

**The evolving insurance landscape and
the implications to care delivery**

Allina Spine Conference
November 2018

Philip Kaufman
Chief Executive Officer
UnitedHealthcare of Minnesota, North Dakota and South Dakota



NERD

**CAN I BUY A
CELL PHONE?**



NERD?

Our mission

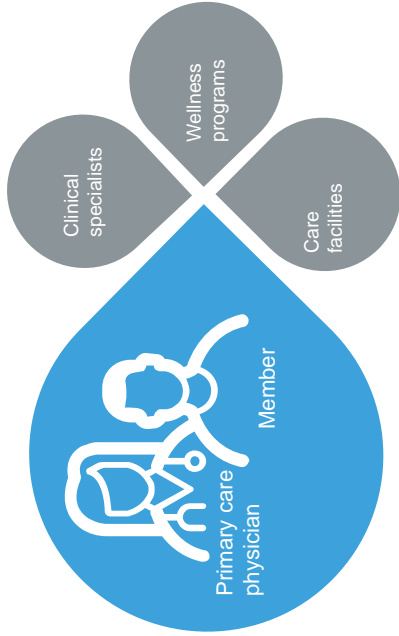


Helping people **live healthier lives** and helping make the health system **work better for everyone.**



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Primary care physicians play an important role



These connections of resources and support to help members achieve better health outcomes **create the nexus** — the vital links that deliver **improved simplicity, greater efficiencies and lower costs.**

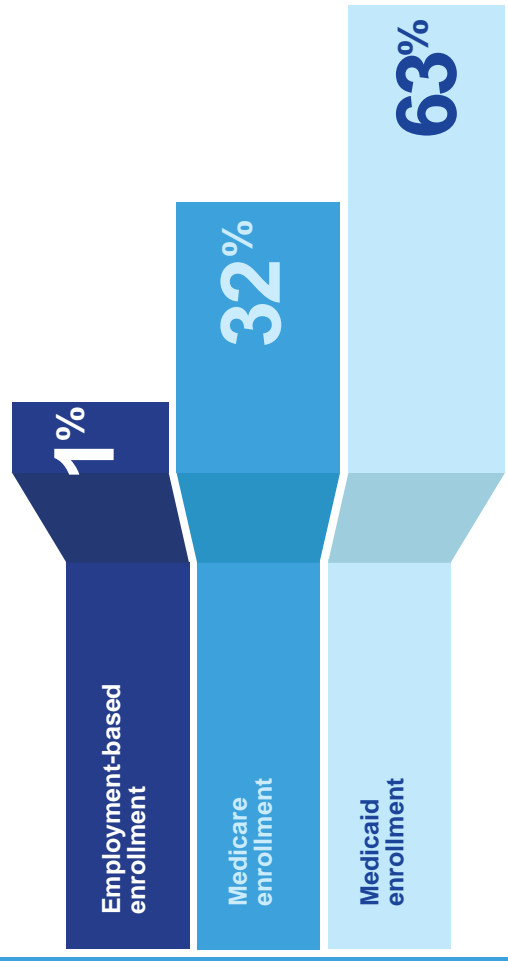
The health care landscape

Current insurance landscape



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Change in U.S. health insurance industry from 2006 to 2016



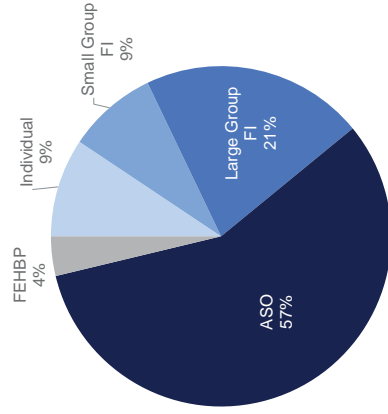
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The commercial landscape



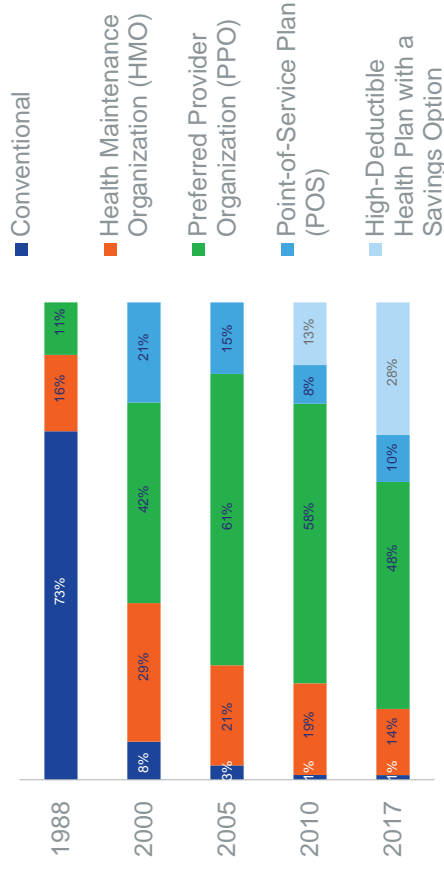
- Overall commercial market is almost **172 million members**
 - 57% Administrative Services Only (ASO)
 - 43% Fully Insured (FI)
- Since 2010, Administrative Services Only market has grown by 9% (or 8M members), while Fully Insured market declined 9% (or 7M members)

Commercial Market by Line of Business



Sources: 2016 SHCE Filings, 2016 Annual State Filings and January 2017 HUIS and IO:17 Earnings

Distribution of plan enrollment Commercial Market 1988-2017



The Medicaid landscape



Medicaid provides coverage for people with low incomes, pregnant women, children, elderly and people with disabilities.

74M

- Americans are on Medicaid
- 1 in 2 low-income individuals
- 2 in 5 children
- 3 in 5 nursing home residents
- 2 in 5 people with disabilities
- 1 in 5 Medicare beneficiaries

Most Medicaid programs cover:



Hospital stays



Doctor visits



Care for expecting mothers

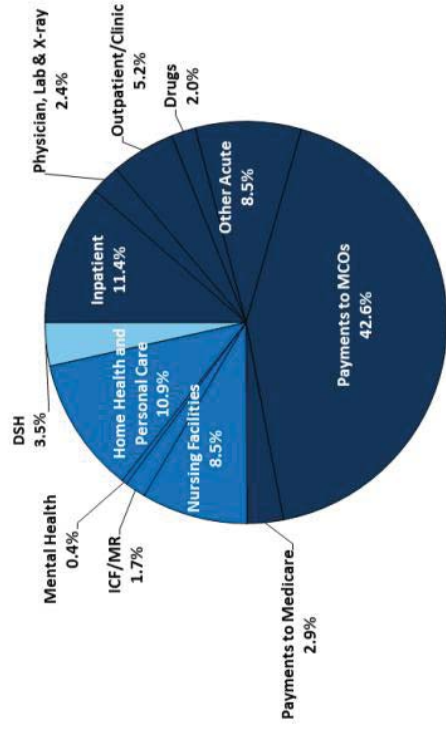


Shots for children



Tests and x-rays

2016 Medicaid spend by service



Total = \$532.08 billion

NOTE: Excludes administrative spending, adjustments and payments to the territories.
SOURCE: Urban Institute estimates based on FY 2015 data from CMS (Form 64), prepared for the Kaiser Commission on Medicaid and the Uninsured.



The Medicare landscape



Medicare is a federal health insurance program by the Centers for Medicare and Medicaid Services (CMS), which provides coverage for individuals 65+, under 65 with certain disabilities and any age with End-Stage Renal disease.

60M

Americans enrolled in Medicare

Medicare consists of four parts:

PART A

Medicare Part A: Hospital Insurance

- Helps with the cost of inpatient hospital stays and skilled nursing home costs

PART B

Medicare Part B: Medical Insurance

- Helps with the cost of inpatient medically necessary doctor visits and other medical services including outpatient care at hospitals and clinics, lab tests, some diagnostic screenings and some skilled nursing care

PART C

Part C: Medicare Advantage Plans

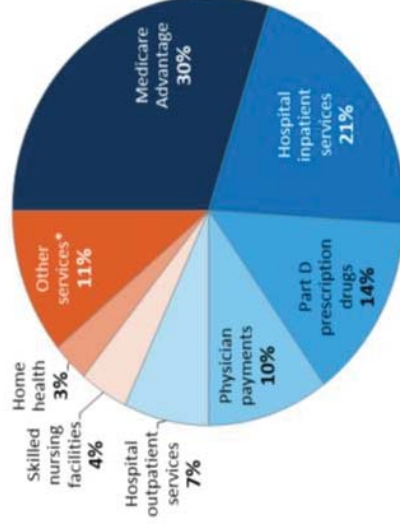
- Combines services under Part A and B into one package (hospital and medical insurance) and generally offers additional benefits such as vision, dental and hearing, and many include Part D prescription drug coverage

PART D

Medicare Part D: Prescription Drug Coverage

- Helps with the cost of prescription drug coverage

2016 Medicare spend by service



Total Medicare Benefit Payments, 2016: \$675 billion

NOTE: *Consists of Medicare benefit spending on hospice, durable medical equipment, Part B drugs, outpatient dialysis, outpatient therapy services, ambulance, lab services, community mental health center services, rural health clinic services, federally qualified health center services, and other Part B services.
SOURCE: Congressional Budget Office, June 2017 Medicare Baseline.



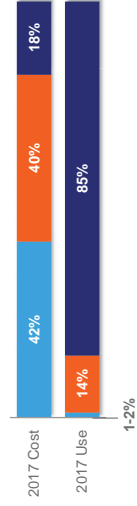
The pharmacy landscape is changing rapidly



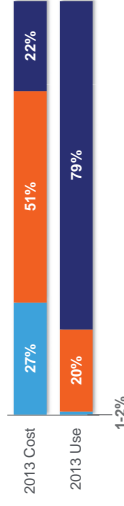
- Specialty market has driven up costs nearly 70% since 2013
- Cost for traditional brand-name drugs up 57% over past 5 years
- Specialty drug costs predicted to exceed 60% of overall drug costs by 2020²

Average Retail Cost per Rx¹

	Specialty	Brands	Generics
2017	\$3,776	\$303	\$21



	Specialty	Brands	Generics
2013	\$2,235	\$193	\$21

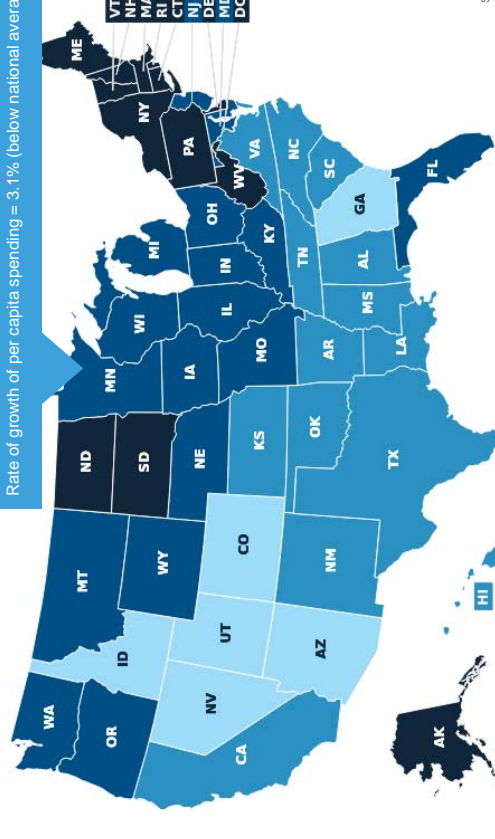


¹OutRx commercial clients, YTD October 2017 data. ²BrookRx pharmacy book of business data. Note: Average ingredient cost can have wide variation based on drug mix within a specific population.

Health care spending per capita by state



Health spending per capita = \$8,871 (slightly above national average)
Rate of growth of per capita spending = 3.1% (below national averages)

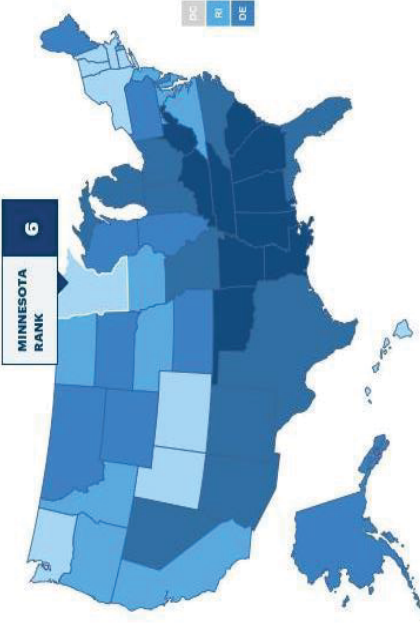


Source: Kaiser Family Foundation's State Health Facts, 2014.

Health care outcomes by state



Minnesota health spending per capita = \$8,871 (slightly above national average)
Ranks 6th highest for positive health outcomes

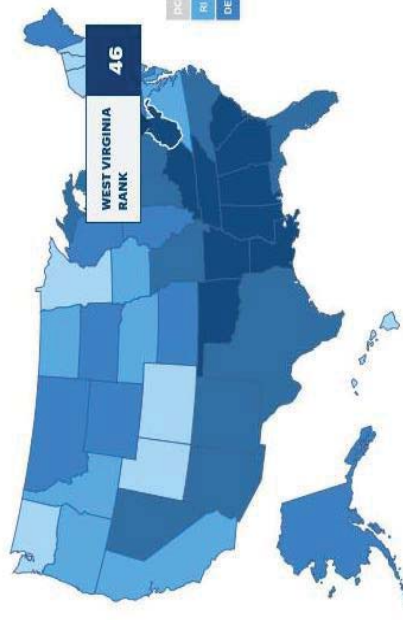


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Health care outcomes by state



West Virginia Health spending per capita approx. \$10,000 (well above national average, on par with New York)
Ranks 46th lowest for positive health outcomes



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Social determinants of health cannot be ignored



40% of what drives health outcomes are social and economic factors¹

+

More than **1 in 10** Americans remain uninsured, ~28.6 million²

“ We have said for decades **access to quality care for all Americans should be a national and social expectation** – and we believe it has become that. The question remaining is the ultimate approach – *how* to best achieve and sustain it. ”

Steve Hemsley, Executive Chairman, UnitedHealth Group

¹ National Academy of Medicine 2 Centers for Disease Control and Prevention

Musculoskeletal costs on the rise

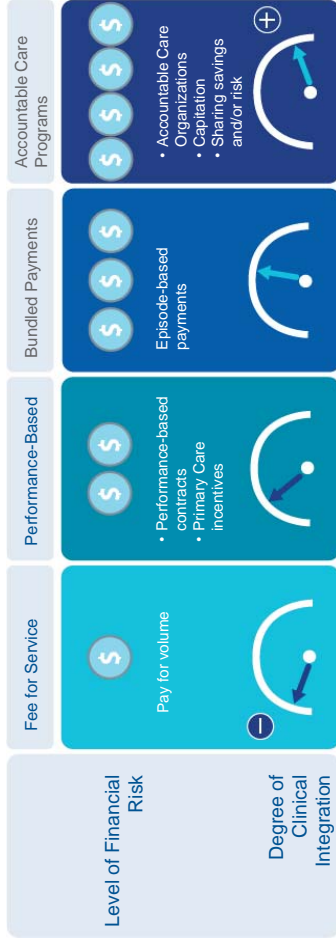


Musculoskeletal (MSK) costs represent **17%** of all health care spending.¹

Since 2014, hip, knee and spine procedure costs have increased up to **45%.**²

¹The Burden of Musculoskeletal Diseases in the United States: Prevalence, Societal and Economic Costs (BMJUS), 3rd edition, 2015; Healthcare Economics; 10/2014–09/2015 UnitedHealthcare claims. ²Optum® commercial book-of-business analysis, 2014–2017

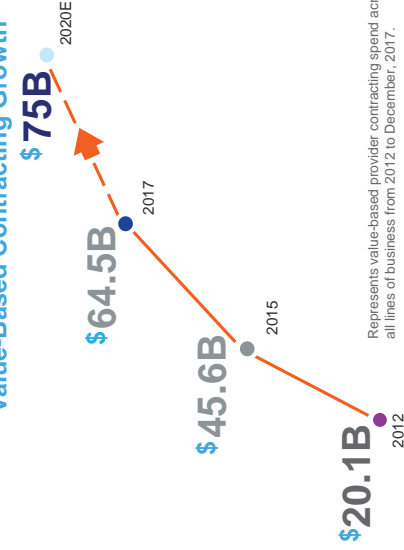
The value-based care spectrum



Value-based contracts continue to grow



Value-Based Contracting Growth



- Value-based provider contracting is designed to deliver quality outcomes, lower costs and a better experience for our members.
- **Creates stronger alignment with providers** through actionable data and new strategies.
 - **Controls health care costs** with new ways to share risk and incent providers.
 - **Improves the member experience** by integrating network and plan designs, consumer tools and clinical programs.

Represents value-based provider contracting spend across all lines of business from 2012 to December, 2017.

Up to **6%** lower medical costs with value-based care programs.¹

¹Results are based on UnitedHealthcare's commercial business ACOs, for 2013-2016. Mature, top performing ACOs can realize up to 12% lower medical costs.

Spine and joint solution continues to show value to our clients and members



17%

fewer complications
for joint replacements.¹



\$18,000+

or more cost savings
per operation.¹



22%

fewer costly readmissions
for spine surgeries
(fusions and discs).¹

Consumer engagement is evolving

¹ Optum analytics completed an analysis of the performance of SJS Centers of Excellence vs. facilities that do not have the SJS Centers of Excellence designation. This analysis identified Commercial and Medicare members with a qualifying spine or joint surgery between 7/1/2012 and 6/30/2015. Optum Analysis 2018. Comparison of SJS Centers of Excellence contracts to UnitedHealthcare Allowed Market Averages 7/1/2015-6/30/2017.

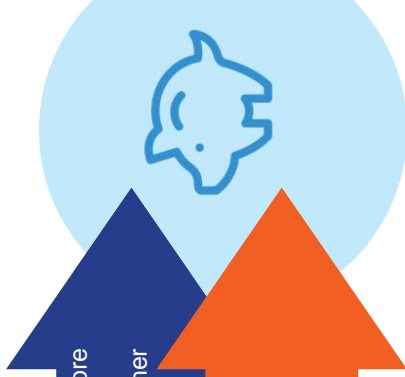
As consumer-driven plans grow, so does consumer shopping



Consumer-driven health plans engage consumers more directly in maintaining and managing their own health through a variety of cost-sharing mechanisms and other engagement strategies.

Tools to help members shop for health care:

- Provider quality and cost information
- UnitedHealth Premium program
- Consumer ratings
- Integrated, personalized cost estimates
- HSA balances
- Advocate4Me advocates trained to support



Engaging members across a diverse population



Providing our members with options to engage in the way that best meets their needs.



Engaging members with personalized support



88%

of members have high-level trust in information received from their advocate



Advocate4Me



Local engagement team



Clinical programs and nurses

UnitedHealth Group Advocate4Me Operations Scorecard, January 2014 – November 2016. Results shown are not a guarantee of future performance.

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Engaging members with digital solutions



36%

of consumers prefer digital support



myuhc.com



app



Rally

The Birth of the Health Care Consumer: Growing Demands for Choice, Engagement and Experience, PricewaterhouseCoopers, October 2014. Consumers age 35-44.

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Giving members access to cost and quality data at myuhc.com



Integrated, personalized cost estimates

healthgrades consumer ratings

Cost banding search presentation

Care paths with out-of-pocket costs

Service	Average Cost	Out-of-Pocket Cost
Office Visit, Primary Care	\$42	\$0
Established Patient, Midrange	\$42	\$0
Office Visit, Primary Care, Established Patient, Midrange	\$42	\$0
Office Visit, Primary Care, Established Patient, Midrange, High Complexity	\$42	\$0
Office Visit, Primary Care, Established Patient, High Complexity	\$129	\$130
Office Visit, High Complexity	\$129	\$130
Office Visit, High Complexity, New Patient, High Complexity	\$129	\$130

Service	Average Cost	Out-of-Pocket Cost
Office Visit, Primary Care	\$116	\$20
Established Patient, Midrange	\$116	\$20
Office Visit, Primary Care, Established Patient, Midrange	\$116	\$20
Office Visit, Primary Care, Established Patient, Midrange, High Complexity	\$116	\$20
Office Visit, Primary Care, Established Patient, High Complexity	\$116	\$20
Office Visit, High Complexity	\$116	\$20
Office Visit, High Complexity, New Patient, High Complexity	\$116	\$20

Collaborating with providers

Building a bridge with providers



Strategically focused on advancing the health system of the future.



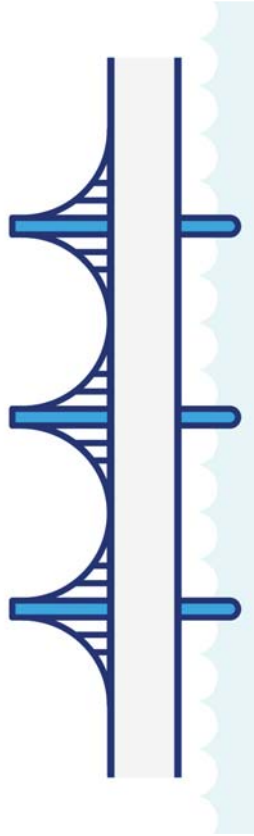
Engage providers in a whole-person approach to health and care



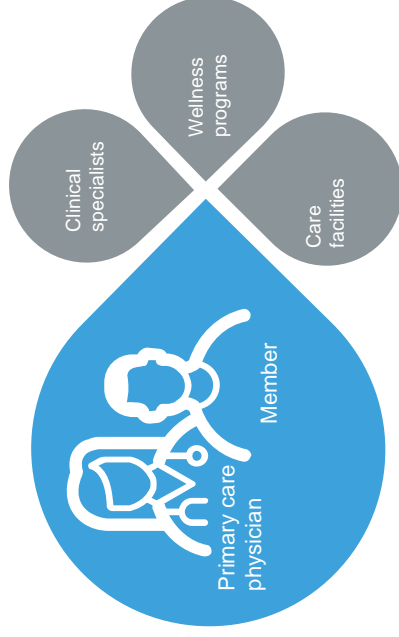
Partner in the movement from volume to value and make it real



Empower through real-time analytics to improve population health outcomes



Primary care physicians play an important role



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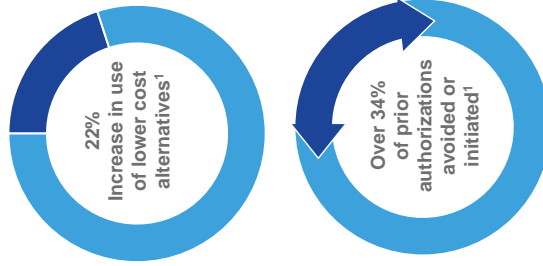
PreCheck MyScript provides real-time data at the point of prescribing



PreCheck MyScript shares member-specific coverage and cost information to empower providers at the point of prescription.



- Price transparency.
- Lower cost.
- Timely prescriptions.
- Better adherence.



1. May-Aug-Oct 2017, UnitedHealthcare data

Select Patient
Manage Medications
Manage Allergies

Prescription Report
Additional Options
Member Area

Log Out
Help / Contact Us
Refresh / Center

User: DR KEN KIDNEY [Schedule](#)

Hospital Information

Patient Demographic Information

Location: Eden Prairie User: DR KEN KIDNEY [Schedule](#)

Patient: JOHN SMITH [Prescribe](#) [Change Demographics](#) [Export Patient Summary](#) Last Encounter: No list encounter [Encounter Today](#)
 Phone: (555) 555-5555 (home) Transition of Care: Yes No
 Pharmacy: Retail Pharmacy Patient Consent: Yes No
 DOB: 05/07/1987 [Show Allergy](#)

Patient Scorecard
Patient Support
Clinical Decision Support
ePA+
Medication Fill History

Prescribe a Medication

Select Medication for Prescription

Name:

Favorites: - Choose a Favorite -

Pending Prescriptions for this Patient

[Select All](#) | [Select None](#) | [Delete Selected](#)

none

[Select Patient](#) | [Manage Medications](#) | [Manage Allergies](#) | [Hospital Information](#) | [Location: Eden Prairie](#) | [User: DR. KEN KIDNEY](#) | [Schedule](#) | [Prescription Report](#) | [Additional Options](#) | [Member Area](#) | [Log Out](#) | [Help / Contact Us](#) | [Refresh / Center](#)

GLUMETZA: This medication will require a **PRIOR AUTHORIZATION** to be covered by this patient's prescription benefit plan.

Medication	Pharmacy Name / Type	Duration (days)	Patient Cost	Select
Glumetza tablet	Retail Pharmacy	30	\$50.00	<input checked="" type="radio"/>

Please consider prescribing one of the alternative medications listed below:

Fortamet tablet	Retail Pharmacy	30	\$10.00	<input type="radio"/>
Glucophage	Retail Pharmacy	30	\$10.00	<input type="radio"/>

This is an estimated cost, so the actual pricing may vary. Because drug prices are subject to change, and the cost provided is an approximation based upon claims and medical information currently available, the actual cost at the pharmacy may differ.

Glumetza (glimepiride) 300 mg tablet
 Dispense: "30" (thirty) capsule
 Sig: Take 1 (one) capsule by mouth once a day
 Duration: 30 days
 Refills: None

[Print](#) | [Initiate](#)

[Select Patient](#) | [Manage Medications](#) | [Manage Allergies](#) | [Hospital Information](#) | [Location: Eden Prairie](#) | [User: DR. KEN KIDNEY](#) | [Schedule](#) | [Prescription Report](#) | [Additional Options](#) | [Member Area](#) | [Log Out](#) | [Help / Contact Us](#) | [Refresh / Center](#)

HYZAAR: This medication is **COVERED** by the patient's prescription benefit plan.

Medication	Pharmacy Name / Type	Duration (days)	Patient Cost	Select
Hyzaar tablet	Retail Pharmacy	30	\$50.00	<input type="radio"/>

Please consider prescribing one of the alternative medications listed below:

Micardis/HCT tablet	Retail Pharmacy	30	\$10.00	<input checked="" type="radio"/>
Avalide tablet	Retail Pharmacy	30	\$10.00	<input type="radio"/>

This is an estimated cost, so the actual pricing may vary. Because drug prices are subject to change, and the cost provided is an approximation based upon claims and medical information currently available, the actual cost at the pharmacy may differ.

Hyzaar (Losartan/Hydrochlorothiazide) 50/12.5 mg tablet
 Dispense: "30" (thirty) capsule
 Sig: Take 1 (one) capsule by mouth once a day
 Duration: 30 days
 Refills: None

[Print](#) | [Change Rx](#)

Pharmacy Selected: Retail Pharmacy

Select Patient
Manage Medications
Manage Allergies

Prescription Report
Additional Options
Member Area

Log Out
Help / Contact Us
Refresh / Center

User: DR KEN KIDNEY [\[Schedule\]](#)

Location: Eden Prairie

Patient Demographic Information

Patient: JOHN SMITH [\[Profile\]](#) [\[Change Demographics\]](#) [\[Export Patient Summary\]](#)
 Phone: (555) 555-5555 (home)
 Pharmacy: Retail Pharmacy
 DOB: 05/07/1987

Last Encounter: No list encounter [\[Encounter Today\]](#)
 Transition of Care: [\[TOC Today\]](#)
 Patient Consent: Yes No [\[Show/Hide\]](#)

Hospital Information

Your Prior Authorization request has been approved.

KEN KIDNEY M.D.
 1234 Main Street, Eden Prairie, MN 55344
 Tel: (555) 555-5555 | Fax: (555) 555-5555
 NPI: 123456789 Lic. #: MN_ABC_LIC

JOHN SMITH DOB: 05/07/1987 Tel: (555) 555-5555
 Gender: M 5678 1st Avenue, Minneapolis, MN 55404

Rx
Glumetra (Metformin) 500 mg tablet
 Dispense: 30 (thirty) capsule
 Sig: Take 1 (one) capsule by mouth once a day
 Duration: 30 days
 Refills: None

Please review your prescription for accuracy.

Signature Password:

Send Send and Print Print without Sending Sign without Sending

Add to Alerts Print Pharmacy Send Copy to Patient at:

OK Back Cancel Add to Favorites

Pharmacy Selected: Retail Pharmacy

Turning big data into actionable insights for our clients



Insights for employers to help their employees make better health decisions:

- Medical claims
- Prescription claims
- Ancillary claims
- Population life stages
- Clinical and well-being
- Provider information

The Health Plan Manager is a tool to assist employers in analyzing their health plan's performance. Results, if any, are not guaranteed. Available for Administrative Services Only clients only. Proprietary information of UnitedHealth Group. Do not distribute or reproduce without express permission of UnitedHealth Group.

UnitedHealthcare Health Plan Manager

Customer: National Accounts Standard BOB
Dataset: 07.2017.3.MRD
Subjects: Highlights
Reports: Utilities

Segmentation Filters
 All Accounts (including...)
 Catastrophic: \$50K \$100K
 Edit Filters
 Clear All Filters
 Show Preview

0.5% Members: 35,647 of 7,981,656
 0.4% Payments: \$198,20M of \$34.48B

Summary of Changes

Members	Demographic Factor	Plan Cost Share	Paid PMPM	Covered PMPM	Network Exposure %	Days per 1000	ER Visits per 1000	Paid PMPM (CC)	Touched Members	New Engagement
Prior: 31,743	0.949	78.4%	\$87.1M	\$94.24	38.2%	171.2	105.2	\$50.46	7,777	5.2%
Current: 35,647	0.952	79.2%	\$108.95M	\$24.54	38.7%	180.0	101.7	\$67.47	10,100	4.9%
Change: 19.2%	0.3%	0.8 pts	25.1%	10.3%	0.5 pts	5.1%	-3.2%	33.7%	29.0%	-0.3 pts

Bar charts showing changes for: Members, Demographic Factor, Plan Cost Share, Paid PMPM, Covered PMPM, Network Exposure %, Days per 1000, ER Visits per 1000, Paid PMPM (CC), Touched Members, and New Engagement.

Summary of Changes (continued):

Members	Demographic Factor	Plan Cost Share	Paid PMPM	Covered PMPM	Network Exposure %	Days per 1000	ER Visits per 1000	Paid PMPM (CC)	Touched Members	New Engagement
Prior: \$228.69	\$324.70	\$53.07	\$9.5%	\$7.5%	1.053	1.114	1.227	\$50.46	38.2%	36.1%
Current: \$254.70	\$324.54	\$53.07	\$9.5%	\$7.5%	1.053	1.114	1.227	\$67.47	38.7%	36.1%
Change: 11.4%	-0.16%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.7%	0.5 pts	0.0 pts

Bar charts showing changes for: Members, Demographic Factor, Plan Cost Share, Paid PMPM, Covered PMPM, Network Exposure %, Days per 1000, ER Visits per 1000, Paid PMPM (CC), Touched Members, and New Engagement.

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UnitedHealthcare Health Plan Manager

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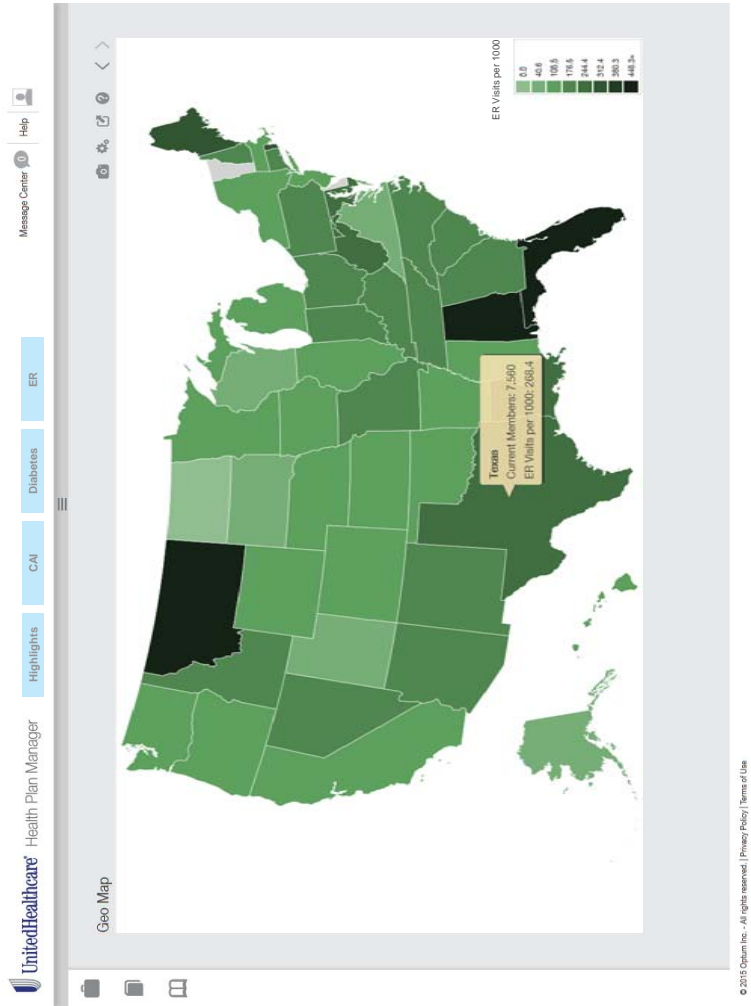
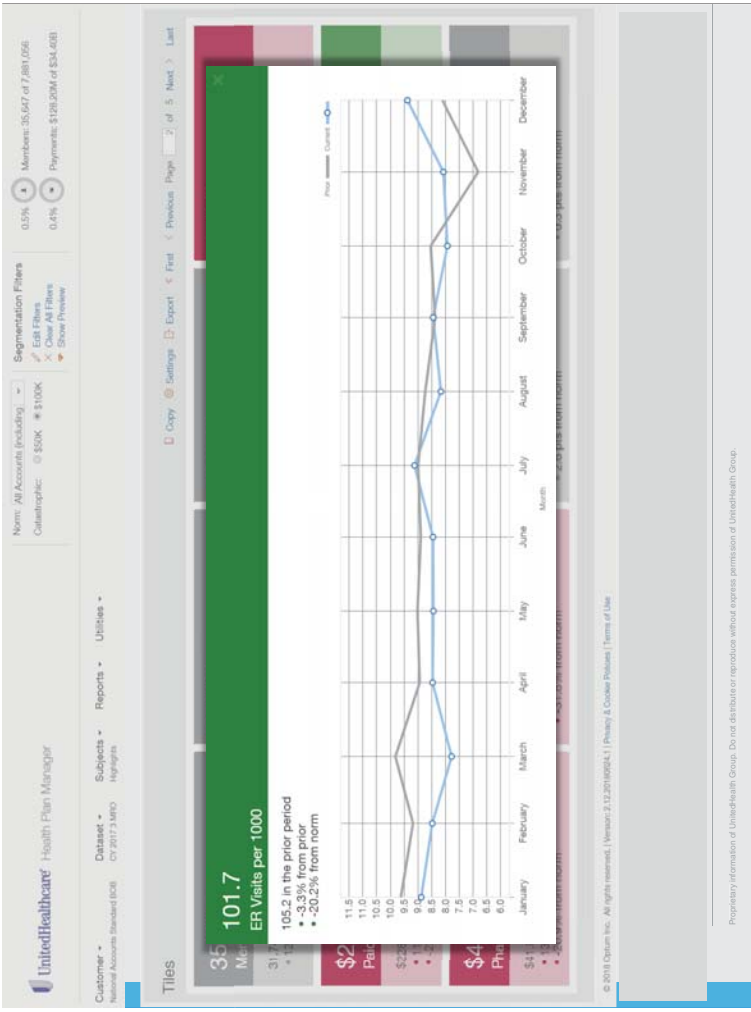
Tiles

35,647 Members 31,743 in the prior period + 12.3% from prior	0.952 Demographic Factor 0.949 in the prior period + 0.3% from prior +10.6% from norm	78.5% Plan Cost Share (Net) 77.7% in the prior period + 0.8 pts from prior +3.4 pts from norm	1.114 Retrospective Risk Score 1.063 in the prior period + 4.9% from prior +9.2% from norm
\$254.70 Paid PMPM \$228.69 in the prior period + 11.4% from prior +23.5% from norm	\$324.54 Covered PMPM \$294.24 in the prior period + 10.3% from prior +20.2% from norm	180.0 Days per 1000 171.2 in the prior period + 5.1% from prior +12.1% from norm	101.7 ER Visits per 1000 105.2 in the prior period -3.3% from prior -20.2% from norm
\$46.41 Pharmacy Paid PMPM \$41.03 in the prior period + 13.1% from prior +20.9% from norm	\$67.47 Paid PMPM (CC) \$50.46 in the prior period + 33.7% from prior +31.6% from norm	38.7% Premium Provider Utilization 38.2% in the prior period + 0.5 pts from prior + 2.6 pts from norm	4.9% Nurse Engagement 5.2% in the prior period -0.3 pts from prior + 0.3 pts from norm

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UnitedHealthcare Health Plan Manager
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Name: All Accounts (including...)
 Catastrophic: @ \$50K * \$100K
 Members: 35,647 of 7,991,656
 Payments: \$198,20M of \$34.4B
 0.5%
 0.4%

Segmentation Filters
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Geo Map

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UnitedHealthcare Health Plan Manager
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 0.4%

Segmentation Filters
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Heat Map

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Our mission



Helping people **live healthier lives** and helping make the health system **work better for everyone.**

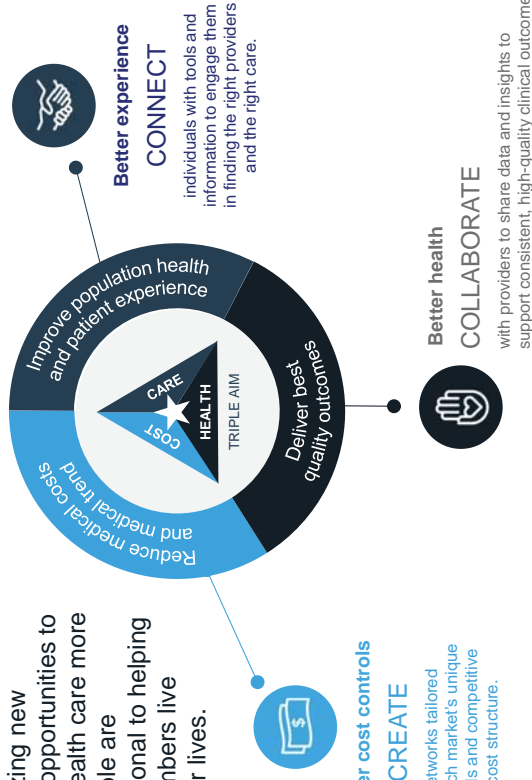


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Our vision



Maximizing new market opportunities to make health care more affordable are foundational to helping our members live healthier lives.



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