

Q3 2025 Insights: UnitedHealth Group

Earnings Call Competitive Intelligence Report



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Why This Report

As Medicare Advantage competition intensifies, staying informed isn’t optional, it’s a strategic advantage. That’s why HealthworksAI is curating rapid-turn summaries of earnings calls from key MA players, started with Humana. In a matter of minutes, you’ll get the key themes and what it all means for your 2026 plan design, provider alignment, and market positioning.

This is part of our CI (Competitive Intelligence) Beta Series—insightful, fast, and focused on helping MA leaders to strategize.

Executive Summary

Beat Expectations

EPS \$2.92 vs \$2.81 forecast (+3.91% beat). Revenue \$113.2B (+12% YoY). Stock surged 3.83% pre-market to \$380, signaling investor confidence in strategic repositioning despite near-term headwinds.

Strategic Pivot

From expansion to execution: Returning Optum Health to “original intent” of VBC model. Exiting 1M MA members, -10% Optum VBC lives, but targeting margin recovery. 2026 = transition, 2027+ = acceleration.

Bottom Line:

UnitedHealth delivered a solid Q3 beat with adjusted EPS of \$2.92 on \$113.2B revenue, but the

headline story is strategic repositioning—not growth acceleration. CEO Stephen Hemsley framed 2026 as a year of “solid earnings growth” (not double-digit) as repricing gains fund aggressive investments in Optum Health turnaround, AI capabilities, and operational discipline. The company is choosing margin quality over volume expansion.

The Optum Health “back to basics” strategy involves painful cuts: -10% VBC membership, exiting >40% of PPO footprint, network rationalization removing less-aligned providers, and geographic market consolidation. Meanwhile, UnitedHealthcare is executing a conservative Medicare playbook—exiting 1M MA members while betting on repricing and Stars improvements to drive margins toward the upper half of 2-4% target range by 2027.

Management’s message: “Balance 2026 growth ambitions with investments that drive higher and sustainable double-digit growth beginning in 2027.” Translation: accept slower 2026 to set up stronger 2027+. With over \$6B V28 headwinds in final year, Medicaid deteriorating further, but repricing tailwinds in Medicare/commercial, UNH is betting disciplined execution trumps near-term volume.

What Changed vs. Q2 2025

1. Optum Health: Aggressive Restructuring Underway

The Diagnosis (New Clarity):

Management explicitly acknowledged that during “rapid expansion,” Optum Health’s VBC strategy “strayed from initial intent.” Three critical failures identified:

- **Network too large:** Lost focus on high-performing, aligned providers
- **Integration lagged expansion:** Operating inconsistencies, over-reliance on affiliated vs employed physicians
- **Wrong risk/products:** Accepting risk in products “less suited for clinically oriented VBC model” (especially PPO)

The Prescription (Actions Taken/Planned):

- **Membership cuts:** -10% total VBC lives in 2026, including 200K finalized exits (majority PPO)
- **PPO retreat:** Exiting over 40% of PPO footprint

- **Network rationalization:** Last 60 days of targeted reductions = fewer providers in 2026, moving to employed/contractually dedicated physicians
- **Geographic consolidation:** Withdrawing from select markets, consolidating locations
- **Payer contracting:** 90% complete for 2026, targeting ~50% offset of \$6B+ V28 headwind



“Over the last few years, through rapid expansion, Optum Health’s strategy around VBC strayed from the initial intent.”

CEO Patrick Conway

2. Medicare Advantage: Conservative Positioning = 1M Member Exit

2026 Strategic Pivot:

UNH shifting from volume defense to margin recovery. Explicit choice to shed 1M MA members through combination of deliberate exits and expected competitive losses.

- **Targeted plan exits:** ~600K members (deliberate action)
- **Group MA pressure:** ~200K from disciplined pricing + competitive dynamics
- **Individual MA pressure:** ~200K from benefit adjustments + market forces

Benefit Actions: “Significant adjustments to benefits and executed targeted plan exits and network reductions to offset elevated medical trends and government funding decreases.”

Margin Path: Break-even in 2025 → improvement in 2026 → upper half of 2-4% range by 2027. Supported by improved Stars (YoY gains) with Q4 incremental investments already targeting PY2028.

10% trend assumption for 2026 reflects “continuation of elevated care activity, fee schedule changes, and continued expansion of aggressive provider coding and billing practices.”

3. ACA Marketplace: Dramatic Retrenchment

Aggressive Repricing Strategy:

- **Rate increases:** Average over 25% across nearly all 30 participating states
- **Enrollment impact:** Approximately -67% reduction (two-thirds decline)
- **Geographic exits:** Targeted service area reductions where sustainable rates not achieved
- **Margin trajectory:** Improving in 2026 but still below 7-9% target range

4. Medicaid: Path to Recovery “More Challenging”

Bleak 2026 Outlook: Break-even expected for 2025. Margins decline further in 2026 if current cost trends continue and rate environment doesn’t change—which management clearly expects.

Core Issue: “States have not funded in line with actual cost trends, so funding levels are not sufficient to cover health needs of state enrollees.”

Behavioral health specifically called out as key driver. Almost half of Jan 1 contracts have received draft 2026 rates—advocacy continuing. Strategic commitment: “Wherever states support responsible funding for Medicaid, we remain committed” but implicit threat of exits where not.

Q3 2025 Financial Performance

Adjusted EPS

\$2.92

vs \$2.81 forecast
+3.91% beat

Total Revenue

\$113.2B

+12% YoY growth
50M+ domestic members

Medical Care Ratio

89.9%

vs 85.2% Q3 2024
+470 bps YoY

Operating Metrics	
Operating Cost Ratio:	13.5%
Q3 Discretionary Investments:	\$450M+
Days Claims Payable:	+1.3 days
YTD Membership Growth:	+780K

Business Segment Analysis

UnitedHealthcare Medicare

2025 Performance

- Trend: ~7.5%
- Margin: Break-even
- MedSupp trend: over 11%

2026 Actions

- Trend assumption: 10%
- Membership: -1M total
- Target: Margin improvement

2027 Goal

- Upper half of 2-4% range

- Stars improving YoY
- Network/benefit optimized

UnitedHealthcare Commercial

Current State

- Trend: ~11% (2025-2026)
- 60% repriced for 2026
- 2025 margin: ~3-5% (estimated)
- Self-funded: Strong traction

Recovery Path

- 2026: ~150 bps below 7-9% target
- 2027: Return to 7-9% range
- Fully insured: Market contraction
- Products: Surest gaining share

Optum Health

Revenue Mix

- VBC: 65% (67% from UHC)
- Fee-for-service: 15%
- Payer/employer: 20%

2025-2026

- 2025: under 3% margin
- VBC: under 1% margin
- 2026: -10% VBC lives
- Over 40% PPO exits

Long-Term Target

- Total: 6-8% margins
- VBC: 5% margins
- 2027: Return to growth
- V28: 50% offset via payers

Key Executive Quotes for Reference

“We’re getting at the core of the underperformance issues with fresh perspectives, intent on positioning our organization as a positive and innovative leader helping to advance the next era of healthcare.”

CEO Stephen Hemsley - Strategic Direction



“Throughout the company, we will ensure we are focused on activities that align with our long-term future and be very disciplined about moving on from those that do not.”

CEO Stephen Hemsley - Strategic Direction



“We intend to balance our earnings growth ambitions in 2026 with investments and actions that will drive higher and sustainable double-digit growth beginning in 2027 and advancing from there.”

CEO Stephen Hemsley - Strategic Direction



“While 2025 remains a transition year, the pressure we experienced is largely a result of mispricing and suboptimal market positioning.”

CEO Stephen Hemsley - Strategic Direction



“We expect membership contraction of approximately 1 million members in total Medicare Advantage... We expect these actions will drive margin improvements in 2026, with potential for further advancements in 2027.”

UnitedHealthcare Executive Tim Noel - Medicare Strategy



“Ultimately, right now, medical trend pressure is increasing the cost of healthcare, and the funding cuts to the program are degrading choice, access, and value to the consumer.”

UnitedHealthcare Executive Tim Noel - Medicare Strategy



“Our belief in the need for and impact of value-based care remains intact, as is our confidence in returning to expected performance standards.”

Optum CEO Patrick Conway - VBC Commitment



“Over the last few years, through a period of rapid expansion, Optum Health’s strategy around value-based care strayed from the initial intent of the model.”

Optum CEO Patrick Conway - VBC Commitment



“We remain anchored and committed to the long-term potential of this business. The 6 to 8% margin that we outlined... and within that, the 5% commitment to our value-based care agenda.”

Optum Health COO Krista Nelson - Long-Term Confidence



“We want to simplify healthcare with AI, and Optum Insight is the best company to do it.”

Optum Insight Executive Sandeep Dadlani - Innovation Focus



“It’s clear that our traditional services in Optum Insight have to evolve to AI-first services, then to products, and eventually to platforms.”

Optum Insight Executive Sandeep Dadlani - Innovation Focus



“We are optimistic in our ability to execute on our 2026 plans, but there are remaining headwinds we will have to overcome.”

CFO Wayne DeWitt - Capital Framework



“There are no changes in our historical dividend practices, nor do we expect those to change going forward.”

CFO Wayne DeWitt - Capital Framework

This competitive intelligence report is part
of HealthWorksAI’s rapid-response earnings
analysis series.

For questions or custom analysis, contact HealthWorksAI team