016 at about $30 billion, and that was up from 2015 at about $10 billion. And then you look at our overall sales in terms of the TCV, and that was probably what I just said, the $10 billion to the $30 billion in sales and the overall pipeline would be about $30 billion. So that's been tremendous growth in terms of how we look at it.

Now, if we look at the first quarter of 2017, I don't want to go into the numbers, but I would tell you it's a record quarter in terms of overall sales. Some of the factors that might enter into this in terms of overall revenue that might make you think something that might be a little bit different is that we -if you just look at Catamaran or you look at what we're doing in OptumRx, we are absolutely having scale and efficiency that's driving a better customer – it's totally driving better customer value. And as a result of that, some of those numbers might look a little different. And I might ask Tim to talk a little bit about that in a second.

But I think that as we look into 2018, we think that we're very well-positioned. We think that we are on target with all of our expectations. We have the five growth areas that we're focused on, the government services, what we are doing in OptumCare, what we are doing with pharmacy care services, technology services, as well as international. So we feel very, very gung ho about 2018. So, Tim, maybe comment a little bit on the OptumRx side.

A - Timothy A. Wicks {BIO 7451713 <GO>}

Great. Thanks, Larry. Kevin, Tim Wicks, I'm CFO of Optum. Just wanted to follow on with what Larry talked about in terms of the integration efforts at OptumRx. I think one of the things that's really important to understand is that as we continue to drive progress and our integration efforts are deepening, this is really translating into lower drug costs for consumers and customers, and it's really a key part of helping us drive earnings growth performance year-over-year. And our expectation is that we're going to continue to make progress around the levers that we're driving around the integration efforts that Larry referenced. Thank you.

Operator

We'll take our next question from AJ Rice with UBS. Please go ahead. Your line is open.

Q - AJ Rice

Thanks. Hi, everybody. Maybe I'll just ask a broad question around the evolving landscape in Washington and your thoughts on that. We're not really sure where the ACA repeal and replace is at this point, but some of the things that have been discussed are such as easing up on the essential benefit package, giving more flexibility with respect to the ratings band, shifting more discretion overall for healthcare to the states. I wonder, do you guys have a strong view on that?

I'd also ask you, if we do a pivot to tax policy, are there any – obviously, a lot of domestic earnings, almost all the domestic earnings you have, we'd assume you'd be a beneficiary. But is there any nuances around that we should think about?

And then finally on the regulatory, the CMS has asked the industry to offer up suggestions on the regulatory front. Is there anything that either you or the industry would highlight on that score?

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Sure, AJ. It's probably not often that we say this, but if you really actually had been following the media with respect to – the activities with respect to healthcare policy, I would say that the media has been very accurate with respect to the narrative that is going on there and the elements, many of which you suggest. So I think if you were following the media, generally speaking, you'd be up to speed and we couldn't probably offer any more insights than that.

In our prepared remarks, we obviously focused on the health insurance tax, because that, as Dan said, is going into the marketplace now for 2018, and that has an impact on affordability and the uptake of participation in those markets. So we are a strong advocate of repealing that and to taking that action as quickly as possible.

Beyond that, we have engaged we think pretty constructively around the notion of – and I think you can see this in our published materials and our website, that we see actually a marketplace that could be pretty constructive based upon kind of more orientation to state-based markets, more flexibility in the marketplace, really seeing Medicaid as the programs that have grown in effectiveness and have become broadly recognized as actually very efficient healthcare coverage for the populations to which they apply. And the elements that you mentioned, the flexibility with respect to underwriting activities and so forth, we think those all would be covered in what we would see as more flexible state-based markets that are actually more under the control of those that are closer to the market in the state.

I think all those things are really in conversation, but I think it's really more around what is politically possible, maybe in contrast to what might be the most effective policies that could be applied. I would say that the tone has been generally more positive and access has been more available. So there is a little bit more of a constructive posture. And so we remain hopeful that, as this policy evolves, that it could be better coverage for American people and kind of return to the innovation and flexibility of the marketplace and that we think healthcare will benefit from that.

Corporate tax, I think broadly will benefit, broadly across America in terms of economics, in terms of companies' outlooks, and in our sector we'd be similar to that. It's – we have high effective tax rates, and we think that a tax reform at the corporate level will be good for consumers. It will play back into their benefits. We think it will be good for employment levels and we would, obviously, benefit from that and it will be good in terms of just the overall level of resources that we dedicate at the corporate tax line. So we would be an advocate of thoughtful tax reform and I think the majority of American industry would.

Q - AJ Rice

Okay, great. Thank you.

Operator

We'll take our next question from Sarah James with Piper Jaffray. Please go ahead. Your line is open.

Q - Sarah E. James {BIO 16692995 <GO>}

Thank you. If I look at the Medicaid RFP pipeline for the next two or three years, it has a good amount of rebids as opposed to new contracts. And if I think further out, a lot of the new opportunity is in the higher acuity population. So how do you think about the influence of competitive rebids and a shift to higher acuity populations on the long-term margin profile of your Medicaid book? And what do you see as the organic growth profile of Medicaid? Thanks.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

I actually think both are positive trends. Austin?

A - Austin T. Pittman {BIO 3081537 <GO>}

Yeah. Thanks for the question, Sarah. So, first and foremost, the RFP pipeline remains strong. You hit it and said it well, there's both new populations coming into Medicaid, there are new geographies being expanded within existing states, and there are greenfield states that are looking to continue to move. I think it's just a measure of the continued value year-after-year that managed Medicaid has provided to consumers and to our state partners. So we don't see a slowdown in that movement. And the movement in populations with more complex needs, and I think Dave actually touched on this in his opening comments, really plays to the core capabilities of UnitedHealthcare and Optum both. When you combine the data analytics capability, the clinical insight, the local delivery mechanisms that we've now got in place, combining physical, behavioral and social needs, we really feel like we've established a real foothold in serving these populations.

We're very pleased with the response we've gotten from consumers in the D-SNP category that Dave spoke to. We've seen the consumer experience continue to improve. We've got NPS now over 74, so just really outstanding. We're not going to rest on that. We're going to continue to learn to serve these populations better and better. And you're right. We think that will continue to be an area of significant growth that plays to our strengths.

With regards to the earnings profile, like all of our government programs, we expect that to be in the 3% to 5% margin range and certainly will be on a higher revenue base. So when you look at the membership growth, you'll have to adjust for the type of members those are, because those more complex needs members do drive a higher revenue PMPM.

Operator

We'll take our next question from Justin Lake with Wolfe Research. Please go ahead. Your line is open.

Q - Justin Lake {BIO 6460288 <GO>}

Thanks. Good morning. My question is broadly around the UHC business. Just given the strength here, curious if you can you give us some directional color, at least, in terms of how the segments within that business are performing in terms of margin and profitability.

And then, Dan, your comments on the health insurer fee are really helpful. A lot of questions here, so just hoping maybe you could take that one last step further and help us put a range around the EPS headwind it will present in 2018 if it's not repealed versus the $0.25 tailwind that it's adding this year. Thanks.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Okay. Dan, you want to pick up where you left off?

A - Daniel Schumacher {BIO 18299394 <GO>}

Sure. Good morning, Justin.

Q - Justin Lake {BIO 6460288 <GO>}

Good morning.

A - Daniel Schumacher {BIO 18299394 <GO>}

I appreciate the attempt on the health insurers' fee. I think we'll leave specific sizing to that for our investor conference and also, obviously, a better understanding of what the actual law will be as we step into 2018.

As it relates to your question around the UHC businesses, as Dave mentioned in the prepared remarks, we were able to drive a 12% revenue growth rate across the platform. And if you adjust for the impacts of the health insurers' fee and the individual ACA, the reduction in our footprint, there we drove closer to about a 17% growth rate in our UnitedHealthcare business. And as you look underneath that, we had really nice growth in every one of our business platforms. And the driver of that revenue growth that we're seeing pull through to our earnings base is really the enrollment expansions.

And as you look at each of our business platforms, it's happening in the places that, frankly, we have an opportunity to deliver greater value and greater returns. So as you look at the commercial business, we're growing nicely inside that group commercial fully insured business in Medicare it's in Medicare Advantage and in Medicaid orienting towards, as Austin just talked about, more complex and more vulnerable populations, all which have more revenue content and likewise have strong earnings potential for us as a business. So on balance, very strong medical costs, well controlled, and very much in keeping with our expectations. So we're pleased with the first quarter.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Favorable mix. Next question.

Operator

And we'll take our next question from Ralph Giacobbe with Citi. Please go ahead. Your line is open.

Q - Ralph Giacobbe {BIO 6968095 <GO>}

Thanks. Good morning. Just want to go back to last question, specifically on the UnitedHealthcare margins. 5.3% this quarter, you ended last year around those levels. I guess what we're looking for is maybe a sense of where margins currently sit across each end market at this point, where you still see room for expansion. Obviously, understanding that population shifts are going to impact that. But just want to understand kind of where there still is upside for margin expansion in each of the end markets. Thanks.

A - Daniel Schumacher {BIO 18299394 <GO>}

Sure, Ralph, this is Dan again. As far as the end markets and the margins, obviously, we've guided to and talked about government-based margins in the 3% to 5% range and across our Medicare and Medicaid portfolios we're operating within those ranges and we, obviously, endeavor to perform towards the high end of that range. And on the commercial business, we're in the mid to upper single digits and performing well in that business.

And as we think about margin expansion – or, I'd say, earnings growth more specifically, we're looking to orient – drive our earnings growth more from volume. So continuing to serve more consumers across our broad and diversified platform and where there's opportunity, we'll look to expand margins as well. But I'm feeling good about our positioning in each of our businesses.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

And better and better medical care management.

A - Daniel Schumacher {BIO 18299394 <GO>}

No doubt.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Commercial and Medicare being the strongest and probably Medicaid follow that, right?

A - Daniel Schumacher {BIO 18299394 <GO>}

Yeah.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Next question, please.

Operator

We'll take our next question from Chris Rigg with Deutsche Bank. Please go ahead. Your line is open.

Q - Chris Rigg {BIO 5989594 <GO>}

Good morning. I wanted to see if you can provide any more color around the goals and Net Promoter Score. I guess, first, can you just give us the basis? I know you said a 4 point improvement across the three segments, so where you are today. And then, more importantly for investors, when we think 70 in seven years, what does that mean for capital deployment priorities and is it sort of you're looking – going to need to look externally to buy capabilities or is it more about just putting money back into what you already have? Thanks.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

That's a great question and I could spend half a day on that. But, Dave, you want to take that this morning?

A - David Scott Wichmann {BIO 3853550 <GO>}

Sure. Thanks, Chris. A great question, appreciate it. As Larry stated, we've meaningfully advanced our NPS disciplines in the business I'd say over, call it, about two years or so and as he also indicated, we've now fully aligned it to our compensation systems, which should give you some sense as to how we feel about the integrity of the data that we're receiving and also the ability of our organization to actually influence these results.

Both businesses have shown very meaningful progress, and that's across the consumer, client, and care provider scores as well. So we do look at this in a multidimensional way. We generate a wide range of performance across our business. Like anything, we measure this over multiple different cells in our business and our performance does range out quite widely, which is one of the objectives that we have over this time period, which is to get to more consistency, which will lead to a greater support of our UnitedHealthcare and Optum and other brands across our business overall.

We gave you an expectation of 70 in seven years and it's unlike us to actually think and report out on a seven-year basis. We're basically telling you the same things that we've engaged our employees around, which is to have them seek to meaningfully improve our performance across multiple dimensions in our business, and that's exactly what they do. They do this by analyzing why people promote our products, why there are detractors in our products. That deep analytic and then the action plans are developed around that are what really provide the substance to this program and the achievement as measured is critical and important. And we just called out the achievements of UnitedHealthcare this morning. We could easily have done the same for Optum. But they've improved just so far in this first quarter alone by 4 points apiece, which all the NPS statisticians out there would suggest that is a meaningful and statistical improvement year-over-year.

So while this 70 is kind of an aggregated number, if you will, it does mark a plan, if you will, of achievement over the course of seven years towards a greater satisfaction, if you will, and a greater reference point of consumers, clients, and care providers of our business. And I'd suggest you that's on a baseline of about 40 or so today, which is a meaningful score, meaningful place, if you will. But, honestly, what we're trying to do is to reorient what our expectations are around satisfactory service and performance broadly as an organization.

In terms of capital deployment, it's already found its way into the way in which we operate our call centers, how we process claims, how we handle adjustments and call backs from consumers and how we engage with the market base broadly. I wouldn't see this as something that's going to be capital intensive. It is something that just shapes the way in which we spend our CapEx annually and likely will result in additional investment across the business.

Again, our goal here is to create a higher NPS, which drives greater trust with the marketplace. Trust begets loyalty, loyalty begets growth. And you're starting to see that shape up in the retention across our business. Retention is important. It gives us greater predictability in our business overall, but it also provides a great launching pad for growth into the future.

Q - Chris Rigg {BIO 5989594 <GO>}

That's great. Thanks a lot.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Great answer. I think it comes down to how we spend that capital and doing it effectively. I don't think it's a more capital issue. It will give us insight to how we spend it more effectively. Next question, please.

Operator

We'll take our next question from Lance Wilkes with Sanford Bernstein. Please go ahead. Your line is open.

Q - Lance Arthur Wilkes {BIO 4820557 <GO>}

Yeah, just wanted to ask a little bit about the PBM growth outlook. And in particular for OptumRx, what is the composition of clients looking like going forward? How much do you think you are going to be able to improve on penetration in your UHC self-insure block there? And what's the outlook for the margin profile as that evolves going forward?

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Maybe we – Dirk, you want to start that out and then John Prince.

A - Dirk McMahon {BIO 18950833 <GO>}

Yeah, I would say that we talked a little bit about the 2016 momentum that we had sold to some fairly sophisticated buyers throughout 2016, and in the script we also talked about the Healthcare Transformation Alliance (sic) [Health Transformation Alliance]. And again, we were chosen as a partner for that group. So from that perspective, I think our value proposition is resonating with the sophisticated buyer population.

I would say, in answer to your question about how we would further penetrate within UnitedHealthcare, I think it just goes back to our synchronization value story. Our ability to take in the medical data, the pharmacy data, take that in with our next best action protocols and have our call service agents get people into these management and clinical management programs. I think from the value proposition standpoint that will drive with UnitedHealthcare.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

More broadly about the market, I'd turn over to John to talk about what we're seeing in this year's selling season.

A - John M. Prince {BIO 20142902 <GO>}

Thanks, Dirk. Good morning, Lance. This is John Prince, the CEO of OptumRx. In terms of 2018, we're still early in the season, but I'd say it's shaping up to be a very robust season compared to last year. Our differentiated offering is really resonating in the market in terms of the sync story. Our pipeline, very similar to last year, includes large government, labor, payer, and employer bids. So it is a very robust market in terms of the diversity. There is also a lot of large strategic opportunities, which are in line with our expectations. The RFP volume is – as well as the mix of clients, is as we expect in terms of expectations. So I think this is shaping up to be a very solid year.

In terms of pricing competition, pricing remains robust in the market, but disciplined. So we are also excited about that. And also very excited about how the market is responding to our solution. Similar to last year, our differentiated offerings in terms of sync focusing on managing drug costs, as well as the total cost of healthcare, is really resonating in the market.

In terms of answering your last question with the margin, our margin expectations haven't changed. We are still expecting a 3% to 5% long-term outlook for the market. Thanks.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Next question, please.

Operator

We'll take our next question from Michael Baker with Raymond James. Your line is open.

Q - Michael J. Baker {BIO 1506875 <GO>}

Yeah, thanks a lot. My question is for Dirk. Given the fact that you're headed back to Optum in a more elevated role, could you give us a sense of your top three priorities?

A - Dirk McMahon {BIO 18950833 <GO>}

Yeah, I think to start off with, my first one is to make UnitedHealthcare and Optum work better together. That would be number one. I think I have a good perspective of what works from a value creation standpoint and works from a customer standpoint across both business platforms, and I would start with that.

I would add on to – from an NPS perspective, Dave mentioned that, NPS is very important. Pharmacy care services is the most heavily used benefit within the healthcare space. I think making sure that that operates well is important, and we've really gotten off to a good start there. And I would also say making sure that, with respect to some of the integration that we have, and it's still continuing, I would say that that's another area where it would be a high priority for me.

And the last thing I would say is from a technology standpoint, Optum Technology, making sure that we deliver on the technology that's needed across the enterprise on behalf of our customers. One of the big things is simplification from a technology standpoint from an NPS standpoint. And what I would say is that's a good place to focus as well.

Q - Michael J. Baker {BIO 1506875 <GO>}

Thanks.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Next question, please.

Operator

We'll take our next question from Sheryl Skolnick with Mizuho. Please go ahead. Your line is open.

Q - Sheryl R. Skolnick {BIO 1510677 <GO>}

Thank you very much. And I had been wondering when the management shift or rotation would occur. It seems like it was a long time. So, nice to see the company is strong enough to be able to do that at this time and do it so easily with talented folks.

The question that I have, though, is if we could – and I almost hate to ask a managed care question, but I will. If we could dig down into the cost trend a little bit, you usually give us the breakdown and how much you see in utilization of inpatient versus outpatient, perhaps pharmacy trend. But if we can kind of think about this from a value-based perspective, what, if anything, are you seeing in any differences over time in the composition of your cost trend? And if you can sort of step back and analyze that a little bit, now that you're in the care provider business pretty strongly with OptumCare on the one side, and certainly your network construction on the other, what should we be thinking about those shifts and how we might see the composition of the cost trend changing over time, even if the level stays relatively constant?

A - Stephen J. Hemsley {BIO 14003331 <GO>}

I'll start out with a few themes, and then ask my colleagues on the UnitedHealthcare side to pick it up. But I guess, Sheryl, a good question and a thoughtful one. We have been seeing a pretty steady movement of services into, I'll say, the outpatient setting or out into the community. And we have been following them with the OptumCare platform and kind of encouraging that and thinking that that is a more ideal setting in which to engage and do those services and we actually think the care technology is facilitating that. It is the procedures are getting simpler and more advanced, the rehabilitation processes, the care processes and so forth all play to that. Also I think we've been pretty consistent about suggesting that we've seen more in terms of specialty pharma application, diagnostic testing, and those have been more of the trends than the acute care setting has been.

And I would say that we're pretty hopeful and optimistic that better – let's say, a better formulation or application of resources in the community setting holds a lot of benefit, particularly as consumers are becoming more knowledgeable, more information is available to them, and they are being more engaged in picking the right settings for the services they need. Dan, do you want to pick up on it?

A - Daniel Schumacher {BIO 18299394 <GO>}

Sure. Thanks, Steve. In addition to I think what you did well to describe is some of that shift from the acute care setting to ambulatory setting and that shift that comes from inpatient to outpatient, I think the other place, Sheryl, that I would point to is a greater investment around physician. So, really them at the center of the care continuum and making investments in really connecting care in a whole person way and investing in primary care in particular. So, as we think about the composition of where our spend is going, we do see shifts from inpatient to outpatient, a greater investment towards physician, and then, obviously, some of the comments that Steve made with regard to pharmacy inside it.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Maybe, Andrew, you have some perspectives, a new voice and a fresh perspective on that.

A - Andrew P. Hayek {BIO 3497521 <GO>}

Thanks, Steve. I would echo what's been said. We do see across OptumCare, which of course includes SCA and also our neighborhood care centers and medical groups the opportunity for more care to occur in the outpatient setting, improving the experience, quality, and cost of healthcare, and improving the provider experience. So we're excited about what we see and the opportunity ahead.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

And we're seeing the consumer more comfortable coming into these venues, and that's also a really encouraging thing. So, great question and we'll continue to focus on that. Next, please.

Operator

Our next question comes from Ana Gupte with Leerink Partners. Please go ahead. Your line is open.

Q - Ana A. Gupte {BIO 16233997 <GO>}

Yeah, thanks. Good morning. I wanted to get some more color more broadly on your Optum margin outlook and your target, as in a point in time you've seen some margin expansion this quarter in Insight and in Rx, not in Health. Do you still have as a priority a stretch goal with margin expansion? You used to have one before Catamaran. And where is the most leverage in the model by segment, is it in OptumCare and OptumHealth, or Insight or elsewhere?

A - Stephen J. Hemsley {BIO 14003331 <GO>}

We do. And I think Larry alluded to that in terms of revisiting One Optum. So -

A - Larry C. Renfro {BIO 1449565 <GO>}

And I'm going to ask Tim to comment on this. But going back to I think what you were talking about, the model we had was something called – at one point in time it was 15 by 15, and then it was 8 by 16, and we – and what Steve is alluding to, we've kind of played out those two through and now we are in the process of putting together a new five-year business plan that we are calling the second generation. And so there will be an emphasis on a lot of different things, but margin will be part of that. So I'll ask Tim to comment on that.

A - Timothy A. Wicks {BIO 7451713 <GO>}

Sure. Thank you, Larry. Thanks, Ana. A couple of things to consider, as Larry mentioned, about the energy that we're putting around the second generation of One Optum. There is a significant amount of work around ensuring that we are investing in the areas where we see growth opportunities to be able to drive sustainable growth in the future. And I think it's important to consider that we make investments in our businesses really focused around our ability to grow and to have confidence in the growth in those areas.

But I'd say a great example of that is revenue at OptumHealth in the first quarter grew 18% year-over-year and OptumHealth earnings grew 11%, while we made strategic investments across the platform, including MedExpress, care delivery, significant growth in house call capacity, and implementing new behavioral client (01:03:48). And, as Larry alluded to, as we think about the diverse portfolio across Optum, including margin expansion in Insight and Rx, we expanded overall Optum margin by 40 basis points while making the investments that I just described in OptumHealth. So that we think about it as a pretty seamless approach to driving investment in the businesses, where we seek growth and being able to drive overall earnings growth as well broadly across Optum. Thank you.

Q - Ana A. Gupte {BIO 16233997 <GO>}

Thank you.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Next, please.

Operator

We'll take our next question from Mike Newshel from Evercore ISI. Please go ahead. Your line is open.

Q - Michael Newshel {BIO 19788719 <GO>}

Thanks. Good morning. Can you give us an update on M&A and new contracts internationally? It looks like you just got regulatory approval for another small provider acquisition in Brazil and there are potentially some more assets there for sale. So are you looking to do more deals and what's your focus in terms of provider versus insurance assets? And, second, is there any update on international opportunities on the Optum side as well, in the UK in particular? Thanks.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Sure. We'll start with Dave.

A - David Scott Wichmann {BIO 3853550 <GO>}

Sure. Thank you, Mike. It's a good question. As you've noted, we have been somewhat active in Brazil and we have been over the five-year duration that we've owned Amil, which we now refer to UnitedHealth Group Brazil, constituting Amil the benefits business, Americas Serviços Médicos, which is our healthcare delivery business, and then Optum has an emerging services business there as well.

We, of course, have – we are very curious about M&A broadly across our business. As you know, we don't comment specifically on individual targets, but we do see broadly across our business M&A as a way to continue to invest the very strong cash flows of this enterprise. And I would suggest to you that our interests are primarily in the Optum services markets, as you see us particularly investing in OptumCare. And then we do have interest in select, very thoughtful capital deployment in international markets, as well as some plug-in work that we'll continue to do at UnitedHealthcare overall. So that's what I'd would suggest to you are our priorities.

Q - Michael Newshel {BIO 19788719 <GO>}

Thank you.

A - Larry C. Renfro {BIO 1449565 <GO>}

This is Larry. I'll comment on Optum and what we are doing in the UK. So if – it's something to just relate to, in the United States we always talk about 75 market strategy. If you are in the UK, we would talk about a 44 market strategy. And they have developed a mechanism that they call strategic transformation plans and they have linked together their trust, and their trust would equal their hospitals. And so they have multiple hospitals that are in these STPs as they call them.

So, in February, early February, we won our first business – first step of a process with one of those STPs. And that's where you're going in to manage with an ACO process and we do have physician groups, and so we're tying in everything we do in the States into that win that we just received. Now it's the first phase of it. We have about two more that we are very, very close to having a decision on. In doing that, we strengthened the leadership and we've moved a couple of people over to London in order to manage this the way that we'll need to manage this going forward.

I would say that we are still in a situation nationally – I look at those 44 STPs as more local markets. But nationally, there are various things going on with data and information and digital that we are actually working with them very, very closely right now as well. I know in the May timeframe we'll have a showcase, where we'll showcase all of our technologies, as well as we'll have the Secretary of Health visiting us here in the States, as well as a subset of the NHS board visiting us here in the States in the May timeframe. So, things seem to be breaking loose right now.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Thank you. We'll take two more questions.

Operator

Our next question comes from Christine Arnold with Cowen. Please go ahead. Your line is open.

Q - Christine Arnold {BIO 1862059 <GO>}

Hi. I'd like to ask about OptumCare and SCA. How much overlap was there between the locations where you've got primary care and your urgent care with SCA? And where are we in terms of innings in terms of building out OptumCare? Do we feel that we need more specialists? How do we think about the progression of that business and how do we measure it over time?

A - Andrew P. Hayek {BIO 3497521 <GO>}

Sure. This is Andrew. Appreciate the question. So in terms of overlap with the SCA and OptumCare markets, about 17 of the current OptumCare primary care markets overlap with where SCA is, and SCA adds another about 17 markets that OptumCare physicians are not in that are material MSAs.

In terms of the mix of primary and specialists, we do see opportunities to leverage some of the presence we have with primary care and some of the relationships, and bring more of the SCA models in to the benefit of experienced cost and the quality of care, which obviously helps the primary care groups and also helps our health payers and health system partners. So we do see opportunity to expand the model and be inclusive of more specialists, which we think inures to the benefit of the patients and the healthcare system.

Q - Christine Arnold {BIO 1862059 <GO>}

How long will it take to build this out?

A - Andrew P. Hayek {BIO 3497521 <GO>}

Well, I'd say it's multi-years. Christine, you'll remember, we've talked about this in, let's say, 75 markets as a first priority. And while we have a presence in many of those markets, that presence isn't complete, where we really have the entire model represented in that marketplace or where that model has been fully integrated. So I would say we continue to be in the very early stages of what our ambitions might be around OptumCare.

Q - Christine Arnold {BIO 1862059 <GO>}

Thank you.

A - Andrew P. Hayek {BIO 3497521 <GO>}

Thanks.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

One last question.

Operator

We'll take our final question from Gary Taylor with JPMorgan. Please go ahead. Your line is open.

Q - Gary P. Taylor {BIO 3571633 <GO>}

Great. Thank you. I just had one fairly precise question. I was wondering when we look at OptumInsight, what percentage of the total revenues are Medicare Advantage risk coding services, what percentage of its net external sales would be MA risk coding services and has there been any impact on the trajectory of sales given some of the recent legal scrutiny?

A - Stephen J. Hemsley {BIO 14003331 <GO>}

I'm not aware of any change in that and it's not really that significant. Do we have an answer for that?

A - Eric Murphy {BIO 15016015 <GO>}

Yeah, hi, Gary. This is Eric Murphy, CEO of OptumInsight. We haven't seen any impact in terms of changes to both our existing business as well as the strength of our pipeline. And I think we are in a very, very favorable position in that side of the market just given the comprehensive nature of the capabilities that we bring to the marketplace with the integration of both risk and quality.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

And it's not that big a line of offering, right, relative to the total of Optum?

A - Eric Murphy {BIO 15016015 <GO>}

Relative to the total of Optum, yeah.

A - Stephen J. Hemsley {BIO 14003331 <GO>}

Yeah, I don't know if we can size that, but it's just not that large a product line.

So thank you. Thanks for your questions this morning. And we hope the discussion has given you a sense of kind of the optimism we have for 2017, 2018, and beyond. As I think you can see, our businesses are growing and we're providing increasingly differentiated value to a more diverse set of markets than others, and we're building deeper relationships with customers, consumers, and I think, most importantly, improving the healthcare experience, essentially for all stakeholders. And I think that's how we'll continue to grow over the next decade. So thank you and we'll see you next quarter. Thank you.

Operator

This does conclude today's program. Thank you for your participation. You may disconnect at any time and have a great day.