UNH ANNOUNCEMENT
CONFERENCE CALL SCRIPT
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Shawn Bevec: Thank you and good afternoon. I am here with Steve Rusckowski, our Chairman, President and Chief Executive Officer, and Mark Guinan, our Chief Financial Officer. During this call, we may make forward-looking statements and will discuss non-GAAP measures. Actual results may differ materially from those projected. Risks and uncertainties that may affect Quest Diagnostics' future results include, but are not limited to, those described in our most recent Annual Report on Form 10-K and subsequently filed quarterly reports on Form 10-Q and Current Reports on Form 8-K.

Now, here is Steve Rusckowski.

Steve Rusckowski: Thanks Shawn. And thanks everyone for joining us today.

This afternoon we announced that United Healthcare is expanding its laboratory network by adding Quest Diagnostics as a national provider beginning next year.

Before we get to your questions, I'd like to help you understand what this strategic collaboration is all about, and how it differs substantially from past health plan contracts. Then Mark will talk about what you can expect related to the financial implications of today's news.

As you know, since arriving six years ago, I've been working hard with our team to make this day a reality, and I am very excited to share the news and our perspectives with you today.

I'd like to start with our two point strategy, which is to Accelerate Growth and Drive Operational Excellence. One of our five growth strategies is to expand our relationships with health plans and health systems. Expanding health plan access is one of our key areas of focus.

We have been making great progress with hundreds of other health plans, some big and some small. As we enter 2019, we will have the best health plan access we've had in more than a decade. In fact, we will be in network for approximately 90% of all insured lives nationally. And while these relationships are contractual and related to being a network provider, they're becoming more and more strategic.

More than a decade ago, UnitedHealthcare was Quest's largest customer. In the current era, however, Quest has been an in-network provider to UnitedHealthcare in only a handful of select markets and in our AmeriPath anatomic pathology business.

Today's news changes that. Starting January 1, 2019, Quest will participate as an in-network national provider for more than 48 million UnitedHealthcare plan participants.

Health plan contracts of the past have often provided access in return for steep discounts. This partnership is different.

This agreement will enable UnitedHealthcare to:

- Enhance and simplify its member experience;
- Reduce costs through value-based programs and incentives; and
- Improve the coordination of care with physicians over time through data sharing

I'd like to speak about each of these innovative ideas.

First, we have made excellent progress becoming the consumer friendly lab provider, which is one of our five growth strategies.

- We're refreshing our Patient Service Centers and making them more convenient and centrally located, increasingly in retail environments.
- We've digitally enabled the consumer experience with our eCheckIn capabilities and real-time cost estimation to provide pricing transparency.
- We're also bringing information capabilities to consumers with our MyQuest application, which has more than 5 million users.
- Additionally, when members use Quest, they can save on their out of pocket healthcare costs. And, they can save their employers money by avoiding higher cost boutique or hospital labs.

Our focus on enhancing the consumer experience is making us better and gives us confidence in our ability to compete for business in open health plan contracts, like this one with UnitedHealthcare.

Second, Quest will partner with UnitedHealthcare on value-based programs. As noted in our press release, together we've developed a value-based approach to lab services that will focus on patient outcomes, coordination of care with physicians, and cost.

We are bringing to lab services the same type of incentives and enhanced patient experience United currently has in its accountable care arrangements with more than 1,100 hospitals and 110,000 physicians.

Even more exciting is the prospect that this collaboration could lead to new benefit designs focused on incenting individuals to use high quality and cost effective laboratories like Quest Diagnostics. We expect to have more to say on this in the future.

Third, United and Quest will share data and insights to help providers improve patient care.

This partnership features data sharing and incentives that focus on quality, cost and experience. This will:

- help support better health outcomes
- enhance the coordination of care with physicians
- and identify treatment recommendations that are more personalized to individuals' care needs.

This agreement with UnitedHealthcare builds upon Quest's strategic relationship with UnitedHealth Group.

- Quest has collaborated with Optum360 since 2016 to reduce billing complexity and deliver new technology solutions to provide more patient price transparency. Quest's Real Time Estimation technology uses data provided by UnitedHealthcare to tell patients at the point of care how much their testing will cost – before we collect the specimen.
- We are providing wellness services for Optum and its employer customers.
- As OptumCare continues to expand by acquiring large physician practices, it has become one of Quest's largest customers for diagnostic information services.
- And finally, Quest is also working with Optum, UnitedHealthcare and others in launching a pilot program applying blockchain technology to improve provider data quality and reduce administrative costs.

In closing, Quest offers a terrific value proposition. Our Operational Excellence strategy has allowed us to improve quality and service, and also has made us a more efficient provider, benefiting patients, providers, employers, and payers.

- For the patient, that means a superior consumer experience and lower out-of-pocket costs
- For the provider, it means making a complex process smooth and seamless
- And for the employer and payer, it means better insights, outcomes and lower costs.

We're excited about this new strategic relationship, which we also believe will enable Quest to grow revenues and earnings faster.

Now, Mark will talk about how to think about the financial implications of this news. Mark?

Mark Guinan: Thanks, Steve.

We're all excited to be a national in-network provider to UnitedHealthcare, starting next year.

I know you have questions about how this announcement impacts our 2018 results, our 2019 guidance and our 2020 outlook.

As you know we don't disclose details of our contractual arrangements. What I can tell you is that this is much more of a strategic partnership than the hunting license agreements of the past that have focused largely on price.

As Steve said, this partnership includes a number of novel elements, such as data sharing, value-based incentives, and potentially new benefit designs. We have built a strong relationship with UnitedHealthcare and UnitedHealth Group based on trust and mutual respect.

You can assume that United won't overpay for lab services, but you should also assume that we followed pricing discipline. The unique value-based elements of this contract also provide opportunities for financial incentives that could further enhance the economics of this relationship.

In terms of investments to prepare for this new contract, when we disclosed that we are investing $75 million of tax reform savings into the business, we anticipated using a meaningful portion of it to further strengthen our customer experience and upgrade our infrastructure to support UnitedHealthcare members and physicians. That includes the elements Steve spoke about earlier, including patient service centers, digital services as well as some operational enhancements in our lab and field service networks.

So in terms of 2018, we are not changing our full year guidance at this time. You'll recall we expect to deliver continued acceleration of top-line growth of 4-5% and more than 20% adjusted earnings growth this year, driven in part by solid mid to high single digit earnings growth from operations.

We are not providing 2019 guidance today.

We expect to provide more details on our 2019 performance, which will include the benefits of this partnership, later this year at our Investor Day, which is scheduled for November 29th in New York City.

That said, we are confident in our ability to continue to grow both revenues and earnings in 2019.

Moving to our 2020 outlook…at this time we are reaffirming our long term outlook of 3-5% revenue growth and mid to high single digit earnings growth. However, we would expect that this expanded relationship will help us move higher within these ranges versus our prior view of being toward the lower end as a result of PAMA. We expect to provide a more granular update of our long term outlook at our Investor Day later this year.

Now I'll turn it back to Steve.

Steve Rusckowski: Thanks Mark. That concludes our formal prepared remarks. Now we'd like to take your questions.

STEVE: Thanks again for joining our call today on short notice. We appreciate your continued support.

- Have a good day, everybody.