2020-2022

UnitedHealthcare Strategic Plan

UnitedHealthcare®

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Our industry is on an unsustainable path and is prime for disruption

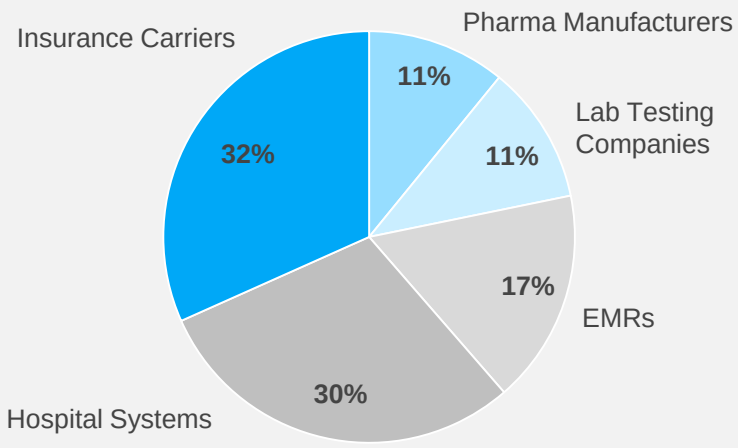
The reality is that the health care system as we know it today is unsustainable and the industry's slow pace of change is attracting new and diverse competitors that also have ambitious plans.

The financial burden on consumers and providers, coupled with complexity and administrative hassle are pushing the health care system toward a demand-driven model. As these stakeholders look to manage their expenses and experiences, they will dictate the companies, tools, and technologies that dominate the market.

Disruptors are slowly chipping away opportunities from the incumbents

Non-traditional companies are capitalizing on the $3+ trillion opportunity to provide a seamless and connected health care experience for consumers, providers, employers, and governments. While no single player is likely to overtake UnitedHealthcare's position, there is a risk that a collection of players will disrupt our revenue streams by offering higher quality, lower cost, and more desirable products and services.

Which of the following are most at-risk for disruption?



Insurance carriers and hospital systems were neck-and-neck as perceived disruption targets. Two underlying themes potentially driving this sentiment include:

1. *Our means of pricing and paying for health care goods / services have reached a breaking point.*
2. *Consumer-facing businesses will have to be more competitive as patients — armed with data — have more agency in making health care decisions and look for better customer experiences.*

Source: CB Insights

UnitedHealthcare has the ability and responsibility to shape the future

A sustainable health care system will require a simple and connected ecosystem, in which integrated data easily flows to all stakeholders, enabling stronger, more personalized connections, deeper clinical and health management insights, and greater transparency.

A "Day in Health" vision

This digitally-enabled and connected future state health care system is exemplified by the UnitedHealthcare's "Day in Health" video. This vision can be achieved by implementing future-state capabilities—in partnership with Optum—to create and deliver value to our customers by simplifying, digitizing, and embedding high-quality health and care in their every day lives and by offering new, differentiated products and services.

Below are examples of what the future of health care will look like, as portrayed by the "Day in Health" vision.

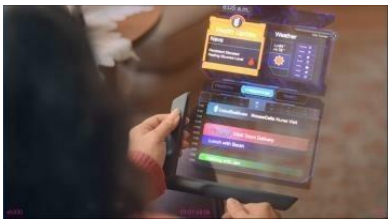
Health Management

For Sofia, her day begins with an update about her son Marcus' elevated temperature

Quality Care

After Marcus' temperature goes up, Sofia is prompted to schedule a virtual visit with an available network doctor, or his personal PCP

Real-time Information



During her visit with Marcus and Sophia, the care provider is able to access comprehensive wellness and health data in real-time

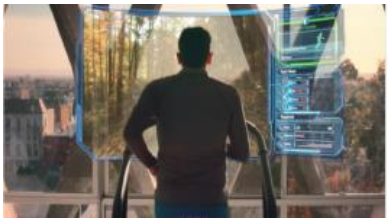
Transparent Payments

At the end of the virtual visit, Sofia confirms the cost of the appointment, and sees that the payment has been sent

Superior Convenience

Marcus' prescription—filled by OptumRx—is delivered to the front door by a drone

Integrated Health



Alex's smart treadmill reminds him of health rewards and suggests a stress test due to his proneness to heart disease

To make this vision a reality, UnitedHealthcare needs to act today

The above scenarios may seem like a far-fetched version of the future of health care. However, the reality is that all of the above capabilities (and more) already exist today. The opportunity lies in being able to connect all the disparate parts of this "Day in Health" vision to create a truly distinctive health care ecosystem for all stakeholders to interact with.

UnitedHealthcare is uniquely positioned—with nearly 50 million medical members, more than 1.3 million provider relationships, and partnership with Optum—to be the indispensable integrator of the future state ecosystem, aligning and connecting all health care resources and insights in one place.

This strategic plan defines the imperatives necessary to transform health care. For us to truly achieve our mission and measurably deliver on the Triple Aim—better health, lower costs, and distinctive experience for both consumers and providers—**we must take action today.**

How we will achieve success: Our strategic framework

Mission

To help people live healthier lives and to help make the health system work better for everyone.

Values

Integrity | Compassion | Relationships | Innovation | Performance

Purpose

To **connect the world** to **better health** **one person at a time**.

United
We connect humanity across the globe.

Health
We are an innovative wellness company.

Care
We meet each individual where they are.

How We Deliver

We achieve our mission, values, and purpose by delivering on our strategic priorities, which are organized around five focus areas:

	Strategic Priorities	Details
Our People	▪ Develop the workforce of tomorrow, today	8
Quality	▪ Inspire consumers to trust us in co-managing their health	11
	▪ Elevate high-performing care providers and become an essential partner in how care is delivered	13
Growth	▪ Accelerate diversification and differentiation across our portfolio	16
Distinction	▪ Transform health care through a series of bold moves, focused on Simplicity, Partnership, and our Mission	19
Financial Stewardship	▪ Dramatically raise the competitiveness of our cost position	22
Optum Partnership	▪ Create a strong, flexible, and durable technology foundation	26
	▪ Modernize and simplify our portfolio to deliver high-value solutions	28

Measuring progress and holding ourselves accountable

The below scorecard captures relevant UnitedHealthcare-level metrics to gauge success and hold ourselves accountable. By delivering on our strategic priorities we will achieve these results.

	STRATEGIC PRIORITY	HOW WE'LL MEASURE PROGRESS
OUR PEOPLE	▪ Develop the workforce of tomorrow, today	**External Candidate NPS Improvement** (Domestic only) **Internal Talent Movement** (Percent of job requisitions filled by internal candidates)
QUALITY	▪ Inspire consumers to trust us in co-managing their health ▪ Elevate high-performing care providers and become an essential partner in how care is delivered	**Achieve #1 position in consumer NPS benchmarks** (Relative to competitors) **Medical spend tied to high-performing care providers** (Domestic only, work underway to baseline current state)
GROWTH	▪ Accelerate diversification and differentiation across our portfolio	**Membership Advancement** **Total IOI Advancement**
DISTINCTION	▪ Transform health care through a series of bold moves, focused on Simplicity, Partnership, and our Mission	**Simplicity: Digital NPS Improvement** (Domestic only) **Partnership: Provider NPS Improvement** (Combined Physician and Practice Manager, domestic only) **Empowering Health: Healthy Life Years Improvement** (Work underway to baseline current state and set target)
FINANCIAL STEWARDSHIP	▪ Dramatically raise the competitiveness of our cost position	**Operating Cost Ratio Reduction** (Excluding HIT – MOVE and Mix adjusted) **Commercial Medical Cost Reduction** (Over three-year time period)
OPTUM PARTNERSHIP	▪ Create a strong, flexible, and durable technology foundation ▪ Modernize and simplify our portfolio to deliver high-value solutions	**Aggregate return on Optum clinical and other programs** (Work underway to baseline current state)

To ensure success, the Strategic Plan must become embedded in how UnitedHealthcare operates and measures itself. Specifically:

- Quarterly or semi-annually, progress on each of the eight strategic priorities should be discussed with the Executive Council during a bi-monthly meeting or during an executive offsite.
- Annually, performance against the above scorecard should be assessed.
- A one-pager will be distributed to all UHC employees to create transparency and alignment across the firm.

Our People Priorities

- Develop the workforce of tomorrow, today

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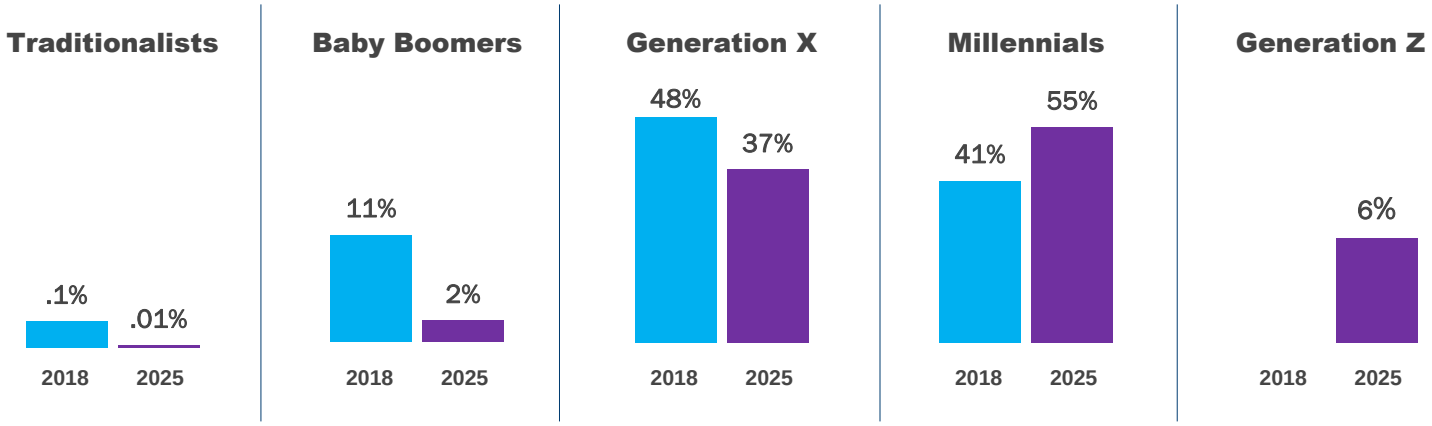
Develop the workforce of tomorrow, today

The opportunities and challenges to transform health care over the coming years will require a workforce of talented and motivated individuals. Furthermore, as UnitedHealthcare continues to grow, it will be imperative that we are able to attract and retain bright and diverse talent, establish a culture of continuous development, and grow the next generation of health care leaders. To support this, Human Capital is focused on building the workforce of tomorrow, today.

How our workforce is changing

UnitedHealthcare's workforce will change dramatically over the coming years, shifting from a workforce that spans four generations to one that spans five generations[1]. Additionally, there will be a dramatic need to expand our labor pool in key talent groups and specialized skills to meet the needs of our customers.



147%

*Projected increase in **Clinical** employees by 2025*

139%

*Projected increase in **Customer facing** staff by 2025*

132%

*Projected increase in **IT professionals** by 2025*

Why this is important

Long-term success will require that UnitedHealthcare is able to maintain the best pipeline of diverse talent, working in an inclusive environment rooted in our core values. Many industries and companies will be competing for the same key talent groups, therefore, UnitedHealthcare must enjoy a reputation for developing great leaders, through meaningful experiences, in an environment that enables and promotes agility to attract and retain them.

Our high-performance culture and engaging employee experience will be recognized across industries and UHC must be known as the best company to work for.

Ultimately, it's through our employees that we will help people live healthier lives and help the health system work better for everyone.

1. Based on UnitedHealth Group population, assumes similar employee profile for UnitedHealthcare

Develop the workforce of tomorrow, today (cont.)

Critical initiatives to achieve this strategic priority

Attract and retain the best and most diverse talent

Continued execution of workforce planning analysis to inform market needs, identify talent gaps, and build a robust talent pipeline needed to drive and support UHC's growth. This also includes establishing a comprehensive onboarding program, an updated development planning framework for all employees, and aligning talent strategies with UHG's diversity and inclusion priorities.

Create a systemic approach leadership development and succession planning

Establish a culture of continuous learning and movement, and ensure diverse perspectives and experiences are represented in leadership, our organization, and our candidate slates. Establishing a Common Language of Leadership within UnitedHealthcare will provide a common platform to define the success profile of leaders across the company.

Define the UHC global and site operating model

Simplify how we operate and cultivate an agile workforce to enable accelerated development for employees and leaders. Moving to this model is imperative in sustaining organizational speed and agility as we grow. Actions include defining an integration approach for current non-integrated entities and future acquisitions, evaluate and deploy new workforce solutions, and define the Human Capital model needed to meet current and future growth needs.

Initiative	Owner	LOB				Launch			
		E&I	M&R	C&S	UHCG	'19	'20	'21	'22
Common Language of Leadership (31+)	Fehr / Craig	X	X	X	X	●			
Common Language of Leadership (28+)	Fehr / Craig	X	X	X	X		●		
Human Capital Operating Model	Fehr	X	X	X	X	●			
Employee Listening Strategy (surveys, focus groups, alumni, etc.)	Olson	X	X	X	X	●			
Field / Site strategy (better connection with non-HQ locations)	McNutt	X	X	X	X	●			
Diversity and Inclusion strategy	Fehr	X	X	X	X		*multi-year*		

Quality Priorities

- Inspire consumers to trust us in co-managing their health
- Elevate high-performing care providers and become an essential partner in how care is delivered

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Inspire consumers to trust us in co-managing their health

Today, the health care consumer experience is reactive, fragmented, and expensive. Consumers are dissatisfied and expect more from UnitedHealthcare, as non-traditional players have risen the bar on consumerism as shown through NPS consistently in the 70s.

We believe that UnitedHealthcare can create a future that is drastically different and provide an experience that is proactive, connected, and personalized. The consumer will be fully-engaged in a digitally-enabled health care experience that is "always on" through technology that supports health anytime, anywhere.

No company is better positioned to connect and align all stakeholders in the health care value chain and to create the supporting platform to drive the industry toward what we call "Participatory Health." Participatory Health transforms the consumer experience to a model re-centered on health and wellness. UnitedHealthcare will be the trusted partner of all consumers by moving each of them from "patient" to "empowered person" that is engaged, equipped, and enabled to participate as an equal partner in all health-related decisions.

Health care consumers will be fully-connected and digitally-enabled

Like other consumer-centric industries, the future of health care will be digitally-connected and demand-driven. UnitedHealthcare can create distinction and build trust by offering new capabilities and technologies that drive consumer engagement by incentivizing the right behaviors, and connecting, aligning, and streamlining the consumer experience.

230M+

U.S. smartphone users in 2018; 82% of the population

$536.6B

Projected size of the global digital health market by 2025

77%

of patients in the U.S. are willing to conduct a virtual care encounter

The future health marketplace will be anchored in a Participatory Health platform

In the Participatory Health model, the consumer will demand more, own their data, and consistently share data through monitoring tools, social interactions, genetic markers, and more, enabling deeper insights and personalized interactions with their care team. The entire care team will understand more about their patients, supported by digital technologies and longitudinal data. UnitedHealthcare must build out the supporting platform to connect all stakeholders and interactions in the ecosystem, in order to create a distinctive experience for consumers by enabling them to actively participate in and manage their own health and care.

TRADITIONAL MODEL OF HEALTH

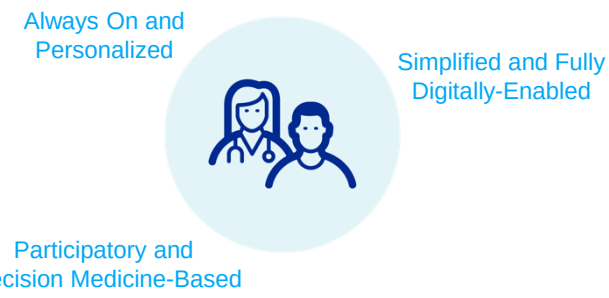
Reactive Model

- Physician-driven, reactive delivery
- Brick and mortar, constrained by fee-for-service
- Fragmented data and non-transparent costs

FUTURE MODEL OF HEALTH

"Always-On" Model

- Always On and Personalized
- Participatory and Precision Medicine-Based
- Simplified and Fully Digitally-Enabled

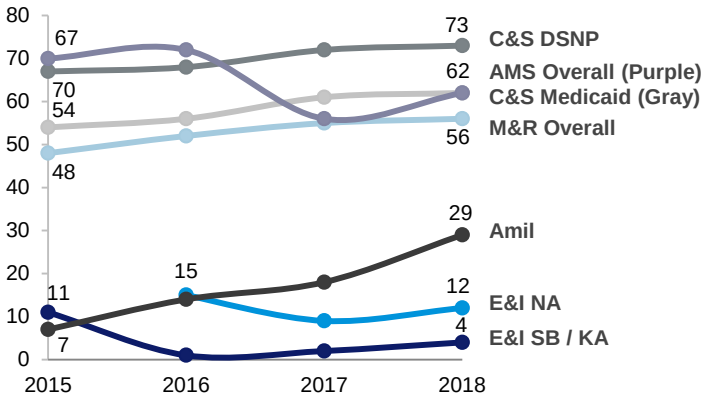


Inspire consumers to trust us in co-managing their health (cont.)

Below illustrates how UnitedHealthcare will deliver a simple, connected, and distinctive consumer experience.

Net Promoter Score Program

UnitedHealthcare is driving toward the ambitious "70 in 7" plan to reach an average NPS of 70 by 2023. The NPS program enables us to listen to members, monitor performance of key success drivers, and strategically invest in resources to deliver an improved experience. UnitedHealthcare will need to drive operational excellence and deliver a connected, distinctive member experience to earn consumer trust and improve meaningfully to achieve our goal. Below tracks where each line of business has been on its NPS journey.



Experience Led Transformation (ELT)

The Experience Led Transformation initiative is how UnitedHealthcare will create the supporting platform for a Participatory Health model, which will allow us to enable consumers to actively participate in and manage their own health and care.

Key focus areas:

- **Personalization & Simplification**
- **Real-Time Delivery & Engagement**
- **Know What I Owe (Pay Now)**
- **Value Creation & Delivery**
- **Infrastructure & Data Requirements**

Select key enterprise initiatives[1] that support the ELT vision and NPS goals

Launching or underway in 2019 with continued deployment across lines of business over the next three years

Initiative	UHG	LOB			
		E&I	M&R	C&S	Global
Individual Health Record (IHR). Deploy personal health cloud to capture, store, and manage consumer data.	X	X	X	X	X
Harmonization. Simplify and modernize the product architecture / benefits portfolio across UnitedHealthcare.	X	X	X	X	
Nerve Center. Aggregate and analyze member data to enhance trained navigation services.	X	X	X	X	
Care@Home. Move non-critical conditions from facilities to the home using telehealth and remote monitoring by 2021.	X	X	X	X	
Rx Redesign and Integration. Full Rx integration into myUHC.com and migration to OptumRx.	X	X	X		
Polaris Migration. Long-range enterprise claims / eligibility systems rebuild (2018 launch – Oxford NY / NJ).	X	X			
Value Offerings. Digitally-enabled, next-generation enterprise business models (e.g. Colorado Doctors Plan).	X	X			
Care Provider Search & Cost Transparency. Enhance capabilities so consumers find quality care at a lower cost.	X	X	X	X	

1. List of initiatives is not exhaustive

Elevate high-performing care providers

UnitedHealthcare is charting a path to modernize health care: to simplify and personalize the system, to facilitate real-time data capture and bi-directional exchange that enables individuals to live healthier lives, to provide flexible options for immediate, frictionless payment, and to optimize clinical decision making, connecting the world to better health, one person at a time.

This is a bold aspiration that we can only accomplish through partnership – we recognize that making the health system better will require we work more effectively with care providers big and small, from the multi-state hospital system to the solo-practicing family physician, from the CEO to the frontline caregiver. We are making progress, as evidenced by a dramatic increase in overall care provider NPS (from -15 in 2014, to 17 in 2018), but there is still a lot of work to do to create a distinctive and transformational partnership.

We want to have care providers saying, ***"I can't live without UHC."***

Goal: Quadruple Aim

- **Better Health**
- **Lower Costs**
- **Distinctive Patient Experience**
- **Distinctive Care Provider Experience**

Creating the ecosystem of the future

To achieve our goal of Quadruple Aim, we need to create a health care ecosystem that fundamentally reshapes our network to one that is built around and designed for our top performing care providers, with clear identification of high-performing, in-network and out-of-network individuals and sites of service. More specifically, we will divide our network into three types of care providers, and manage each one accordingly:

1. **High-Performing.** Build a curated network of high-performing care providers armed with the full weight of UHG resources, pay them at the highest level and deliver white glove service.
2. **In-Network Non-High Performing.** Continue to work with in-network care providers who are not determined to be high-performing and will serve as a wrap to our high-performing care providers with a system designed to elevate them into high-performing.
3. **Out-of-Network.** Aggressively manage out-of-network care providers through non-par initiatives.

TODAY

True high-performing care providers NOT identified and / or not treated differently

Broad network with broad capabilities spread across all care providers

FUTURE

True high-performing care providers recognized and treated as royalty

High-Performing Care Providers

Define & Identify

Feed Resources

Provide Exceptional Service

Modernize Payment

In-Network Non-High Performing Care Providers

Out-of-Network Care Providers

Elevate high-performing care providers (cont.)

Our commitment to care providers

We are making an enterprise-wide commitment to serve care providers differently and better than before…

… As Caregivers

We will find tangible ways in our day-to-day to express and to demonstrate our gratitude for the caregivers who give of themselves to care for patients and communities.

… As Colleagues

We will work side-by-side with our care provider colleagues toward a common end: high-quality care, at an affordable cost, with exceptional experiences and patient outcomes.

… As Customers

We will elevate our service commitment to care providers big and small as core customers of UHG, simplifying and personalizing the care provider experience – one person at a time.

… As Change Agents

We will support care providers as change agents in evolving care and business models to create a more affordable, sustainable, and high-value delivery system.

Key design components

Components	Launch ‘19	‘20	‘21	‘22
Define & Identify ▪ Define the high-performing care providers at points along and spanning the entire care continuum (locally intertwined across the country). ▪ Leverage adaptive machine learning to identify high-performing care providers and continuously evaluate their performance. ▪ Create value index to measure care providers against and identify those achieving the Quadruple Aim. ▪ Lean our membership and technology through active and passive redirection.	●	●	●	●
Feed Resources ▪ Arm high-performing care providers with just-in-time actionable data to help them achieve the Quadruple Aim. ▪ Create and gain adoption of a next generation technological information exchange environment. ▪ Put the full weight of the UHG system behind them with everything they need to be successful in quality, care delivery and member outcomes.	●			
Modernize Payment ▪ Reward care providers such that the right decisions yield the highest payment. ▪ Be the best payer for our best care providers. ▪ Reward for improving the customer experience. ▪ Focus our industry beating membership growth engine at these care providers. ▪ Establish a dynamic where we grow and win together.	●	●	●	●
Provide Exceptional Service ▪ Serve care providers differently and better than before, delivering above-expectations white-glove service. ▪ Simplify and personalize the care provider experience – one person at a time. ▪ Remove administrative burden and free them of micromanagement. ▪ Partner as colleagues toward a common end.	●	●		

Growth Priorities

- Accelerate diversification and differentiation across our portfolio

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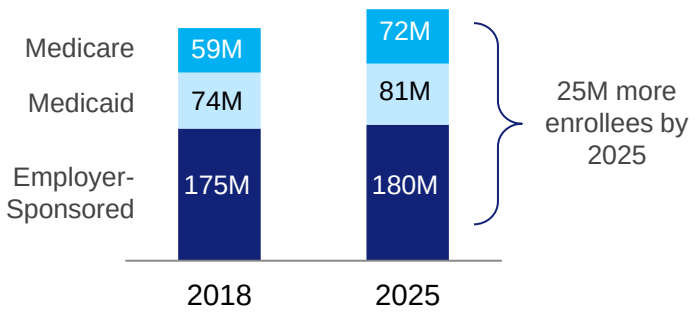
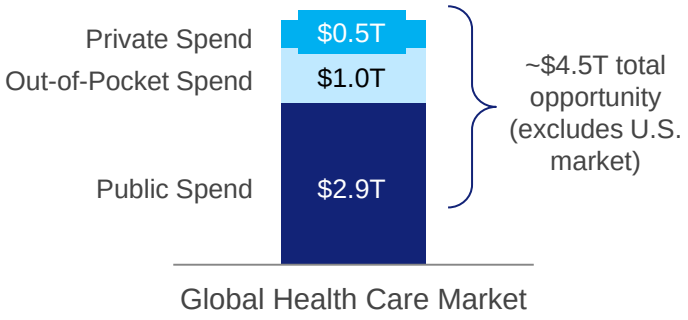
Accelerate diversification and differentiation

Domestic Enrollment Outlook[1]



Global Spend Opportunity[2]



The current 2025 plan calls for double-digit revenue CAGR and market share expansion across all lines of business, with a domestic membership increase of 24M. Globally, UnitedHealthcare services less than one percent of the ~$4.5T ex-US market, meaning significant opportunity still exists. Domestically, UnitedHealthcare's membership growth plan will require taking share from competitors. Furthermore, as UnitedHealthcare's efforts to reign in health care costs over time are successful, our ability to achieve our desired growth rates will require a greater focus on presenting a more unique value proposition than our competitors through differentiated products and services, and the ability to diversify into a broader platform of solutions and businesses.

Differentiation

To differentiate itself in the market, UnitedHealthcare is accelerating efforts to reinvent its traditional health benefit products and broaden the capabilities it has to deliver better health, lower costs, and a distinctive experience. These efforts must continue over the coming years to achieve our growth ambitions.

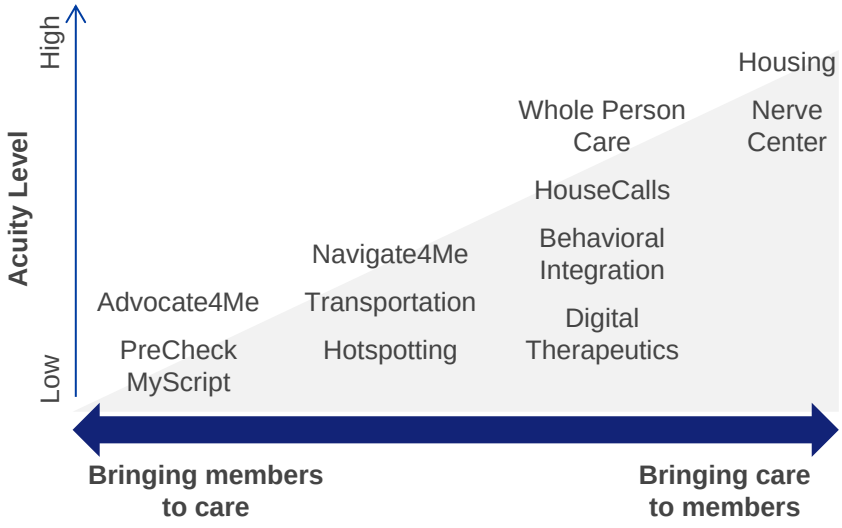
Differentiated products attracting new membership at lower costs

bind

COLORADO DOCTORS PLAN (CDP)

All-digital MA product

Capabilities that help differentiate UnitedHealthcare across a spectrum of needs



1. Source: CMS.gov National Health Expenditures Projections 2017-2026. Note: Medicare includes FFS
2. Source: UnitedHealthcare Global BOD Deep Dive, June 2018

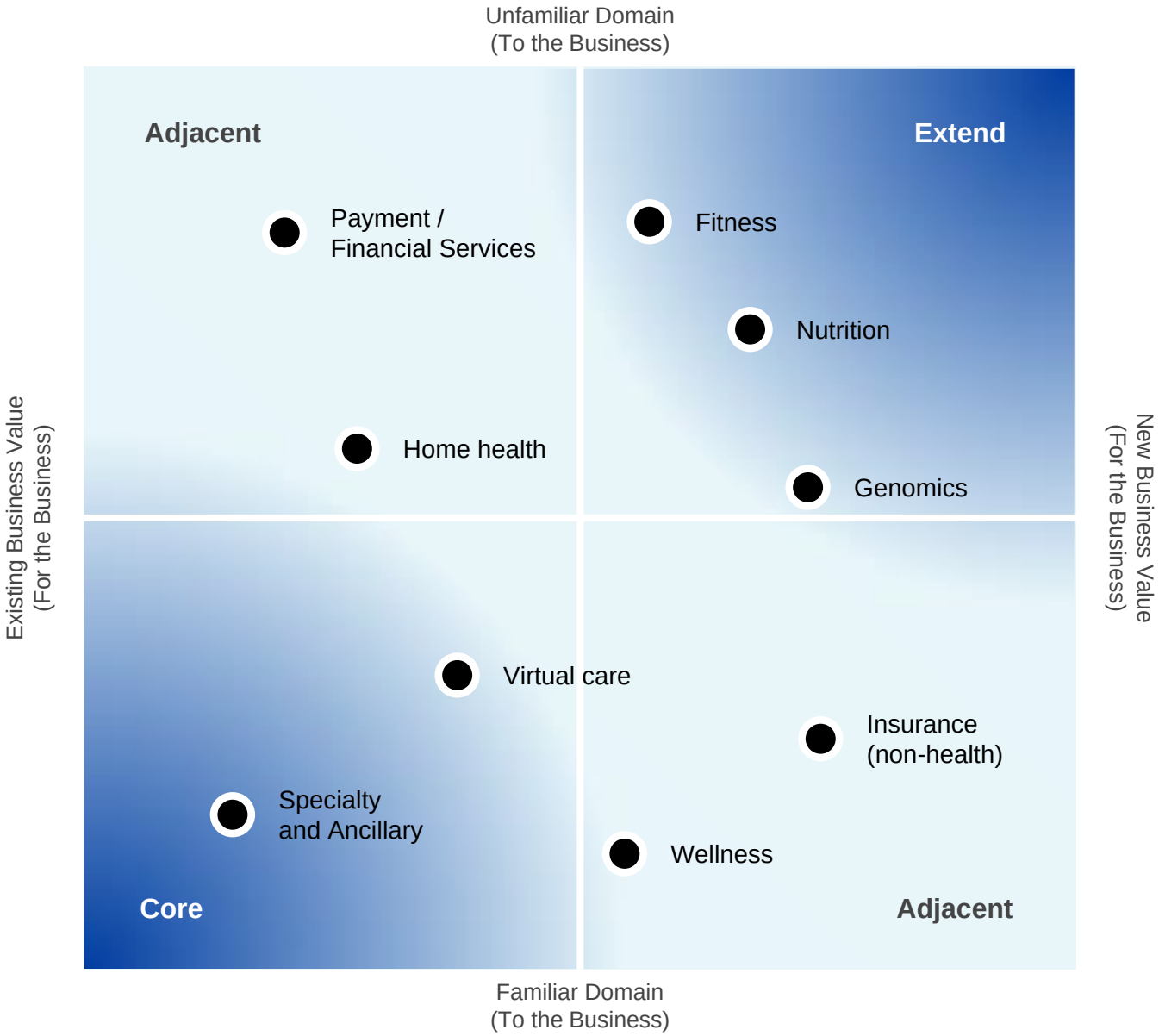
Accelerate diversification and differentiation (cont.)

The most successful organizations are restless in their desire to find the next growth opportunity and diversify beyond their existing portfolio. Currently, our lines of business still anticipate double-digit annual growth, yet 80% of what influences a person's health happens outside the doctor's office. This means there is still significant opportunities to merge UHC's existing expertise with untapped solutions. By 2022, UnitedHealthcare will need to be able to answer the following questions:

- How does UnitedHealthcare successfully make the leap from a health benefits company to a health care company?
- What are the next $1B+ opportunities and how should they be scaled/integrated within the broader UnitedHealthcare business?

Diversification

A more detailed assessment is ongoing covering a wide aperture of opportunities for UHC to pursue to drive new and diversified growth.



Distinction Priorities

- Transform health care through a series of bold moves, focused on Simplicity, Partnership, and our Mission

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Transform health care through a series of bold moves

The health insurance market is becoming highly commoditized and UnitedHealthcare has an opportunity to separate itself from the competition through a series of bold moves as part of our Distinction agenda. Unlike differentiation, distinction is a form of competitive advantage that transcends specific products and services, instead becoming a memorable reason why customers and partners choose UnitedHealthcare. Research shows that companies that have a well-defined distinction see shareholder returns of 1,681% versus the S&P's 118% over 15 years[1].

A detailed analysis was done to determine the best areas to focus on that would most resonate with our diverse stakeholders: Simplicity, Partnership, and our Mission. A select few examples are provided below to highlight some of the direction being taken, however, work continues to determine which bold moves are the right opportunities to double down on.

SIMPLICITY

Our ambition is to make health care easier through streamlined and personalized experiences, enabled by understanding and interacting with consumers and care providers in a distinctively different and simple way.

Consumer Navigation

We are taking steps to own the complexity within the health care system and designing solutions so that consumers are able to resolve all their issues and receive the right care. Navigation will continue to be a central theme over the coming years. Examples include:

Navigate 4Me — A single point of contact for Medicare Advantage members

amil — Health spaces provide care coordination and navigation

Supporting Families with Special Needs

PARTNERSHIP

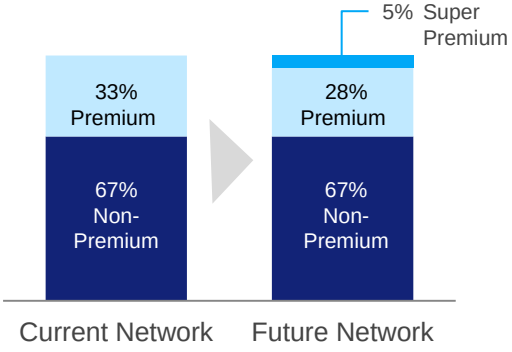
Our ambition is to outperform expectations on the things that matter most to our partners. Our partner focus includes an unparalleled care provider network, employers of all sizes, a growing number of states, the federal government, and other key strategic partners in and outside of health care.

Thought Leader in Health Policy

It is our strategic focus to work closely with state and federal regulators, and key policy leaders to identify and advance solutions across the health care continuum. There is no one better positioned to propose and influence transformative changes that align with regulators' efforts of flexibility, affordability, stability, consumer empowerment, and administrative burden and cost reduction. We are an active advocate of rate stability, MLR reform, advancing value-based care, and telehealth among many other policies.

High-Performing Provider Network

Since 2005, UnitedHealthcare has been able to identify physicians whose work is of high quality and at a lower cost than the market. Our goal is to put these metrics to action in the future. Specifically, to benefit those providers through a variety of tools that fundamentally will reshape their interaction with us and our members.



1. Sisodia, Wolfe, & Sheth, Firms of Endearment (2007)

Transform health care through a series of bold moves (cont.)

PARTNERSHIP (Cont.)

High-performing providers are the best in our network, and they offer UHC opportunities to partner with them in distinctive ways to enable them to see as many members and reward them for their commitment to quality and efficiency. Examples include:

- Currently evaluating opportunities to rethink how high-performing providers are paid (e.g. real-time payment).
- Enhancing the high-performing provider's overall experience with UnitedHealthcare through differentiated service.
- Providing tools and support to help more care providers become and sustain high-performance year-over-year so that UnitedHealthcare is their most preferred payer.

14%

Members who receive care from a high-performing provider receive better quality at a 14% lower cost

$3.5B

Potential cost savings if shifted members who see bottom 5% of network to high-performing providers

OUR MISSION

Our ambition is to redefine what access to care means to a broader definition of what it means to live healthier lives and make the health system work better for everyone. Through innovation, partnerships, and technology investments we will deliver clinical and social interventions to individuals, communities, and care teams at scale and drive greater reputational value.

The Individual Health Record (IHR)

The IHR will advance the dual nature of the our mission to help people live healthier lives and help make the health system work better for everyone. It has the potential to become an indispensable part of the care provider workflow and the default health record for all individuals, regardless of their health insurance carrier.

For Individuals

- Helps them feel known within the system.
- Simplifies their health care experience.
- Meets individuals where they are by offering integration across smart phone platforms, wearables and integrated medical devices.

For Care Teams

- Organized around the individual and clinical concepts like health condition, surgical history, or clinical specialty to support efficient assessment of a patient's health.
- Offers visibility to patient interactions with other clinicians and health systems.

Social investment in communities

Our ambition is to Redefine Access to Care for the Underserved and Uninsured by increasing their access to services that help improve health outcomes. These investments will drive positive impacts for our reputation, business, and society. Highlights include:

FEEDING WISCONSIN

ASSOCIATION OF ARIZONA FOOD BANKS

UHC provided refrigeration support for food pantries throughout WI and AZ to enable 700,000 people to have access to fresh produce.

UHC will launch a scalable, standardized model of care which is high-quality, low-cost, and uniquely tailored to our underserved UHC Medicaid members, as well as neighboring uninsured population.

Financial Stewardship Priorities

- Dramatically raise the competitiveness of our cost position

UnitedHealthcare®

Dramatically raise the competitiveness of our cost position

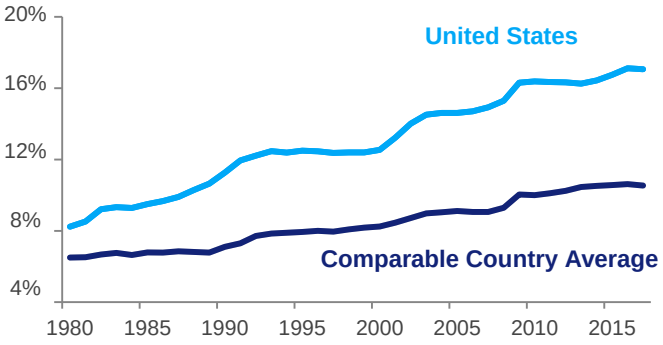
The sustainability of the U.S. health care system will continue to be challenged – the population is aging, chronic conditions are on the rise, and the government share of health care spending is increasing. As the leader in the health care industry, it's up to UnitedHealthcare to change the trajectory of health care cost growth and help create a more sustainable health care system for everyone.

Health care cost growth is unsustainable

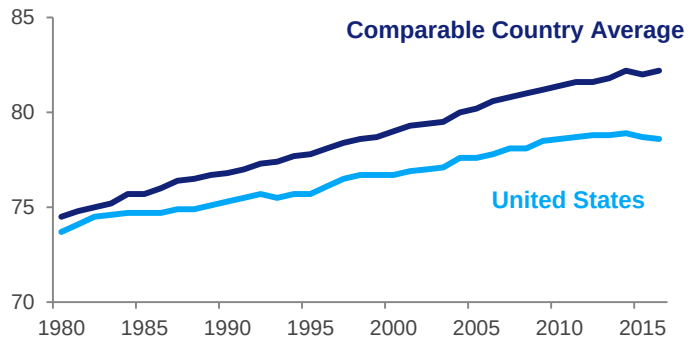
Total U.S. health care spending in 2018 will be ~$3.7 trillion. For context, $3.7T is as much as Germany's Gross Domestic Product (GDP) in 2017, and significantly more than the respective GDPs of the United Kingdom, India, Brazil, or Canada. Today, U.S. health care would be the fourth or fifth largest economy in the world, and it is expected to grow between five and six percent per year, adding $200B – $250B annually in the coming years. By 2026, total spending is expected to rise to $5.7 trillion, nearly 20% of the U.S. GDP.

And, although the U.S. spends more than other high-income countries on health care, it experiences poorer population health outcomes. Maintaining the status quo in health care is unsustainable – for UnitedHealthcare to continue to thrive, and avoid disruption[1], we must take sweeping measures to dramatically reduce the cost of health care for our constituents, and to drastically raise the competiveness of our cost position.

Total Health Expenditures
as percent of GDP, 1980 - 2017



Total Life Expectancy at Birth
in years, 1980 - 2016



Critical initiatives to achieve this strategic priority

Through UnitedHealthcare and Optum, in 2018, we processed over one-half trillion dollars in gross billed charges and we managed over $250 billion in aggregate health care spending on behalf of the customers and consumers we serve. Due to this expansive reach, UnitedHealthcare is uniquely positioned to positively shape the unsustainable growth in health care spend for our constituents.

We must commit to transforming our culture to be responsible stewards of the funds that are entrusted to us and maintain a vigilant focus on managing medical costs, operating and administrative costs, and investments to offer greater value to our stakeholders and shareholders.

UnitedHealthcare—in partnership with Optum—will stem unsustainable cost growth, and ensure UnitedHealthcare achieves a superior cost position through two transformational initiatives:

EHCV & **MOVE**

Enterprise Health Care Value

Modernizing Operating Value for Everyone

1. For further analysis, see page 34 in Appendix
2. Sources: World Bank, CMS, OECD, UHG Q4 2018 Company Data (source of truth)

Dramatically raise the competitiveness of our cost position (cont.)

Enterprise Health Care Value (EHCV)

By 2025, the vision of EHCV is to modernize health care, significantly enhance the value people receive from health systems, and improve the experience through consumer-responsive products and services. This is a critical enterprise initiative with initial focus on E&I and M&R with subsequent fast-follow expansion to C&S.

THE VISION

10%
Reduction in commercial medical cost over the next three years

$15B
Cumulative health care cost savings by 2025.

350 bps
Competitive advantage with the market

EHCV Value Streams

This plan requires a shift in mindset, which UHC has already begun, from fee-for-service to value-based care that focuses on solving pain points in the context of end-to-end solutions and on value-oriented health care services and delivery. We will execute this transformation through the following value streams.

Program	Description
Market Solutions	Local market and NA-focused initiatives managed / executed locally; ensure all programs are delivering max. local value.
OptumCare	UHC / OptumCare asset combination to deliver enterprise value; OptumCare market entry to enable UHC performance.
Site of Service	Evidence-based site of care via consumer enablement, care provider behavior, POC support, product design, PA improvements.
Network Redesign	Network design efficacy through new design models, analyzing current networks; improving out-of-network capabilities.
Clinical Performance	Clinical category mgmt. for commercial population; launch continuum of care for all commercial markets, including ASO.
Payment Innovation	Design and implement next-generation payment models for providers across the care continuum to reduce total cost of care.
Product	Improve offering and uptake of existing products and tools; develop new product solutions to bring to market.
Consumer	Improve consumer uptake / enhance consumer experience and deliver improved total cost of care (e.g. Rally, Nexus ACO).

Program	Description
Pharmacy	Pharmacy cost mgmt. to medical benefits; outpatient, specialty drugs, polypharmacy; ensure appropriate total cost of care programs include a pharmacy component.
Genomics	Reduce the $700M+ spend on genetic tests across all LOBs; evidence-based genetic testing from high-quality labs when needed.
Physician Workflow	Develop physician workflow ecosystem strategy and coordinate deployment of related initiatives across the enterprise.
Out of Network	Save $1B annually from 2019 – 2022 by driving 75% of ASO payments to ENRP / MNRP or OCM payment methods.
Best-in-Class	Achieve a sustainable competitive position in our top 25 NA markets through strong relationships / partnerships with providers.
ACE	Deploy ACE to ASO; pre-adjudication for facility ED claims to prevent under / up-coding, and reduce medical / admin. costs.
Provider Partnership	Develop a center of excellence to address thought leadership, change management, and program management across markets.

Dramatically raise the competitiveness of our cost position (cont.)

Modernizing Operating Value For Everyone (MOVE)

The vision of MOVE is to create sustained structural cost advantage, simplify our business, streamline technology, invest strategically, and transform our culture to be responsible stewards of the funds that are entrusted to us by all UnitedHealthcare customers – consumers, plan sponsors, and care providers.

As a leader in this industry, it's up to UnitedHealthcare to change the trajectory.

THE VISION

1. **Targeting a $2.4B run rate value (net of investments) by 12/31/2021.**
   In-year net savings of $2.4B by 2022 due to achieving full-year impact from actions started in 2021.

2. **Operating Cost Ratio targeted to decrease 260 bps from 14.3% in 2017 to 11.8% in 2022 [1].**

MOVE Value Streams

The programs below will establish cost superiority as a permanent capability, which will drive meaningful and sustainable changes to our operating cost structure, allowing UHC to offer greater value to those we serve.

Program	Description	Program	Description
Accelerate Digital & Self Service	Improve the speed-to -value via Digital (e.g. paperless) and Self Service (e.g. mobile adoption).	Simplify & Integrate the Organization	Consolidate and integrate similar operations across the enterprise and inside UHC, while streamlining others.
Leverage Global	Leverage global operations to improve cost savings and tap additional talent pools.	Transform Clinical	Simplify the Clinical Continuum of Care.
Re- Engineer & Automate	Leverage technology, process improvement, and root-cause remediation to drive ongoing improvements.	Transform Sales & Distribution	Drive efficiencies across sales, account management, distribution, and health plan operations.
Reimagine Health Care	Pursue disruptive ideas that could significantly impact administrative spend and simplify the system for our customers.	UHC Global	Modernize the supply chain to drive double digit savings (percentage of $1.5B) over the next three years.
Reinvent Product & ASO	Transform product strategy to improve competitiveness in ASO and FI, across all lines of business.		

1. Excluding the Health Insurance Tax and adjusted for mix

Optum Partnership Priorities

- Create a strong, flexible, and durable technology foundation
- Modernize and simplify our portfolio to deliver high-value solutions

UnitedHealthcare®

Create a strong, flexible, and durable technology foundation

The health care industry is experiencing increased expectations to provide more distinctive experiences for its constituents. Existing platform-based companies with well-established customer experience strategies are moving into healthcare. We must embrace simplicity and agility across all levels of the organization to remain relevant and differentiate UnitedHealthcare.

We will be at the forefront of innovation if we build rationalized products, services and systems. We must become **the ecosystem** where multiple business solutions and product work in harmony to create a seamless, continuous, and connected experience with well-integrated and interoperable technology solutions.

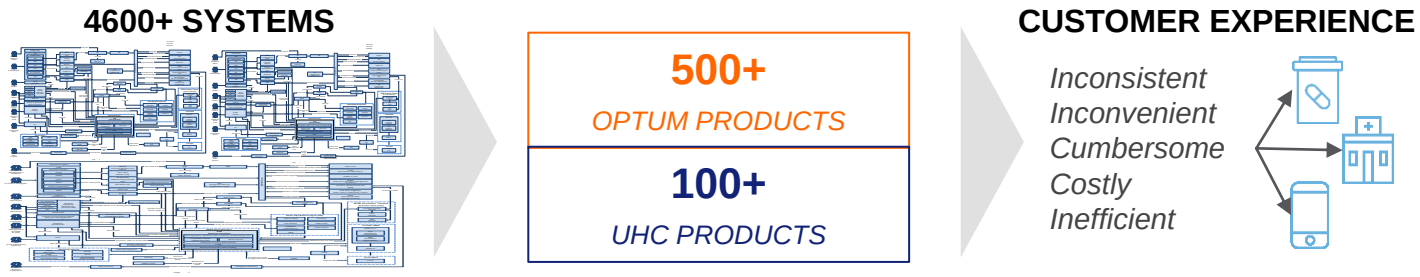
We have the opportunity to help UHC lead the industry in developing value creating solutions, realize increased operational efficiencies, and support on-going financial stewardship.

Goal: Create a strong and flexible foundation

Without it, we cannot expect sustainable future growth.

Why it matters?

Technology is at the core of everything we do, affecting our operations and business performance across the entire enterprise.



- **It affects our quality and speed-to-market.** The state of technology determines the speed at which we deliver solutions, as well as the quality of our data and experiences to our constituents.
- **It prepares us for ever-increasing pace of change.** Technology is modernizing at a pace that requires continuous reinvestment to achieve the most competitive platforms for our businesses. Failure to do this makes way for new players in the market to deliver value faster than we can.
- **It requires a much-needed mindset shift.** Changing our mindset from a 'one time build' to a constant iteration of system features, delivered within weeks, to get our business products to market at record speeds is how we maintain our competitive position.
- **It facilitates collaborative culture.** Working differently with our business partners and constituents is key in designing and transforming the technology foundation necessary to take us to the future. Rethinking how we select technology partners to get us there is crucial.

Laying the foundation

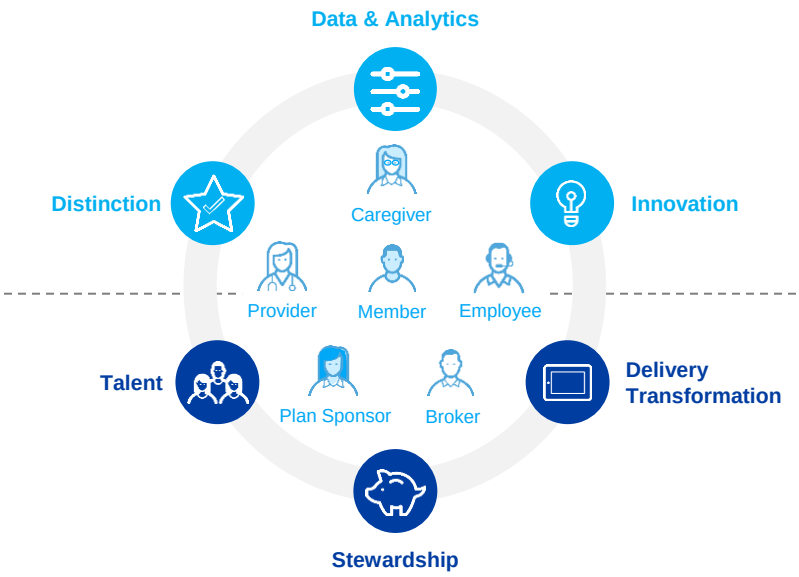
Below are five key building blocks for the creation of a strong, flexible, and durable foundation:

Authenticate.	Access.	Externalize.	Execute.	Personalize.
Member identity and authentication includes single source of eligibility	Customer and provider data in the right place, organized and accessible	Service / API externalization layer to serve up data to myriad of digital experience	Roadmap (and execution) for our digital experience	Personalize digital experiences to individual level or dynamically promote content
1	2	3	4	5

Create a strong, flexible, and durable technology foundation (cont.)

Quality + Experience = Growth

As we move forward, together with our business and Optum Technology partners, our strategy must be focused, intentional, distinctive, and supported by flawless execution to take UHC to 2020 and beyond.



EXPERIENCE

Focus on Distinction, Data, and Innovation together. Through predictive and personalized data insights, we will deliver experiences that create meaningful value for our constituents.

QUALITY

We will redefine the operating and economic model for technology focused on upgrading our internal and external engineering practice and for greater speed and flexibility.

GROWTH

Experience	**Distinction.** Create market leading distinctive experiences across all constituent groups.
	Data & Analytics. Unlock business value with predictive and prescriptive analytics to drive real-time management and health care actions to better serve our constituents.
	Innovation. Pursue innovation through disruptive technologies and non-traditional partnerships.
Quality	**Delivery Transformation.** Partner with Optum Technology to drastically reduce cost of delivery and improve speed to market.
	Stewardship. Bend the cost curve to grow equal to or less than revenue through simplification and focus on open source and cloud strategies.
	Talent. Build the team for the future through intentional development and sourcing strategies.

SPECIFIC INITATIVES

- **Define Data Domains & Critical Sources of Truth.** Create and execute roadmap of data source rationalization and purging. Stand up integration points across our data domains to provide reusable, enterprise-wide access to enable personalization and real-time customer behavior interactions.
- **Asset Starvation & Decommission.** Create and execute a roadmap aimed to deprecate the use and life of Galaxy based on the current state analysis of reporting needs from the business users.
- **Improve Business Agility.** Partner with UnitedHealthcare Operations and LOB leadership to advance agile transformation resulting in more programs, products, and globally integrated scrum teams.
- **Advance Open Source.** Drive migration to open source and cloud-based technology to improve total cost of ownership for UnitedHealthcare.
- **Create a Health Care Platform.** Partner closely with Optum to develop guidelines so that teams can build our own *ecosystem*, creating a consistent, inexpensive, and personalized experience for members.

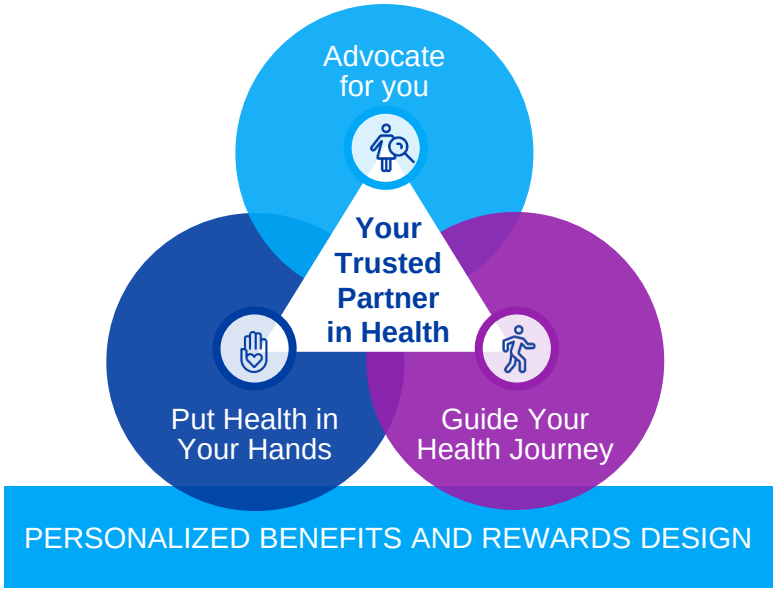
Modernize and simplify our portfolio

When the full assets of this enterprise are working together, we can drive meaningful change for the people we serve, and produce long-term, sustainable growth. That includes partnering closely with Optum to ensure we are always delivering best-in-class products and services for our customers. While Optum makes its services available to everyone in the markets it serves, no one is integrating their full continuum of offerings at the local level as deeply, or for as long, as UnitedHealthcare.

The unique value of this relationship is one of the most significant competitive advantages we have and one of the driving forces behind our consistent, market-leading growth. There are several ongoing efforts to reassess our existing products and services and ensure they continue to meet the needs of our customers.

Harmonization

The objective is to deliver high-value solutions for our customers and members along the full continuum of the health journey focused on three specific value proposition pillars to deliver value:



Advocate for You

- Simplify and focus our services on helping people who are in need of or are seeking guidance on health, care, and benefits.

Guide Your Health Journey

- Drive a fundamental shift in our role with our members. Really understand our members and create a personalized health experience that includes a complete personal health profile, helpful recommendations that are easy to take action on, and always the right care.

Put Health in Your Hands

- Provide our members easy-to-access and easy-to-use tools and services that empower them to set and achieve their health goals.

How we will deliver

The below work streams will inform a product architecture to support the above value propositions and enable a distinctive experience for our members. We will coordinate an enterprise-wide effort to simplify, modernize, and rationalize our product offerings to compete more effectively in the market and demonstrate more compelling value to clients, including great simplicity, flexibility, and speed-to-market.

WORK STREAM	Growth	Product Portfolio Optimization	Future State Product Architecture	Consumer Digital Alignment
SCOPE	Growth office alignment to drive simplification and improved sales effectiveness.	Rationalizing product (informs MOVE subscriptions), improving value reporting, PGs and pricing to support near term growth and cost simplification efforts.	Articulation of future state product architecture across main product categories of advocacy, health and care. Includes alignment of product development and capital roadmaps.	Digital roadmap alignment for consumer oriented capabilities across Optum, UHC, and Rally to reduce duplication, and improve consumer experience.

Modernize and simplify our portfolio (cont.)

A critical aspect of delivering simple, flexible, and high-value solutions to our members and customers—and being able to articulate the value story of the UnitedHealthcare-Optum partnership—will be organizing, aligning, and digitizing our clinical capabilities.

Clinical Transformation

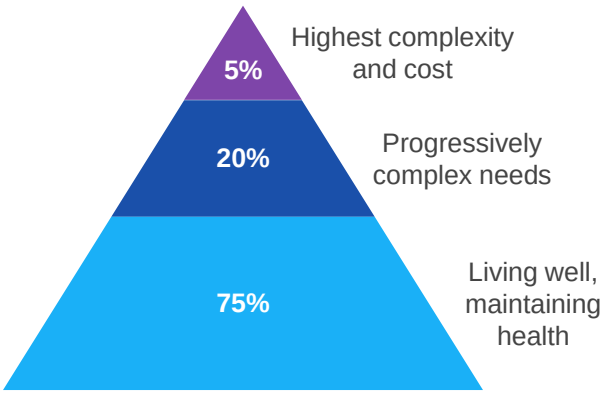
As UHG prepares for 2025, our collective clinical platform has the potential to create significant competitive advantage and generate market-leading economics through Optum (as solutions or products sold in a multi-customer model) or UnitedHealthcare (as drivers of lower total cost of care, higher quality, and higher NPS).

This multi-year UnitedHealthcare and Optum effort is tasked with answering the question: What is the UnitedHealth Group clinical capability roadmap over the next 5 – 7 years? This will be achieved by assessing our current state performance, identifying any gaps, and defining how we can best meet the needs of our customers in the short-term. Additionally, this effort will inform our long-term, end-to-end, whole person clinical approach and the organizational alignment of how we best deliver.

What a better system looks like: End-to-end, interconnected technologies

Our nearly 50 million members span the clinical spectrum, from those who are living well, to managing episodic conditions, to those who have the most intense care needs. Our strategy is rooted in leveraging data and cutting-edge technology to meet members where they are, empower them in their care, and support them in achieving their best health. Every component of our approach is clinically driven and ties back to the Triple Aim of lower cost, improved outcomes, and a distinctive experience.

The Goal: Engage the 75% of members who are living well, support the 20% with increasingly complex conditions, and actively manage the 5% with the most intense health needs and costs.



Product architecture to support our goal

Onboarding		
Advocacy		
75% Motion, Rally, Quit4LIFE, Navigate4Me, NurseLine, etc.	**20%** Diabetes / CAD, Asthma, COPD, Maternity, CHF, Behavioral, etc.	**5%** Chronic, NICU, Palliative Care, ESRD, etc.
Individual Health Record and Personalization		
Benefits and Rewards Design		
Value (Reporting, Insights, and Outcomes)		

PARTNERSHIP PROOF POINTS

~240M

Number of individuals across our combined claims, demographic, and clinical data set

$33B

Total Optum spending by M&R in 2018

20%

Percent of time physicians switch to more affordable medicines when offered through PreCheck MyScript

Appendix:

Supplemental Analysis

- NPS Competitive Benchmarking History
- Industry Trends

UnitedHealthcare®

APPENDIX

NPS Glide Path to 2025

The below table attempts to determine how feasible the 2025 NPS targets are to achieve, based on 2018 year-end results. Each year's increase assumes the in-year goal was achieved as dictated by the 70 in 7 goal setting methodology. This approach provides a "best case" view of what NPS results could be by 2025.

	2018	2019	2020	2021	2022	2023	2024	2025
E&I								
SB / KA	4	14	23	31	38	44	50	55
National Accounts	12	21	29	36	42	48	53	58
M&R								
MAPD	57	61	65	68	71	74	77	79
Part D	25	32	39	45	50	55	59	63
Med Supp	65	68	71	74	77	79	81	83
Group Retiree	54	59	63	67	70	73	76	78
C&S								
DSNP	73	76	78	80	82	84	86	87
Medicaid	62	66	69	72	75	77	79	81
Global								
Amil Overall	29	36	42	48	53	58	62	66
Americas Overall	62	66	69	72	75	77	79	81
Client								
Small Business	13	22	30	37	43	49	54	59
Key Account	40	46	51	56	60	64	68	71
National Account	72	75	77	79	81	83	85	86
Global Solutions	49	54	59	63	67	70	73	76
Care Provider								
Physician	16	24	32	39	45	50	55	59
Practice Manager	19	27	34	41	47	52	57	61

APPENDIX

NPS Competitive Benchmarking History

2018

Commercial Consumer		Medicare Advantage		Part D		Medicaid		Medicare Supplement		DSNP	
Kaiser	135	Kaiser	115	**UnitedHealthcare**	**100**	Centene	118	**UnitedHealthcare**	**100**	**UnitedHealthcare**	**100**
BCBS	115	Cigna	108	Humana	78	WellCare	105	BCBS	90	Humana	84
Humana	103	BCBS	104	SilverScript	72	**UnitedHealthcare**	**100**	Mutual of Omaha	89	WellCare	82
Cigna	103	Humana	102	Aetna	65	Molina	100	Aetna	88		
UnitedHealthcare	**100**	**UnitedHealthcare**	**100**			Anthem	98	Anthem	69		
Aetna	94	Aetna	93			Aetna	88				
		Medicare A+B	81								

2017

Commercial Consumer		Medicare Advantage		Part D		Medicaid		Medicare Supplement		DSNP	
Kaiser	138	Kaiser	123	**UnitedHealthcare**	**100**	Anthem	102	**UnitedHealthcare**	**100**	Wellcare	116
Humana	122	Humana	101	Cigna	97	Centene	102	Aetna	83	**UnitedHealthcare**	**100**
BCBS	120	**UnitedHealthcare**	**100**	Aetna	94	**UnitedHealthcare**	**100**	BCBS	82	Humana	87
Aetna	105	Cigna	100	Humana	84	Wellcare	92	Mutual of Omaha	81		
UnitedHealthcare	**100**	BCBS	96	Silverscript	75	Molina	89	Anthem	62		
Cigna	98	Aetna	92			Aetna	87				

2016

Commercial Consumer		Medicare Advantage		Part D		Medicaid		Medicare Supplement	
Kaiser	146	Kaiser	127	**UnitedHealthcare**	**100**	Aetna	117	**UnitedHealthcare**	**100**
BCBS	125	Humana	116	Aetna	95	Wellcare	106	Mutual of Omaha	97
Humana	122	**UnitedHealthcare**	**100**	Humana	87	**UnitedHealthcare**	**100**	BCBS	95
Cigna	105	BCBS	98	Silverscript	58	Molina	100	Aetna	83
Aetna	102	Aetna	91	Cigna	56	Anthem	100		
UnitedHealthcare	**100**	Cigna	83			Centene	93		

2015

Commercial Consumer		Medicare Advantage		Part D		Medicaid	
Kaiser	154	Kaiser	116	**UnitedHealthcare**	**100**	**UnitedHealthcare**	**100**
BCBS	105	**UnitedHealthcare**	**100**	Aetna	87	Amerigroup	84
UnitedHealthcare	**100**	Cigna	95	Humana	84		
Humana	100	BCBS	95	Cigna	81		
Cigna	97	Humana	85	Silverscript	72		
Aetna	94	Aetna	80				

Market forces driving our enterprise strategy

In response to the health care market forces highlighted below, UnitedHealth Group has established its 2025 Vision and five main growth areas. The vision is to modernize health care, significantly enhance the value people receive from health systems, and to meaningfully improve the experience through consumer-responsive products and services.

Health Care Cost Growth

$5.5T

in total U.S. health care costs by 2025, up more than $2T since 2016.

Aging U.S. Population

~20%

of the U.S. population will be age 65 and older in 2025, up from ~16% in 2018.

Emerging Technologies

$450B+

reduction in U.S. health care costs by applying technology innovations at scale.

VBC Proliferation

150M

people covered under Accountable Care Organizations (ACOs) by 2025.

Chronic Disease Spending

$42T

projected total cost of chronic disease from 2016 – 2030, including medical costs and lost employee productivity.

Increasing Retailization

$1.6T

retail-centric spend through 2025, representing 69% of growth in health care expenditures.

UnitedHealth Group 2025 Growth Areas

- **Reinventing Health Care Delivery**
- **Transforming Pharmacy Care Services**
- **Advancing Consumer-Centric Benefits**
- **Accelerating Digital Health Care**
- **Expanding Global Opportunity**

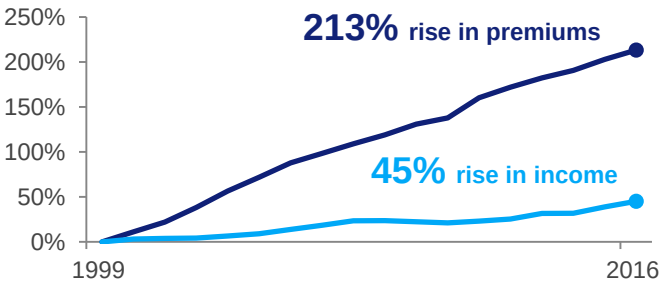
Cost Growth

Below, four potential shocks to UnitedHealthcare's business are explored, all hypothetically catalyzed by the industry's inability to meaningfully stem health care cost growth.

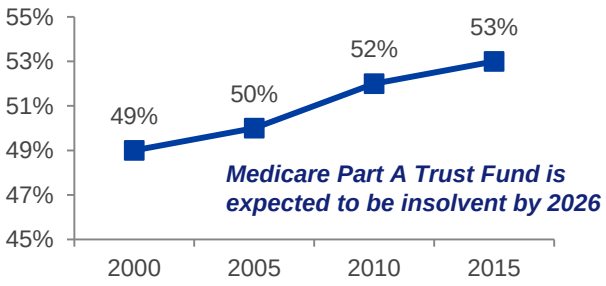
Cost growth is on an unsustainable path

As premiums, deductibles, and out-of-pocket expenses grow faster than wages, and the government share of health care expenses increases, it is only a matter of time before drastic changes disrupt the current system.

Rise in Health Insurance Premiums and Median Income



Government Share of Total Health Care Expenditures



What could disruption look like?

1. **Disintermediation of MCOs.** There is increasing employer angst and attempts to disintermediate MCOs by sophisticated large employers such as Comcast (with Accolade), Walmart (direct-to-provider contracting), and emerging employer coalitions (e.g. Amazon-Berkshire Hathway-J.P.Morgan Chase). Successful execution of this disintermediation could provide a blueprint for all other self-insured employers to follow suit, which would severely disrupt our commercial customer base.

2. **Healthy commercial members opt out of health insurance.** Healthy individuals are most likely to switch from traditional insurance coverage to a new, higher-value product / service offering, as soon as it becomes available. This would negatively affect our commercial membership, and consequently our medical cost (assuming more complex populations continue to elect traditional coverage), leading to a serious profitability issue for the company.

3. **Employer-sponsored insurance tax reform.** In addition to the nearly $1.3B the government spends on Medicare and Medicaid, it also loses $260B each year due to the employer-sponsored insurance (ESI) exclusion on income and payroll taxes. It is projected that the full repeal of this tax benefit would cause a loss of nearly 10% of total employer-insured members.

IMPLICATIONS: In the above scenarios, even a single-digit percentage decrease in commercial membership by 2025 represents a multi-billion dollar hit to UnitedHealthcare's internal operating income.

4. **Introduction of government sponsored single payer.** Increasing share of total health expenditures spend may pressure the federal government into making radical changes to the current health care system. One such reform is an overhaul to a single payer health care system, which would largely replace private medical insurance. A recent Reuter's survey found that 70% of Americans would support a "Medicare for All" policy.

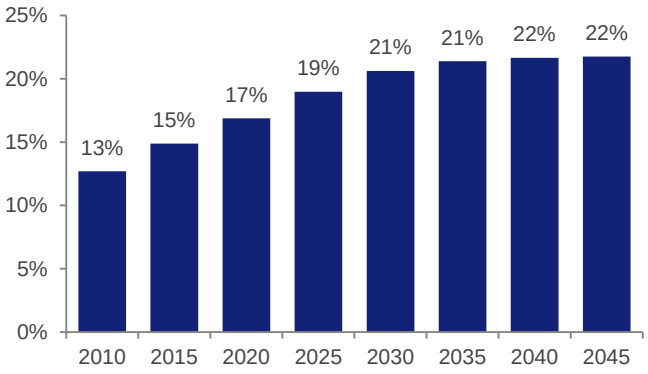
IMPLICATIONS: Medicare for All reform would remove competition from the health insurance market, stifling potential innovation opportunities and limiting UnitedHealthcare's role in transforming the industry.

Demographics

The percent of Americans on Medicare continues to increase, pressuring government funding. As 85+ year olds and Gen Xers will make up an increasing share of the Medicare population, chronic care models will become more important and there will be higher expectations around digital engagement.

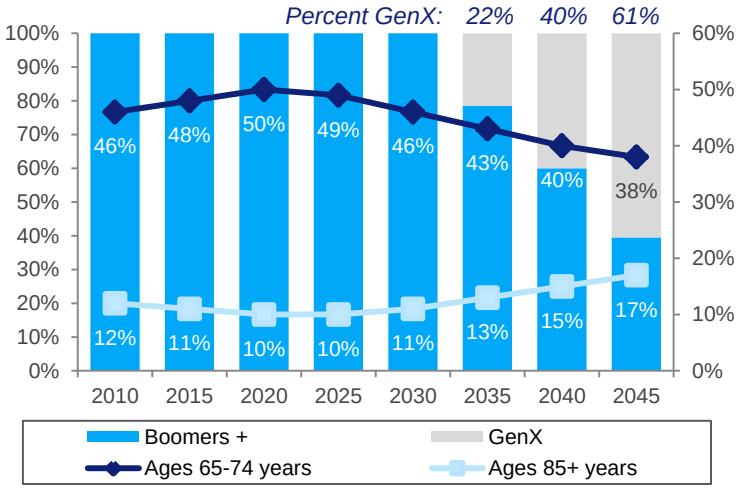
The population continues to age...

Percent of Population Over 65
2010-2045P



...and new generations enter Medicare

Age Distribution of Medicare Population
2010-2045P

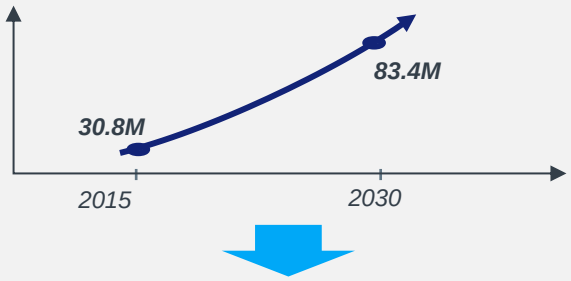


This aging population has increased prevalence of chronic conditions

21% of the population will be 65+ years old by 2030 (versus 13% in 2010)

81% of 65+ year olds have multiple chronic conditions (versus 30% for 18 – 65 year olds)

Increased prevalence of U.S. Adults with Three or More Chronic Conditions



Patients with 3+ chronic conditions are 7x-14x more expensive than people with none

UHC 2020 – 2022 Strategic priorities addressing these trends

Elevate high-performing care providers and become an essential partner in how care is delivered

Create a health care ecosystem that fundamentally reshapes our network to one that is built around and designed for our top performing care providers, with clear identification of high-performing, in-network, care providers and sites of service.

Inspire consumers to trust us in co-managing their health

Support the health and wellbeing of our members through a simple, fully digitally-enabled, personalized, and precision medicine-based Participatory Health model.

Emerging Technologies: Consumer Digital

Digital health is at an inflection point – consumers are rapidly increasing their use of digital platforms for managing their health and the race toward owning the “digital front door” for the American consumer is escalating. The future of health care will be determined by the companies that leverage emerging technology to improve and transform the health care experience for consumers.

Consumers are ready for digital engagement...

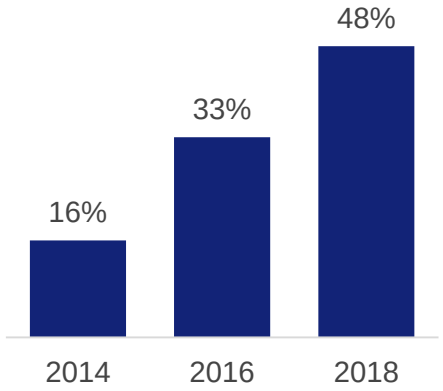
70% of consumers are interested in digital solutions for health care decision making

66% consumers are willing to see a doctor via video, including 53% of the 65+ population

75% of U.S. online consumers want digital engagement from their health insurers, but only 40% are connected to their insurers digitally

...and the use of mobile technology to manage health is increasing

Consumer utilization of mobile health apps (2011-2018E)



The race to own the “digital front door” is heating up

Anthem®

Announced telehealth partnership with Samsung’s Android smart phone platform and American Well. Hired former Google head of search products.

Delivered Health Records API for developers to help create an ecosystem of apps that use health record data from over 500 hospitals and clinics.

amazon

Partnered with Xealth and hospitals on a pilot to "prescribe" medical products / services to patients before discharge to be delivered to their home.

UHC 2020 – 2022 Strategic priorities addressing these trends

Create a strong, flexible, and durable technology foundation

Create a flexible infrastructure and agile environment to enable the organization compete effectively in ever-increasing pace of industry change by transitioning to agile business culture, investing in production and development talent , decommissioning old systems, and developing best-in-class data and analytics capabilities.

Inspire consumers to trust us in co-managing their health

Support the health and wellbeing of our members through a simple, fully digitally-enabled, personalized, and precision medicine-based Participatory Health model.

Industry Consolidation

Over the last several years, we have seen provider / health system consolidation. There was also continued consolidation among health insurers, however, these deals are becoming more difficult to complete, as most larger acquisitions fall under stiff regulatory scrutiny. Still, 2018 was a big year for mergers and acquisitions (M&A) in terms of the size and scope of the deals that closed. We observed three types of non-traditional M&A deals emerge in order to combat declining reimbursement, rising costs, ever-more involved consumers, and disruptive technologies:

National Retail Clinic/ Pharmacy and Insurer

A retail clinic and pharmacy chain with a national presence partnered with a commercial health insurer

Insurer and Care provider

A commercial health insurer partnered with an organization that provides outpatient, inpatient, and/or post-acute care

Non-provider Entity and Physician Group

An organization that is not involved in care delivery partnered with an independent physician group

The expected results of these three types of non-traditional deals focus around creating higher cost effectiveness due to margins being at a historic low, streamlining processes, increasing care quality and improving customer experience through influence of customer options and choice. More specifically:

COST EFFECTIVENESS

Retailer / pharmacy and payer merger, similar to CVS and Aetna's, for example, may leverage beneficiary interventions to improve patient's long term outcomes.

Payer / Provider M&A deals, such as United's acquisition of DaVita Medical Group, try to gain cost effectiveness through directing members to low-cost network and controlling downstream volumes and risk.

Non-provider entities, such as Apple, potentially partnering with One Medical, do so in an attempt to improve efficiency of care delivery through leveraging population health data from wearables and enabling a proactive health system.

INFLUENCE CUSTOMER OPTIONS AND CHOICE

Additionally, having access to a retail space allows for influencing consumer options and choice directly. Aetna, for example, will have the option to re-direct prescription volumes to CVS pharmacies.

An opportunity payer and provider partners have is for the payer to incentivize and re-direct patients to the specific provider sites and capture additional volume.

One Medical, for example, could leverage Apple's brand recognition and more easily attract greater volumes of patients who use Apple's devices.