

UNITEDHEALTH GROUP®

Earnings Conference Call Third Quarter 2025 Remarks Oct. 28, 2025

Moderator:

Good morning, and welcome to the UnitedHealth Group Third Quarter 2025 Earnings Conference Call. A question and answer session will follow UnitedHealth Group's prepared remarks. As a reminder, this call is being recorded.

Here is some important introductory information. This call contains "forward-looking" statements under 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 some of the risks and uncertainties can be found in the reports that we file with the Securities and Exchange Commission, including the cautionary statements included in our current and periodic filings.

This call will also reference non-GAAP amounts. A reconciliation of the non-GAAP to GAAP amounts is available on the "Financial & Earnings Reports" section of the Company's Investor Relations page at www.unitedhealthgroup.com.

Information presented on this call is contained in the Earnings Release we issued this morning and in our Form 8-K dated October 28, 2025, which may be accessed from the Investor Relations page of the Company's website. I will now turn the conference over to the chairman and chief executive officer of UnitedHealth Group, Stephen Hemsley.

Stephen Hemsley

Good morning, thank you for joining us today.

Our enterprise continues to advance on the improvement paths first discussed with you in July. We have been introducing new leaders, strengthening underperforming businesses, identifying both opportunities and inefficiencies and, importantly, recommitting to the mission and culture of this company. We are getting at the core of the underperformance issues with fresh perspectives,

intent on positioning our organization as a positive and innovative leader helping to advance the next era of health care.

A keen sense of urgency in this effort is consistent throughout the enterprise, at the same time recognizing the pace of progress varies across our businesses depending upon their challenges and opportunities. Some efforts will require more time and investment. Others will show more immediate progress.

Repricing within UnitedHealthcare is on track to drive solid operating earnings growth from margin improvement within that business in 2026. In our less mature businesses, such as Optum Health and Optum Insight, our efforts to improve operations and make needed investments will show more measured progress in 2026 and will take more time to fully bear fruit. As Patrick Conway will discuss, our belief in the need for and impact of value-based care remains intact, as is our confidence in returning to expected performance standards. And throughout the company we will ensure we are focused on activities that align with our long-term future and be very disciplined about moving on from those that do not. We are committed to returning to the consistent enterprise-wide performance levels you should expect of us.

Within Optum Health, the team has taken concrete steps that will refocus the business back to its original mission – actions that will narrow networks with more emphasis on appropriately aligned physicians, geographies, the right clinical services, and the right benefit offerings for the members we serve.

We are also keeping sharp focus on the continued competitiveness of UnitedHealthcare, as evidenced by our recent Medicare Stars scores showing improvement year over year. And that work remains intense, now for payment year 2028 Stars performance.

As we look ahead to the next few years, we will consistently emphasize the fundamental execution discipline that has long been a key trait of this company – and I am gratified to see the quick and enthusiastic response to this emphasis from our leadership team. External challenges will remain, including continued

headwinds in 2026 from the third year of nearly \$50 billion in industry-wide Medicare cuts by the previous Administration, as well as Medicaid funding and program pressures. Even so, I am confident we will return to solid earnings growth next year given the operational rigor and more prudent pricing.

While we are still finalizing 2026 plans and intend to share full guidance with you in January, current analyst consensus captures a likely stepping off point for next year. We intend to balance our earnings growth ambitions in 2026 with investments and actions that will drive higher and sustainable, double-digit growth beginning in 2027 and advancing from there.

That is the perspective we are keeping front of mind. Our longer-term outlook will be refreshed as we continue to execute over the next year. As we have been doing these last few months, we will continue to engage actively with both investors and the broader stakeholder community and plan to convene our investor conference in the back half of 2026.

This morning, Tim Noel and Patrick Conway will provide details on the progress of UnitedHealthcare and Optum, respectively. Our Chief Financial Officer, Wayne DeVeydt, will review third quarter results. I'm pleased to welcome Wayne to our leadership team. He has the right experience, values, and expertise to help guide UnitedHealth Group at this moment in our development, and he is off to a fast start. With that, Tim, do you want to take it?

Tim Noel

Thanks, Steve.

For the current year, overall UnitedHealthcare performance remains in line with the expectations we offered in the second quarter. Medical cost trends remain historically high but consistent with our second quarter guidance, and we expect that to continue throughout the remainder of 2025.

Turning to our efforts for 2026 – a vital element has been our pricing. Since our last update with you, we've repriced the vast majority of our UHC risk businesses — including Medicare Advantage and, to varying degrees, our commercial fully insured and residual ACA offerings. Trend experience through the third quarter continues to validate the actuarial forecasts underpinning our 2026 pricing actions.

Taken together, these actions position each of our businesses on a clear path toward margin growth in 2026, with the exception of Medicaid, which I will discuss in a moment.

Our Medicare business continues to perform in line with the expectations we shared last quarter. That's true for care activity and medical cost trends and, importantly, for the mix of clinical activity and utilization — across physician, outpatient, and inpatient. We forecast a full-year 2025 trend of approximately 7.5% in Medicare Advantage, consistent with our previous expectations. As we shared with you last quarter, trend remains elevated across Medicare overall, with our Med Supp offerings still seeing medical cost trends in excess of 11%.

In Individual Medicare Advantage, we continue to believe an expected 10% medical cost trend for 2026 has us positioned appropriately. This trend assumption reflects a continuation of the elevated care activity levels observed in 2025, known impacts from fee schedule changes, and continued expansion of aggressive provider coding and billing practices.

We have taken a similarly prudent view across all our Medicare product offerings for 2026 – including Medicare Supplement, Group MA, and standalone Part D.

For Medicare Advantage, we're now about two weeks into the Annual Enrollment Period and early results are in line with our strategic positioning for 2026.

Our plan for next year reflects a conservative path focused on margin growth. We made significant adjustments to benefits and executed targeted plan exits and

network reductions to offset elevated medical trends and government funding decreases.

As a result of our plan actions, as well as competitive market dynamics, we expect membership contraction of approximately one million members in total Medicare Advantage, including individual and group markets.

We expect these actions will drive margin improvement in 2026 with potential for further advancements in 2027 that will position us to reach the upper half of our 2% to 4% targeted margin range — all of which is supported by strong Stars results. As Steve mentioned earlier, we already have shifted focus to the next Stars performance period, including incremental investments made in the fourth quarter.

Turning to Commercial, we are focused on pricing and cost management efforts to support 2026 margin recovery. At this point, approximately 60% of our group commercial insured offerings have been priced for next year.

Our commercial pricing reflects the elevated cost levels we've seen this year, which we expect to persist in 2026. While we expect our group fully-insured business to contract in line with the broader market, we continue to see strong traction for our self-funded offerings. We expect the vast majority of our employer insurance businesses to be repriced for 2026 and to return to our normal margin range in 2027.

Moving to ACA markets, we have submitted rate filings in nearly all of the 30 states where we participate that reflect 2025 morbidity and experience. These include average rate increases of over 25%. Where we are unable to reach agreement on sustainable rates, we are enacting targeted service area reductions. We believe these actions will establish a sustainable premium base — while likely reducing our ACA enrollment by approximately two-thirds.

These actions should drive margin improvement in our Employer and Individual segment in 2026 — though still below our targeted 7–9% range.

In Medicaid, the path to recovery will be more challenging. States have not funded in line with actual cost trends, so funding levels are not sufficient to cover the health needs of state enrollees. While we're making steady progress in bridging this gap with states, the mismatch between rate adequacy and member acuity will likely extend through 2026.

To date, we have received 2026 draft rates on almost half of our contracts which have a January 1 rate cycle, and we continue to advocate for rate updates to better reflect our ongoing experience with elevated trends. Our team is focused on addressing drivers unique to these markets, especially behavioral health, and will continue to push for appropriate funds. As I said last quarter, wherever states support responsible funding for Medicaid, we remain committed to serving people through that program and view this as integral to our mission.

As we indicated in July, we anticipate Medicaid margins will be breakeven for 2025. As we look to 2026, we expect margins to decline further if existing cost trends continue and the current rate environment does not change.

Looking at UnitedHealthcare overall, the underlying business continues to perform well in serving consumers, plans, and program sponsors. To give you some examples of how we are enhancing the experience for these cohorts:

- Nearly 85% of member inquiries are served digitally. When members call us, 90% of calls are answered within 30 seconds and 95% of members' questions are resolved in the first interaction.
- Some 95% of our claims are automatically processed immediately.

We're delivering more value, ease, simplicity and guidance throughout the UHC member experience. We're also aggressively scaling AI and machine learning capabilities to enhance these experiences and optimize core performance.

While 2025 remains a transition year, the pressure we experienced is largely a result of mispricing and suboptimal market positioning. We remain humbled by

the challenges of this environment and the lessons we have had to learn once again, but confident that we are on solid footing to recapture our performance potential.

With that, I'll turn it over to Patrick Conway, CEO of Optum.

Patrick Conway

Thanks Tim.

I will spend the majority of my time today updating you on our efforts to restore Optum Health to its original intent around value based care – which experience continues to show us is the optimal model to deliver the right care, at the right time, in the right setting, for the best outcomes, at the lowest cost to the people we serve – particularly in light of current cost trends and the market dominance of the large health systems.

Over the last few years, through a period of rapid expansion, Optum Health's strategy around value-based care strayed from the initial intent of the model. Three critical issues emerged: first, the provider network grew too large; second, the rapid pace of expansion and slower pace of integration resulted in operating inconsistencies, exacerbated by relying too much on affiliated physicians who are less aligned with core VBC policies. And, lastly, Optum Health was accepting risk in products and services less suited for a clinically-oriented, value-based model. Understanding these issues has helped us better pursue the steps needed to get back to the original intent of Optum Health and value-based care.

Over the past six months, we have made significant leadership changes to better drive an integrated VBC provider model. Under the leadership of Krista Nelson, our Chief Operating Officer, we are focusing our efforts on three key, connected areas to drive better performance: first, returning to the original intended clinical framework that best supports VBC; second, moving towards narrower, more integrated and dedicated value-based care provider model and network; and third, focusing on the appropriate managed benefit product and patient base.

Within this framework, our team has made solid progress, especially in bringing greater discipline to how we approach risk arrangements, which will benefit the business in 2026. This includes partnering with payers on benefit adjustments and appropriate rates to match the risk and mix of the populations we serve.

At this point we are close to completion in over 90% of our value-based payer contracts for next year and are on track to reach our goal of offsetting approximately half of the 2026 V28 headwind through payer contracting. We are also pursuing market and product exits, including from lower-performing PPO contracts. As indicated last quarter, we have finalized exits for 200,000 lives in 2026, the majority of which are PPO. While still early in the Medicare annual enrollment period, we expect total Optum Health value-based care membership to shrink by approximately 10% in 2026 before returning to growth in 2027.

We also continue to intentionally shape our care provider network to prioritize high-performing partners who demonstrate strong patient engagement and consistently positive outcomes. We are moving to employed or contractually dedicated physicians wherever possible. We are separating from providers who are less aligned with the VBC model. The targeted network actions we've taken over the last 60 days will result in fewer providers in our networks starting in 2026.

Within our markets and their related networks, we are working to more fully integrate our clinical practices to ensure greater performance consistency. The team is refining our portfolio and accelerating a consistent national operating model for regionally led, high-performing Optum Health practices that reduces fixed costs, drives purchasing economies, aligns technology and, most importantly, ensures continued high quality care. These actions increase our confidence in our ability to meet our V28 cost reduction targets in 2026 and strengthen our operating foundations for the long term.

Lastly, our engagements and clinical work at Optum continue to track with our expectations for meaningfully reducing medical cost trends – engaging with over

85% of our high risk members in 2025 – which accounts for the remaining V28 pressure offsets in 2026.

Bottom line: Getting back to the basics of our VBC model will be good for the people we serve and for our business. As a point of reference, our 2026 CMS Star Rating projections show 80% of Optum at Home members in 4+ star plans and nearly 100% of our ISNP members in 4+ Star plans. Evidence of our quality of care is underscored by a strong NPS of 90 at our highest-performing facilities.

For the third quarter, Optum Health performance was in line with our expectations, reflecting the natural seasonality in our business and the pull-forward of some investments. Within this, we expect to end 2025 with margins of just under 3%, which includes value-based care margins under 1%. We expect margin improvement across all of Optum Health in 2026, even in the face of the third year of the Medicare funding cuts. We believe these efforts will drive further acceleration in 2027 towards our long-term margin targets of 6-8%.

Turning to Optum Health's fee-based care services. As we discussed last time, these were not performing to their potential. We are adopting more consistent and rigorous processes to better manage these practices for growth and appropriate profitability.

We are seeing early results in our East region, which serves nearly 5 million patients, where we have generated a 3% per-visit productivity increase quarter-over-quarter, driven by targeted improvements in scheduling, workflow efficiency and patient acquisition. We have similar undertakings in motion in our south and west regions.

As for Optum Insight, we continue to perform solidly but not at the level of the potential for these services. Under the leadership of Sandeep Dadlani, we now see the alignment of our end-to-end technology and AI innovation efforts coming into formation. We will make the investments needed to accelerate the advancement of this distinctive platform that serves the expanse of the health

system. We are confident in our plan will ignite topline revenue and operating earnings in line with our long-term growth targets.

At Optum Rx...we continue to perform well, with double-digit revenue growth in our pharmacies and a strong selling season for our pharmacy offerings. Our products are resonating in the market, with stronger customer retention and new customer growth. At this stage, we expect new membership growth in 2026 will be more than offset by expected membership attrition from the UnitedHealthcare business. Importantly, our team remains disciplined around pricing, transparency, and quality outcomes for our customers at a time when the pharmaceutical industry continues to drive costs ever higher.

Today, we offer full rebate pass-through arrangements to all of our customers, with nearly 85% of them participating. We were the first in our industry to announce this arrangement back in the beginning of this year, and we expect 95% of our customers will be in these arrangements in 2027, with the remainder in full rebate pass through by 2028. And we have increased payments on branded drugs to over 14,000 independent retail pharmacies as part of our commitment to a balanced pricing approach.

Thanks for your time today. I'll now turn it over to Wayne DeVeydt.

Wayne DeVeydt

Good morning, everyone. I'd like to begin by expressing my sincere appreciation to Steve, Tim, Patrick, and all of my colleagues at UnitedHealth Group for the warm welcome. It's truly an honor to be part of this team and to contribute to our shared mission.

Today, I'd like to cover three important topics. First, I'll provide an overview of our quarterly performance and how it informs our outlook for the rest of the year. I will then discuss our capital and liquidity framework as we look ahead to 2026, particularly in terms of resuming share buybacks and strategic acquisition activities. And finally, I'll offer some insights into our expectations for 2026.

Moving to the quarter:

Today we reported adjusted earnings per share of two dollars and ninety-two cents, which was slightly ahead of our expectations. These results reflect steady execution while we work through our longer-term improvement plans. We've balanced immediate performance with strategic investments that will support our future growth and natural diversification.

Some details for the quarter:

- We delivered revenues of over \$113 billion, reflecting 12% year-over-year growth, driven by domestic membership expansion of over 780,000 lives year to date. We ended the third quarter with total domestic membership of more than 50 million.
- Our medical care ratio of 89.9% in the quarter compares to 85.2% in the same quarter last year, with the full year trending toward the lower end of the projections we offered last quarter. As Tim stated, medical cost trends, while historically high, remain consistent with our outlook for 2025 and align with our pricing actions for 2026.
- The Operating Cost Ratio of 13.5% in the quarter reflects larger investments in technology and people than originally contemplated when guidance was set in 2Q. Specifically, we invested more than \$450 million in broad-based employee incentives and in contributions to the UnitedHealth Foundation, both critically important for strengthening our relationships with our workforce and with local communities and the health system at large. And investments were proportionately greater in Optum Health and Optum Insight.
- Finally, our earnings were supported by strong cash flows of 2.3 times net income and an overall increase in days claims payable of 1.7 days sequentially.

Turning to our Capital and Liquidity Framework...

As previously communicated, we have paused our strategic acquisitions and share buy-back while we dedicate our cash to returning to a long-term debt-to-capital ratio around 40% and interest coverage ratios in-line with historical levels.

In the third quarter, our debt to capital ratio remained stable at 44.1%, reflecting continued actions to improve cash efficiency, offset by the completion of the Amedisys transaction late in the third quarter, which represented a net cash disbursement of \$3.4 billion. We expect our debt-to-capital ratio to trend closer to 40% in the second half of 2026. Accordingly, while we have not finalized plans for 2026, we anticipate we may be in a position to reinstate our historical capital deployment practices later in the year.

Finally, we generated operating cash flow from operations of \$5.9 billion. We still expect to close this year with \$16 billion in operating cash flow, or 1.1x net income.

Looking ahead to 2026...

As Steve mentioned, we will provide formal guidance with our fourth quarter results in January. We are comfortable with current consensus, and within that we are making the requisite investments needed to accelerate our returns in 2026 and to position our company for meaningfully stronger growth in 2027 and beyond.

We are optimistic in our ability to execute on our 2026 plans, but there are remaining headwinds we will have to overcome. Items to keep in mind include:

- We are entering the final year of V28, which represents a more than \$6 billion headwind to the overall enterprise. As you heard from Tim and Patrick, we've taken numerous actions around benefit design, cost control and member engagement to substantially offset this impact.

- Further investment in Optum Health and Optum Insight is needed and we are accelerating some of those investments as noted in our third quarter results.
- We are also accelerating our pace of AI applications to fundamentally advance a vast spectrum of processes and capabilities we expect will structurally improve our enterprise performance.
- Our effective tax rate is expected to return to a more normalized level in 2026 as compared to 2025.
- And finally, investment income should continue to move lower as interest rates decline.

From a tailwind perspective:

- Our repricing efforts will be a catalyst for earnings growth as we begin returning to our long-term target margins, with particularly solid year-over-year results expected in our Commercial and Medicare businesses.
- We also expect stability and a measured return to growth in our Optum entities, with aspects of that growth being reinvested in the business...specifically, Optum Health and Optum Insight. These investments may slow 2026 growth but should accelerate growth in 2027 more in-line with historical expectations.
- We will be paying down debt and identifying opportunities to further reduce our interest expense as a result of the declining rate environment.
- Finally, we are taking an aggressive step on affordability initiatives that should improve overall medical trend relative to our pricing.

While we have a number of moving parts to manage for the remainder of this year, we also have concrete plans to execute on all the items we discussed this morning that will position us for the type of growth you've come to expect from UnitedHealth Group.

Thanks for your time this morning. I'll now turn it back to Steve.

Stephen Hemsley

Thanks, Wayne.

As I hope you heard clearly, this team and our 400,000 colleagues are focused on delivering on all fronts...for the people we are privileged to serve, and for our shareholders.

As I said in the outset, we are being very disciplined. This plays out day to day as this management team recognizes the need to manage our costs both in the short term as well as structurally.

And through another lens, throughout the quarter, we have continued to evaluate the company's businesses with fresh perspectives and with continued confidence in our progress and our overall direction. We expect to complete that assessment in the fourth quarter as we position for 2026 and the years ahead. A few themes emerge from these efforts:

- We are dedicating our energies to serving U.S. health care needs and will be reducing our footprint in international markets that do not support these needs.
- We will be finalizing our initiatives for recovery of the remaining outstanding loan balances from the care provider support programs associated with the 2024 Change Health cyber attack.

- For Optum Health, we are consolidating locations and completing plans addressing the geographic markets in which we will serve patients, all intended to operationally advance and scale the leading value-based clinical care business of Optum Health.
- And, we are realigning Optum Financial Services within our Optum Insight services platform.

While we have not yet finalized these plans, many of these actions are underway and we believe they will improve both our focus and long-term performance. We are in the process of quantifying the accounting, tax and cash implications of our plans. At this stage, our preliminary work would imply a non-GAAP, substantially non-cash, low single digit billion dollar charge. We will provide further details in our fourth quarter call as we conclude these efforts.

Simply put, we will end 2025 well-positioned for a return to solid growth in 2026, acceleration in 2027, and a clear focus on our longstanding mission and strategy.

An important reason for my confidence in our outlook is the way I see our people embracing a renewed focus on the mission, culture and values of our company. How we go about things in the sensitive area of health care is as essential as what we do, and we are bringing new energy to that imperative each day.