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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2021

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-16751

**ANTHEM, INC.**

(Exact name of registrant as specified in its charter)

**Indiana**  
(State or other jurisdiction of  
incorporation or organization)

35-2145715  
(I.R.S. Employer  
Identification Number)

220 Virginia Avenue  
Indianapolis, Indiana 46204  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (800) 331-1476

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	ANTM	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 15, 2021, 244,840,654 shares of the Registrant's Common Stock were outstanding.

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**Anthem, Inc.**  
**Quarterly Report on Form 10-Q**  
**For the Period Ended March 31, 2021**  
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**PART I. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**Anthem, Inc.**  
**Consolidated Balance Sheets**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
	(Unaudited)	
<i>(In millions, except share data)</i>		
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,326	\$ 5,741
Fixed maturity securities (amortized cost of \$23,808 and \$22,222; allowance for credit losses of \$8 and \$7)	24,555	23,433
Equity securities	3,630	1,559
Premium receivables	6,111	5,279
Self-funded receivables	3,109	2,849
Other receivables	3,071	2,830
Other current assets	4,693	4,060
<b>Total current assets</b>	<b>54,495</b>	<b>45,751</b>
Long-term investments:		
Fixed maturity securities (amortized cost of \$537 and \$532; allowance for credit losses of \$0 and \$0)	558	562
Other invested assets	4,474	4,285
Property and equipment, net	3,533	3,483
Goodwill	21,708	21,691
Other intangible assets	9,352	9,405
Other noncurrent assets	1,563	1,438
<b>Total assets</b>	<b>\$ 95,683</b>	<b>\$ 86,615</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Current liabilities:		
Medical claims payable	\$ 12,347	\$ 11,359
Other policyholder liabilities	5,075	4,590
Unearned income	1,139	1,259
Accounts payable and accrued expenses	5,329	5,493
Current portion of long-term debt	700	700
Other current liabilities	10,159	6,052
<b>Total current liabilities</b>	<b>34,749</b>	<b>29,453</b>
Long-term debt, less current portion	22,534	19,335
Reserves for future policy benefits	776	794
Deferred tax liabilities, net	1,961	2,019
Other noncurrent liabilities	1,745	1,815
<b>Total liabilities</b>	<b>61,765</b>	<b>53,416</b>
Commitments and contingencies – Note 11		
<b>Shareholders' equity</b>		
Preferred stock, without par value, shares authorized – 100,000,000; shares issued and outstanding – none	—	—
Common stock, par value \$0.01, shares authorized – 900,000,000; shares issued and outstanding – 244,938,635 and 245,401,430	2	3
Additional paid-in capital	9,253	9,244
Retained earnings	24,793	23,802
Accumulated other comprehensive (loss) income	(195)	150
<b>Total shareholders' equity</b>	<b>33,853</b>	<b>33,199</b>
<b>Noncontrolling interests</b>	<b>65</b>	<b>—</b>
<b>Total equity</b>	<b>33,918</b>	<b>33,199</b>
<b>Total liabilities and equity</b>	<b>\$ 95,683</b>	<b>\$ 86,615</b>

See accompanying notes.

**Anthem, Inc.**  
**Consolidated Statements of Income**  
(Unaudited)

<i>(In millions, except per share data)</i>	<b>Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenues</b>		
Premiums	\$ 27,676	\$ 25,517
Product revenue	2,737	2,344
Administrative fees and other revenue	1,685	1,587
<b>Total operating revenue</b>	<b>32,098</b>	<b>29,448</b>
Net investment income	291	254
Net realized losses on financial instruments	(4)	(81)
<b>Total revenues</b>	<b>32,385</b>	<b>29,621</b>
<b>Expenses</b>		
Benefit expense	23,699	21,489
Cost of products sold	2,313	1,984
Selling, general and administrative expense	3,925	3,781
Interest expense	192	194
Amortization of other intangible assets	80	83
Loss on extinguishment of debt	—	1
Total expenses	30,209	27,532
<b>Income before income tax expense</b>	<b>2,176</b>	<b>2,089</b>
Income tax expense	509	566
<b>Net income</b>	<b>1,667</b>	<b>1,523</b>
<b>Net income attributable to noncontrolling interests</b>	<b>(2)</b>	<b>—</b>
<b>Shareholders' net income</b>	<b>\$ 1,665</b>	<b>\$ 1,523</b>
<b>Shareholders' net income per share</b>		
Basic	\$ 6.80	\$ 6.03
Diluted	\$ 6.71	\$ 5.94
<b>Dividends per share</b>	<b>\$ 1.13</b>	<b>\$ 0.95</b>

See accompanying notes.

**Anthem, Inc.**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)

<i>(In millions)</i>	<b>Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Net income</b>	\$ 1,667	\$ 1,523
<b>Other comprehensive loss, net of tax:</b>		
Change in net unrealized losses/gains on investments	(362)	(689)
Change in non-credit component of impairment losses on investments	1	(32)
Change in net unrealized gains/losses on cash flow hedges	4	3
Change in net periodic pension and postretirement costs	10	7
Foreign currency translation adjustments	—	(1)
<b>Other comprehensive loss</b>	<b>(347)</b>	<b>(712)</b>
<b>Net income attributable to noncontrolling interests</b>	<b>(2)</b>	<b>—</b>
<b>Other comprehensive loss attributable to noncontrolling interests</b>	<b>2</b>	<b>—</b>
<b>Total shareholders' comprehensive income</b>	<b>\$ 1,320</b>	<b>\$ 811</b>

See accompanying notes.

**Anthem, Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

<i>(In millions)</i>	Three Months Ended March 31	
	2021	2020
<b>Operating activities</b>		
Net income	\$ 1,667	\$ 1,523
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized losses on financial instruments	4	81
Depreciation and amortization	282	270
Deferred income taxes	31	57
Share-based compensation	64	67
Changes in operating assets and liabilities:		
Receivables, net	(1,258)	(639)
Other invested assets	(20)	63
Other assets	(288)	(525)
Policy liabilities	1,455	692
Unearned income	(119)	(109)
Accounts payable and other liabilities	358	588
Income taxes	438	491
Other, net	(109)	(44)
<b>Net cash provided by operating activities</b>	<b>2,505</b>	<b>2,515</b>
<b>Investing activities</b>		
Purchases of investments	(6,978)	(3,896)
Proceeds from sale of investments	4,650	2,728
Maturities, calls and redemptions from investments	998	597
Changes in securities lending collateral	(731)	(77)
Purchases of subsidiaries, net of cash acquired	(27)	(1,908)
Purchases of property and equipment	(204)	(204)
Other, net	(15)	(24)
<b>Net cash used in investing activities</b>	<b>(2,307)</b>	<b>(2,784)</b>
<b>Financing activities</b>		
Net (repayments of) proceeds from commercial paper borrowings	(250)	905
Proceeds from long-term borrowings	3,462	300
Repayments of long-term borrowings	—	(52)
Proceeds from short-term borrowings	—	1,075
Repayments of short-term borrowings	—	(700)
Changes in securities lending payable	731	77
Repurchase and retirement of common stock	(447)	(529)
Cash dividends	(277)	(240)
Proceeds from issuance of common stock under employee stock plans	89	44
Taxes paid through withholding of common stock under employee stock plans	(91)	(107)
Other, net	171	(94)
<b>Net cash provided by financing activities</b>	<b>3,388</b>	<b>679</b>
<b>Effect of foreign exchange rates on cash and cash equivalents</b>	<b>(1)</b>	<b>(2)</b>
Change in cash and cash equivalents	3,585	408
Cash and cash equivalents at beginning of period	5,741	4,937
<b>Cash and cash equivalents at end of period</b>	<b>\$ 9,326</b>	<b>\$ 5,345</b>

See accompanying notes.

**Anthem, Inc.**  
**Consolidated Statements of Shareholders' Equity**  
(Unaudited)

<i>(In millions)</i>	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Number of Shares	Par Value					
<b>January 1, 2021</b>	245.4	\$ 3	\$ 9,244	\$ 23,802	\$ 150	\$ —	\$ 33,199
Net income	—	—	—	1,665	—	2	1,667
Other comprehensive loss	—	—	—	—	(345)	(2)	(347)
Noncontrolling interests adjustment	—	—	—	—	—	65	65
Repurchase and retirement of common stock	(1.4)	(1)	(53)	(393)	—	—	(447)
Dividends and dividend equivalents	—	—	—	(281)	—	—	(281)
Issuance of common stock under employee stock plans, net of related tax benefits	0.9	—	62	—	—	—	62
<b>March 31, 2021</b>	244.9	\$ 2	\$ 9,253	\$ 24,793	\$ (195)	\$ 65	\$ 33,918
<b>December 31, 2019 (audited)</b>	252.9	\$ 3	\$ 9,448	\$ 22,573	\$ (296)	\$ —	\$ 31,728
Adoption of Accounting Standards Update No. 2016-13	—	—	—	(35)	—	—	(35)
<b>January 1, 2020</b>	252.9	3	9,448	22,538	(296)	—	31,693
Net income	—	—	—	1,523	—	—	1,523
Other comprehensive loss	—	—	—	—	(712)	—	(712)
Repurchase and retirement of common stock	(1.9)	—	(71)	(458)	—	—	(529)
Dividends and dividend equivalents	—	—	—	(243)	—	—	(243)
Issuance of common stock under employee stock plans, net of related tax benefits	1.0	—	3	—	—	—	3
Convertible debenture repurchases and conversions	—	—	(42)	—	—	—	(42)
<b>March 31, 2020</b>	252.0	\$ 3	\$ 9,338	\$ 23,360	\$ (1,008)	\$ —	\$ 31,693

See accompanying notes.

**Anthem, Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**March 31, 2021**

*(In Millions, Except Per Share Data or As Otherwise Stated Herein)*

**1. Organization**

References to the terms “we,” “our,” “us” or “Anthem” used throughout these Notes to Consolidated Financial Statements refer to Anthem, Inc., an Indiana corporation, and unless the context otherwise requires, its direct and indirect subsidiaries. References to the “states” include the District of Columbia, unless the context otherwise requires.

We are one of the largest health benefits companies in the United States in terms of medical membership, serving nearly 44 medical members through our affiliated health plans as of March 31, 2021. We offer a broad spectrum of network-based managed care plans to Individual, Group, Medicaid and Medicare markets. Our managed care plans include: Preferred Provider Organizations (“PPOs”); Health Maintenance Organizations (“HMOs”); Point-of-Service plans; traditional indemnity plans and other hybrid plans, including Consumer-Driven Health Plans; and hospital only and limited benefit products. In addition, we provide a broad array of managed care services to fee-based customers, including claims processing, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services. We provide an array of specialty and other insurance products and services such as pharmacy benefits management (“PBM”), dental, vision, life and disability insurance benefits, radiology benefit management and analytics-driven personal healthcare. We also provide services to the federal government in connection with our Federal Health Products & Services business, which administers the Federal Employees Health Benefits (“FEHB”) Program.

We are an independent licensee of the Blue Cross and Blue Shield Association (“BCBSA”), an association of independent health benefit plans. We serve our members as the Blue Cross licensee for California and as the Blue Cross and Blue Shield (“BCBS”) licensee for Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri (excluding 30 counties in the Kansas City area), Nevada, New Hampshire, New York (in the New York City metropolitan area and upstate New York), Ohio, Virginia (excluding the Northern Virginia suburbs of Washington, D.C.) and Wisconsin. In a majority of these service areas, we do business as Anthem Blue Cross, Anthem Blue Cross and Blue Shield, and Empire Blue Cross Blue Shield or Empire Blue Cross. We also conduct business through arrangements with other BCBS licensees as well as other strategic partners. Through our subsidiaries, we also serve customers in numerous states across the country as AIM Specialty Health, Amerigroup, Aspire Health, Beacon, CareMore, Freedom Health, HealthLink, HealthSun, Optimum HealthCare, Simply Healthcare, and/or UniCare. Also, we provide PBM services through our IngenioRx, Inc. (“IngenioRx”) subsidiary. We are licensed to conduct insurance operations in all 50 states and the District of Columbia through our subsidiaries.

**2. Basis of Presentation and Significant Accounting Policies**

**Basis of Presentation:** The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. We have omitted certain footnote disclosures that would substantially duplicate the disclosures in our 2020 Annual Report on Form 10-K, unless the information contained in those disclosures materially changed or is required by GAAP. Certain prior year amounts have been reclassified to conform to the current year presentation. In the opinion of management, all adjustments, including normal recurring adjustments, necessary for a fair statement of the consolidated financial statements as of and for the three months ended March 31, 2021 and 2020 have been recorded. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2021, or any other period. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2020 included in our 2020 Annual Report on Form 10-K.

Certain of our subsidiaries operate outside of the United States and have functional currencies other than the U.S. dollar (“USD”). We translate the assets and liabilities of those subsidiaries to USD using the exchange rate in effect at the end of the period. We translate the revenues and expenses of those subsidiaries to USD using the average exchange rates in effect during

the period. The net effect of these translation adjustments is included in “Foreign currency translation adjustments” in our consolidated statements of comprehensive income.

**Cash and Cash Equivalents:** We control a number of bank accounts that are used exclusively to hold customer funds for the administration of customer benefits, and we have cash and cash equivalents on deposit to meet certain regulatory requirements. These amounts totaled \$205 and \$170 at March 31, 2021 and December 31, 2020, respectively, and are included in the cash and cash equivalents line on our consolidated balance sheets.

**Investments:** We classify fixed maturity securities in our investment portfolio as “available-for-sale” and report those securities at fair value. Certain fixed maturity securities are available to support current operations and, accordingly, we classify such investments as current assets without regard to their contractual maturity. Investments used to satisfy contractual, regulatory or other requirements are classified as long-term, without regard to contractual maturity.

If a fixed maturity security is in an unrealized loss position and we have the intent to sell the fixed maturity security, or it is more likely than not that we will have to sell the fixed maturity security before recovery of its amortized cost basis, we write down the fixed maturity security’s cost basis to fair value and record an impairment loss in our consolidated statements of income. For impaired fixed maturity securities that we do not intend to sell or if it is more likely than not that we will not have to sell such securities, but we expect that we will not fully recover the amortized cost basis, we recognize the credit component of the impairment as an allowance for credit loss in our consolidated balance sheets and record an impairment loss in our consolidated statements of income. The non-credit component of the impairment is recognized in accumulated other comprehensive loss. Furthermore, unrealized losses entirely caused by non-credit-related factors related to fixed maturity securities for which we expect to fully recover the amortized cost basis continue to be recognized in accumulated other comprehensive (loss) income.

The credit component of an impairment is determined primarily by comparing the net present value of projected future cash flows with the amortized cost basis of the fixed maturity security. The net present value is calculated by discounting our best estimate of projected future cash flows at the effective interest rate implicit in the fixed maturity security at the date of purchase. For mortgage-backed and asset-backed securities, cash flow estimates are based on assumptions regarding the underlying collateral, including prepayment speeds, vintage, type of underlying asset, geographic concentrations, default rates, recoveries and changes in value. For all other securities, cash flow estimates are driven by assumptions regarding probability of default, including changes in credit ratings and estimates regarding timing and amount of recoveries associated with a default.

For asset-backed securities included in fixed maturity securities, we recognize income using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in the securities is adjusted to the amount that would have existed had the new effective yield been applied since the purchase date of the securities. Such adjustments are reported within net investment income.

The changes in fair value of our marketable equity securities are recognized in our results of operations within net realized gains and losses on financial instruments.

We have corporate-owned life insurance policies on certain participants in our deferred compensation plans and other members of management. The cash surrender value of the corporate-owned life insurance policies is reported under the caption “Other invested assets” in our consolidated balance sheets.

We use the equity method of accounting for investments in companies in which our ownership interest may enable us to influence the operating or financial decisions of the investee company. Our proportionate share of equity in net income of these unconsolidated affiliates is reported within net investment income. The equity method investments are reported under the caption “Other invested assets” in our consolidated balance sheets.

Investment income is recorded when earned. All securities sold resulting in investment gains and losses are recorded on the trade date. Realized gains and losses are determined on the basis of the cost or amortized cost of the specific securities sold.

We participate in securities lending programs whereby marketable securities in our investment portfolio are transferred to independent brokers or dealers in exchange for cash and securities collateral. We recognize the collateral as an asset, which is reported under the caption “Other current assets” in our consolidated balance sheets, and we record a corresponding liability for the obligation to return the collateral to the borrower, which is reported under the caption “Other current liabilities” in our consolidated balance sheets. The securities on loan are reported in the applicable investment category on our consolidated balance sheets. Unrealized gains or losses on securities lending collateral are included in accumulated other comprehensive (loss) income as a separate component of shareholders’ equity. The market value of loaned securities and that of the collateral pledged can fluctuate in non-synchronized fashions. To the extent the loaned securities’ value appreciates faster or depreciates slower than the value of the collateral pledged, we are exposed to the risk of the shortfall. As a primary mitigating mechanism, the loaned securities and collateral pledged are marked to market on a daily basis and the shortfall, if any, is collected accordingly. Secondly, the collateral level is set at 102% of the value of the loaned securities, which provides a cushion before any shortfall arises. The investment of the cash collateral is subject to market risk, which is managed by limiting the investments to higher quality and shorter duration instruments.

**Receivables:** Receivables are reported net of amounts for expected credit losses. The allowance for doubtful accounts is based on historical collection trends, future forecasts and our judgment regarding the ability to collect specific accounts.

Premium receivables include the uncollected amounts from insured groups, individuals and government programs. Premium receivables are reported net of an allowance for doubtful accounts of \$146 at each of March 31, 2021 and December 31, 2020.

Self-funded receivables include administrative fees, claims and other amounts due from self-funded customers. Self-funded receivables are reported net of an allowance for doubtful accounts of \$51 and \$54 at March 31, 2021 and December 31, 2020, respectively.

Other receivables include pharmacy rebates, provider advances, claims recoveries, reinsurance receivables, proceeds due from brokers on investment trades, accrued investment income, and other miscellaneous amounts due to us. These receivables are reported net of an allowance for doubtful accounts of \$406 and \$374 at March 31, 2021 and December 31, 2020, respectively.

**Revenue Recognition:** For our fee-based contracts, we had no material contract assets, contract liabilities or deferred contract costs recorded on our consolidated balance sheet at March 31, 2021. For the three months ended March 31, 2021, revenue recognized from performance obligations related to prior periods, such as due to changes in transaction price, was not material. For contracts that have an original expected duration of greater than one year, revenue expected to be recognized in future periods related to unfulfilled contractual performance obligations and contracts with variable consideration related to undelivered performance obligations is not material.

**Recently Adopted Accounting Guidance:** In January 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2021-01, *Reference Rate Reform (Topic 848)* (“ASU 2021-01”). The amendments in ASU 2021-01 provide optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of the reference rate reform. The provisions must be applied at a Topic, Subtopic, or Industry Subtopic level for all transactions other than derivatives, which may be applied at a hedging relationship level. We adopted ASU 2021-01 on January 7, 2021 and the adoption did not have an impact on our consolidated financial position, results of operations or cash flows.

In October 2020, the FASB issued Accounting Standards Update No. 2020-08, *Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs* (“ASU 2020-08”). The amendments in ASU 2020-08 clarify when an entity should assess whether a callable debt security is within the scope of accounting guidance, which impacts the amortization period for nonrefundable fees and other costs. ASU 2020-08 became effective for interim and annual reporting periods beginning after December 15, 2020. The amendments are to be applied on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities. We adopted ASU 2020-08 on January 1, 2021, and the adoption did not have an impact on our consolidated financial position, results of operations or cash flows.

In December 2019, the FASB issued Accounting Standards Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”). The amendments in ASU 2019-12 remove certain exceptions to the

general principles in Accounting Standards Codification Topic 740. The amendments also clarify and amend existing guidance to improve consistent application. The amendments became effective for our annual reporting periods beginning after December 15, 2020. The transition method (retrospective, modified retrospective, or prospective basis) related to the amendments depends on the applicable guidance, and all amendments for which there is no transition guidance specified are to be applied on a prospective basis. We adopted ASU 2019-12 on January 1, 2021, and the adoption did not have an impact on our consolidated financial position, results of operations or cash flows.

**Recent Accounting Guidance Not Yet Adopted:** In November 2020, the FASB issued Accounting Standards Update No. 2020-11, *Financial Services—Insurance (Topic 944): Effective Date and Early Application* (“ASU 2020-11”). The amendments in ASU 2020-11 make changes to the effective date and early application of Accounting Standards Update No. 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* (“ASU 2018-12”), which was issued in November 2018. The amendments in ASU 2020-11 have extended the original effective date by one year and now the amendments are required for our interim and annual reporting periods beginning after December 15, 2022. The amendments in ASU 2018-12 make changes to a variety of areas to simplify or improve the existing recognition, measurement, presentation and disclosure requirements for long-duration contracts issued by an insurance entity. The amendments require insurers to annually review the assumptions they make about their policyholders and update the liabilities for future policy benefits if the assumptions change. The amendments also simplify the amortization of deferred contract acquisition costs and add new disclosure requirements about the assumptions insurers use to measure their liabilities and how they may affect future cash flows. The amendments related to the liability for future policy benefits for traditional and limited-payment contracts and deferred acquisition costs are to be applied to contracts in force as of the beginning of the earliest period presented, with an option to apply such amendments retrospectively with a cumulative-effect adjustment to the opening balance of retained earnings as of the earliest period presented. The amendments for market risk benefits are to be applied retrospectively. We are currently evaluating the effects the adoption of ASU 2020-11 and ASU 2018-12 will have on our consolidated financial position, results of operations, cash flows, and related disclosures.

In August 2020, the FASB issued Accounting Standards Update No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity* (“ASU 2020-06”). The amendments eliminate two of the three accounting models that require separate accounting for convertible features of debt securities, simplify the contract settlement assessment for equity classification, require the use of the if-converted method for all convertible instruments in the diluted earnings per share calculation and expand disclosure requirements. The amendments are effective for our annual and interim reporting periods beginning after December 15, 2021, with early adoption permitted for reporting periods beginning after December 15, 2020. The guidance can be applied on a full retrospective basis to all periods presented or a modified retrospective basis with a cumulative effect adjustment to the opening balance of retained earnings during the period of adoption. We are currently evaluating the effects the adoption of ASU 2020-06 will have on our consolidated financial statements and disclosures.

There were no other new accounting pronouncements that were issued or became effective since the issuance of our 2020 Annual Report on Form 10-K that had, or are expected to have, a material impact on our consolidated financial position, results of operations or cash flows.

### 3. Business Acquisitions

#### *Pending Acquisition of myNEXUS, Inc.*

On March 24, 2021, we announced our entrance into an agreement with WindRose Health Investors to acquire myNEXUS, Inc. (“myNEXUS”). myNEXUS is a comprehensive home-based nursing management company for payors and delivers integrated clinical support services for Medicare Advantage members across twenty states. This acquisition aligns with our strategy to manage integrated, whole person multi-site care and support, by providing national, large-scale expertise to manage nursing services in the home and facilitate transitions of care. The acquisition is expected to close by the end of the second quarter of 2021 and is subject to standard closing conditions and customary approvals.

### ***Pending Acquisition of MMM Holdings LLC and Affiliates***

On February 2, 2021, we announced our entrance into an agreement with InnovaCare Health, L.P. to acquire its Puerto Rico-based subsidiaries, including MMM Holdings, LLC (“MMM”), its Medicare Advantage plan, Medicaid plan and other affiliated companies. MMM is an integrated healthcare organization and seeks to provide its Medicare Advantage and Medicaid members with a whole health experience through its network of specialized clinics and wholly owned independent physician associations. This acquisition aligns with our vision to be an innovative, valuable and inclusive healthcare partner by providing care management programs that improve the lives of the people we serve. The acquisition is expected to close by the end of the second quarter of 2021 and is subject to standard closing conditions and customary approvals.

### ***Beacon Health Options, Inc.***

On February 28, 2020, we completed our acquisition of Beacon Health Options, Inc. (“Beacon”) which was the largest independently held behavioral health organization in the country. At the time of acquisition, Beacon served more than thirty-four million individuals across all fifty states. This acquisition aligned with our strategy to diversify into health services and deliver both integrated solutions and care delivery models that personalize care for people with complex and chronic conditions.

In accordance with FASB accounting guidance for business combinations, the consideration transferred was allocated to the fair value of Beacon’s assets acquired and liabilities assumed, including identifiable intangible assets. The excess of the consideration transferred over the fair value of net assets acquired resulted in preliminary goodwill of \$1,072 at December 31, 2020, all of which was allocated to our Other segment. Preliminary goodwill recognized from the acquisition of Beacon primarily relates to the future economic benefits arising from the assets acquired and is consistent with our stated intentions and strategy. Goodwill was adjusted by \$9 through the end of the measurement period in February 2021 related to finalization of income tax considerations, resulting in final goodwill of \$1,081 as of March 31, 2021.

The fair value of the net assets acquired from Beacon includes \$752 of other intangible assets at March 31, 2021, which primarily consist of finite-lived customer relationships with amortization periods ranging from 8 to 25 years. The results of operations of Beacon are included in our consolidated financial statements within our Other segment for the period following February 28, 2020. The pro forma effects of this acquisition for prior periods were not material to our consolidated results of operations.

## **4. Business Optimization Initiatives**

During 2020, management introduced enterprise-wide initiatives to optimize our business, including process automation and a reduction in our office space footprint and, as a result, we recognized a liability in 2020 for future payments for employee termination costs in connection with the repositioning and reskilling of our workforce. We believe these initiatives largely represent the next step forward in our progression towards becoming a more agile organization.

A summary of the activity related to the liability for the employee termination costs during the three months ended March 31, 2021, by reportable segment, is as follows:

	<b>Commercial &amp; Specialty Business</b>	<b>Government Business</b>	<b>IngenioRx</b>	<b>Other</b>	<b>Total</b>
<b>2020 Business Optimization Initiatives</b>					
Employee termination costs:					
Liability for employee termination costs at January 1, 2021	\$ 92	\$ 88	\$ 1	\$ 6	\$ 187
Payments	(5)	(5)	—	(1)	(11)
Liability for employee termination costs at March 31, 2021	<u>\$ 87</u>	<u>\$ 83</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 176</u>

## 5. Investments

### Fixed Maturity Securities

We evaluate our available-for-sale fixed maturity securities for declines based on qualitative and quantitative factors. We have established an allowance for credit loss and recorded credit loss expense as a reflection of our expected impairment losses. We continue to review our investment portfolios under our impairment review policy. Given the inherent uncertainty of changes in market conditions and the significant judgments involved, there is a continuing risk that declines in fair value may occur and additional material impairment losses on investments may be recorded in future periods.

A summary of current and long-term fixed maturity securities, available-for-sale, at March 31, 2021 and December 31, 2020 is as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Allowance For Credit Losses	Estimated Fair Value	Non-Credit Component of Impairment Recognized in Accumulated Other Comprehensive Loss
			Less than 12 Months	12 Months or Greater			
<b>March 31, 2021</b>							
Fixed maturity securities:							
United States Government securities	\$ 898	\$ 4	\$ (22)	\$ —	\$ —	\$ 880	\$ —
Government sponsored securities	71	4	—	—	—	75	—
Foreign government securities	341	5	(9)	(1)	—	336	—
States, municipalities and political subdivisions	5,253	327	(13)	(1)	—	5,566	—
Corporate securities	11,228	466	(76)	(13)	(6)	11,599	(1)
Residential mortgage-backed securities	4,258	117	(25)	(9)	(2)	4,339	—
Commercial mortgage-backed securities	70	3	—	(3)	—	70	—
Other securities	2,226	30	(2)	(6)	—	2,248	—
<b>Total fixed maturity securities</b>	<b>\$ 24,345</b>	<b>\$ 956</b>	<b>\$ (147)</b>	<b>\$ (33)</b>	<b>\$ (8)</b>	<b>\$ 25,113</b>	<b>\$ (1)</b>
<b>December 31, 2020</b>							
Fixed maturity securities:							
United States Government securities	\$ 765	\$ 11	\$ (2)	\$ —	\$ —	\$ 774	\$ —
Government sponsored securities	63	6	—	—	—	69	—
Foreign government securities	290	17	(2)	—	—	305	—
States, municipalities and political subdivisions	5,185	395	(1)	—	—	5,579	—
Corporate securities	10,233	697	(20)	(11)	(7)	10,892	(1)
Residential mortgage-backed securities	4,208	154	(8)	(9)	—	4,345	(2)
Commercial mortgage-backed securities	73	3	(1)	(3)	—	72	—
Other securities	1,937	33	(5)	(6)	—	1,959	—
<b>Total fixed maturity securities</b>	<b>\$ 22,754</b>	<b>\$ 1,316</b>	<b>\$ (39)</b>	<b>\$ (29)</b>	<b>\$ (7)</b>	<b>\$ 23,995</b>	<b>\$ (3)</b>

For fixed maturity securities in an unrealized loss position at March 31, 2021 and December 31, 2020, the following table summarizes the aggregate fair values and gross unrealized losses by length of time those securities have continuously been in an unrealized loss position:

(Securities are whole amounts)	Less than 12 Months			12 Months or Greater		
	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss
<b>March 31, 2021</b>						
Fixed maturity securities:						
United States Government securities	51	\$ 654	\$ (22)	—	\$ —	\$ —
Government sponsored securities	2	2	—	—	—	—
Foreign government securities	202	177	(9)	26	17	(1)
States, municipalities and political subdivisions	242	495	(13)	7	13	(1)
Corporate securities	1,735	2,707	(76)	241	291	(13)
Residential mortgage-backed securities	363	1,489	(25)	125	156	(9)
Commercial mortgage-backed securities	1	2	—	6	13	(3)
Other securities	160	456	(2)	70	149	(6)
<b>Total fixed maturity securities</b>	<b>2,756</b>	<b>\$ 5,982</b>	<b>\$ (147)</b>	<b>475</b>	<b>\$ 639</b>	<b>\$ (33)</b>
<b>December 31, 2020</b>						
Fixed maturity securities:						
United States Government securities	27	\$ 301	\$ (2)	—	\$ —	\$ —
Government sponsored securities	—	—	—	1	—	—
Foreign government securities	55	35	(2)	9	4	—
States, municipalities and political subdivisions	36	57	(1)	1	3	—
Corporate securities	646	765	(20)	150	169	(11)
Residential mortgage-backed securities	224	442	(8)	90	110	(9)
Commercial mortgage-backed securities	6	16	(1)	3	4	(3)
Other securities	207	509	(5)	79	179	(6)
<b>Total fixed maturity securities</b>	<b>1,201</b>	<b>\$ 2,125</b>	<b>\$ (39)</b>	<b>333</b>	<b>\$ 469</b>	<b>\$ (29)</b>

Below are discussions by security type for unrealized losses and credit losses as of March 31, 2021:

**Corporate securities:** An allowance for credit losses on certain retail, travel and entertainment and energy sector fixed maturity corporate securities has been determined based on qualitative and quantitative factors including credit rating, decline in fair value and industry condition along with other available market data. With multiple risk factors present, these securities were reviewed for expected future cash flow to determine the portion of unrealized losses that were credit related and to record an allowance for credit losses. Unrealized losses on our other corporate securities were largely due to market conditions relating to the COVID-19 pandemic; however, qualitative factors did not indicate a credit loss as of March 31, 2021. We do not intend to sell these investments and it is likely we will not have to sell these investments prior to maturity or recovery of amortized cost.

**Residential mortgage-backed securities:** An allowance for credit loss was established on certain residential mortgage-backed securities. Notification of maturity and coupon default, as well as a significant and sustained decline in fair value, were factors to indicate a credit loss. No other mortgage securities had material unrealized losses or qualitative factors to indicate a credit loss. We do not intend to sell these investments and it is likely we will not be required to sell these investments prior to maturity or recovery of amortized cost.

As for the remaining securities shown in the table above, unrealized losses on these securities have not been recognized into income because we do not intend to sell these investments and it is likely that we will not be required to sell these investments prior to their anticipated recovery. The decline in fair value is largely due to changes in interest rates and other market conditions. We have evaluated these securities for any change in credit rating and have determined that no allowance is necessary. The fair value is expected to recover as the securities approach maturity.

The table below presents a roll-forward by major security type of the allowance for credit losses on fixed maturity securities available-for-sale held at period end for the three months ended March 31, 2021 and 2020:

Three Months Ended March 31, 2021:	Corporate Securities	Residential mortgage-backed securities	Total
<b>Allowance for credit losses:</b>			
Beginning balance	\$ 7	\$ —	\$ 7
Additions for securities for which no previous expected credit losses were recognized	1	—	1
(Decreases) increases to the allowance for credit losses on securities	(2)	2	—
<b>Total allowance for credit losses, ending balance</b>	<b>\$ 6</b>	<b>\$ 2</b>	<b>\$ 8</b>

Three Months Ended March 31, 2020:	Corporate Securities	Residential mortgage-backed securities	Total
<b>Allowance for credit losses:</b>			
Beginning balance	\$ —	\$ —	\$ —
Additions for securities for which no previous expected credit losses were recognized	51	—	51
<b>Total allowance for credit losses, ending balance</b>	<b>\$ 51</b>	<b>\$ —</b>	<b>\$ 51</b>

The amortized cost and fair value of fixed maturity securities at March 31, 2021, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations.

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 617	\$ 622
Due after one year through five years	6,057	6,293
Due after five years through ten years	8,009	8,225
Due after ten years	5,334	5,564
Mortgage-backed securities	4,328	4,409
<b>Total fixed maturity securities</b>	<b>\$ 24,345</b>	<b>\$ 25,113</b>

During the three months ended March 31, 2021 and 2020 we received proceeds from sales, maturities, calls or redemptions of fixed maturity securities of \$5,323 and \$1,931, respectively.

In the ordinary course of business, we may sell securities at a loss for a number of reasons, including, but not limited to: (i) changes in the investment environment; (ii) expectation that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; (iv) changes in credit quality; or (v) changes in expected cash flow.

All securities sold resulting in investment gains and losses are recorded on the trade date. Realized gains and losses are determined on the basis of the cost or amortized cost of the specific securities sold.

## Equity Securities

A summary of marketable equity securities at March 31, 2021 and December 31, 2020 is as follows:

	March 31, 2021	December 31, 2020
Equity securities:		
Exchange traded funds	\$ 3,409	\$ 1,154
Fixed maturity mutual funds	—	144
Common equity securities	156	201
Private equity securities	65	60
Total	<u>\$ 3,630</u>	<u>\$ 1,559</u>

## Other Invested Assets

Other invested assets include primarily our investments in limited partnerships, joint ventures and other non-controlled corporations, as well as the cash surrender value of corporate-owned life insurance policies. Investments in limited partnerships, joint ventures and other non-controlled corporations are carried at our share in the entities' undistributed earnings, which approximates fair value. Financial information for certain of these investments are reported on a one or three month lag due to the timing of when we receive financial information from the companies.

## Investment Losses

Net realized investment losses for the three months ended March 31, 2021 and 2020 are as follows:

	Three Months Ended March 31	
	2021	2020
Net realized gains (losses):		
Fixed maturity securities:		
Gross realized gains from sales	\$ 56	\$ 43
Gross realized losses from sales	(12)	(20)
Impairment losses recognized in income	(1)	(51)
Net realized gains (losses) from sales of fixed maturity securities	43	(28)
Equity securities:		
Gross realized gains	12	23
Gross realized losses	(78)	(73)
Net realized losses on equity securities	(66)	(50)
Other invested assets:		
Gross realized gains from sales	5	7
Gross realized losses from sales	—	(1)
Impairment losses recognized in income	(8)	(6)
Net realized losses from sales of other investments	(3)	—
Net realized losses on investments	<u>\$ (26)</u>	<u>\$ (78)</u>

The gains and losses related to equity securities for the three months ended March 31, 2021 and 2020 are as follows:

	Three Months Ended March 31	
	2021	2020
Net realized losses recognized on equity securities	\$ (66)	\$ (50)
Less: Net realized gains (losses) recognized on equity securities sold during the period	26	(18)
Unrealized losses recognized on equity securities still held at the end of the period	<u>\$ (40)</u>	<u>\$ (68)</u>

### **Accrued Investment Income**

At March 31, 2021 and December 31, 2020, accrued investment income totaled \$185 and \$188, respectively. We recognize accrued investment income under the caption “Other receivables” on our consolidated balance sheets.

### **Securities Lending Programs**

We participate in securities lending programs whereby marketable securities in our investment portfolio are transferred to independent brokers or dealers in exchange for cash and securities collateral. The fair value of the collateral received at the time of the transactions amounted to \$1,930 and \$1,199 at March 31, 2021 and December 31, 2020, respectively. The value of the collateral represented 102% of the market value of the securities on loan at each of March 31, 2021 and December 31, 2020. We recognize the collateral as an asset under the caption “Other current assets” in our consolidated balance sheets, and we recognize a corresponding liability for the obligation to return the collateral to the borrower under the caption “Other current liabilities.” The securities on loan are reported in the applicable investment category on our consolidated balance sheets.

The remaining contractual maturity of our securities lending agreements at March 31, 2021 is as follows:

	<b>Overnight and Continuous</b>
<b>Securities lending collateral</b>	
Cash	\$ 1,695
United States Government securities	234
Other securities	1
<b>Total</b>	<b>\$ 1,930</b>

## **6. Derivative Financial Instruments**

We primarily invest in the following types of derivative financial instruments: interest rate swaps, futures, forward contracts, put and call options, swaptions, embedded derivatives and warrants. We also enter into master netting agreements, which reduce credit risk by permitting net settlement of transactions.

We have entered into various interest rate swap contracts to convert a portion of our interest rate exposure on our long-term debt from fixed rates to floating rates. The floating rates payable on all of our fair value hedges are benchmarked to LIBOR. Any amounts recognized for changes in fair value of these derivatives are included in the captions “Other current or noncurrent assets” or “Other current or noncurrent liabilities” in our consolidated balance sheets.

We have previously entered into a series of forward starting pay fixed interest rate swaps with the objective of reducing the variability of cash flows in the interest payments on future financings that were anticipated at the time of entering into the swaps. All swaps were expired or terminated as of March 31, 2021.

The unrecognized loss for all expired and terminated cash flow hedges included in accumulated other comprehensive loss, net of tax, was \$246 and \$250 at March 31, 2021 and December 31, 2020, respectively.

During the three months ended March 31, 2021, we recognized net realized gains on non-hedging derivatives of \$22. During the three months ended March 31, 2020, we recognized net realized losses on non-hedging derivatives of \$3.

For additional information relating to the fair value of our derivative assets and liabilities, see Note 7, “Fair Value,” of this Form 10-Q.

## 7. Fair Value

Assets and liabilities recorded at fair value in our consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by FASB guidance for fair value measurements and disclosures, are as follows:

<u>Level Input</u>	<u>Input Definition</u>
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The following methods, assumptions and inputs were used to determine the fair value of each class of the following assets and liabilities recorded at fair value in our consolidated balance sheets:

*Cash equivalents:* Cash equivalents primarily consist of highly rated money market funds with maturities of three months or less and are purchased daily at par value with specified yield rates. Due to the high ratings and short-term nature of the funds, we designate all cash equivalents as Level I.

*Fixed maturity securities, available-for-sale:* Fair values of available-for-sale fixed maturity securities are based on quoted market prices, where available. These fair values are obtained primarily from third-party pricing services, which generally use Level I or Level II inputs for the determination of fair value to facilitate fair value measurements and disclosures. Level II securities primarily include corporate securities, securities from states, municipalities and political subdivisions, mortgage-backed securities, United States Government securities, foreign government securities, and certain other asset-backed securities. For securities not actively traded, the pricing services may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. We have controls in place to review the pricing services' qualifications and procedures used to determine fair values. In addition, we periodically review the pricing services' pricing methodologies, data sources and pricing inputs to ensure the fair values obtained are reasonable. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates and prepayment speeds. We also have certain fixed maturity securities, primarily corporate debt securities, which are designated Level III securities. For these securities, the valuation methodologies may incorporate broker quotes or discounted cash flow analyses using assumptions for inputs such as expected cash flows, benchmark yields, credit spreads, default rates and prepayment speeds that are not observable in the markets.

*Equity securities:* Fair values of equity securities are generally designated as Level I and are based on quoted market prices. For certain equity securities, quoted market prices for the identical security are not always available, and the fair value is estimated by reference to similar securities for which quoted prices are available. These securities are designated Level II. We also have certain equity securities, including private equity securities, for which the fair value is estimated based on each security's current condition and future cash flow projections. Such securities are designated Level III. The fair values of these private equity securities are generally based on either broker quotes or discounted cash flow projections using assumptions for inputs such as the weighted-average cost of capital, long-term revenue growth rates and earnings before interest, taxes, depreciation and amortization, and/or revenue multiples that are not observable in the markets.

*Securities lending collateral:* Fair values of securities lending collateral are based on quoted market prices, where available. These fair values are obtained primarily from third-party pricing services, which generally use Level I or Level II inputs for the determination of fair value, to facilitate fair value measurements and disclosures.

*Derivatives:* Fair values are based on the quoted market prices by the financial institution that is the counterparty to the derivative transaction. We independently verify prices provided by the counterparties using valuation models that incorporate observable market inputs for similar derivative transactions. Derivatives are designated as Level II securities. Derivatives presented within the fair value hierarchy table below are presented on a gross basis and not on a master netting basis by counterparty.

A summary of fair value measurements by level for assets and liabilities measured at fair value on a recurring basis at March 31, 2021 and December 31, 2020 is as follows:

	Level I	Level II	Level III	Total
<b>March 31, 2021</b>				
<b>Assets:</b>				
Cash equivalents	\$ 5,914	\$ —	\$ —	\$ 5,914
Fixed maturity securities, available-for-sale:				
United States Government securities	—	880	—	880
Government sponsored securities	—	75	—	75
Foreign government securities	—	336	—	336
States, municipalities and political subdivisions, tax-exempt	—	5,566	—	5,566
Corporate securities	—	11,275	324	11,599
Residential mortgage-backed securities	—	4,337	2	4,339
Commercial mortgage-backed securities	—	70	—	70
Other securities	—	2,243	5	2,248
Total fixed maturity securities, available-for-sale	—	24,782	331	25,113
Equity securities:				
Exchange traded funds	3,409	—	—	3,409
Common equity securities	125	31	—	156
Private equity securities	—	—	65	65
Total equity securities	3,534	31	65	3,630
Securities lending collateral	—	1,930	—	1,930
Derivatives	—	42	—	42
<b>Total assets</b>	<b>\$ 9,448</b>	<b>\$ 26,785</b>	<b>\$ 396</b>	<b>\$ 36,629</b>
<b>Liabilities:</b>				
Derivatives	\$ —	\$ (11)	\$ —	\$ (11)
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ (11)</b>	<b>\$ —</b>	<b>\$ (11)</b>
<b>December 31, 2020</b>				
<b>Assets:</b>				
Cash equivalents	\$ 3,163	\$ —	\$ —	\$ 3,163
Fixed maturity securities, available-for-sale:				
United States Government securities	—	774	—	774
Government sponsored securities	—	69	—	69
Foreign government securities	—	305	—	305
States, municipalities and political subdivisions, tax-exempt	—	5,579	—	5,579
Corporate securities	—	10,567	325	10,892
Residential mortgage-backed securities	—	4,343	2	4,345
Commercial mortgage-backed securities	—	72	—	72
Other securities	—	1,954	5	1,959
Total fixed maturity securities, available-for-sale	—	23,663	332	23,995
Equity securities:				
Exchange traded funds	1,154	—	—	1,154
Fixed maturity mutual funds	—	144	—	144
Common equity securities	171	30	—	201
Private equity securities	—	—	60	60
Total equity securities	1,325	174	60	1,559
Securities lending collateral	—	1,199	—	1,199
Derivatives	—	43	—	43
<b>Total assets</b>	<b>\$ 4,488</b>	<b>\$ 25,079</b>	<b>\$ 392</b>	<b>\$ 29,959</b>
<b>Liabilities:</b>				
Derivatives	\$ —	\$ (5)	\$ —	\$ (5)
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ (5)</b>	<b>\$ —</b>	<b>\$ (5)</b>

A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level III inputs for the three months ended March 31, 2021 and 2020 is as follows:

	Corporate Securities	Residential Mortgage-backed Securities	Other Securities	Equity Securities	Total
<b>Three Months Ended March 31, 2021</b>					
Beginning balance at January 1, 2021	\$ 325	\$ 2	\$ 5	\$ 60	\$ 392
Total gains:					
Recognized in net income	—	—	—	8	8
Recognized in accumulated other comprehensive loss	3	—	—	—	3
Purchases	39	—	—	—	39
Sales	(2)	—	—	(3)	(5)
Settlements	(41)	—	—	—	(41)
Ending balance at March 31, 2021	<u>\$ 324</u>	<u>\$ 2</u>	<u>\$ 5</u>	<u>\$ 65</u>	<u>\$ 396</u>
Change in unrealized losses included in net income related to assets still held at March 31, 2021	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ 8</u>
<b>Three Months Ended March 31, 2020</b>					
Beginning balance at January 1, 2020	\$ 303	\$ 2	\$ 7	\$ 85	\$ 397
Total losses:					
Recognized in net income	(2)	—	—	(6)	(8)
Recognized in accumulated other comprehensive loss	(10)	—	—	—	(10)
Purchases	26	—	—	12	38
Sales	(3)	—	—	(9)	(12)
Settlements	(11)	—	(2)	—	(13)
Transfers into Level III	13	—	—	—	13
Ending balance at March 31, 2020	<u>\$ 316</u>	<u>\$ 2</u>	<u>\$ 5</u>	<u>\$ 82</u>	<u>\$ 405</u>
Change in unrealized losses included in net income related to assets still held at March 31, 2020	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (7)</u>	<u>\$ (7)</u>

There were no individually material transfers into or out of Level III during the three months ended March 31, 2021 or 2020.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. As disclosed in Note 3, "Business Acquisitions," we completed our acquisition of Beacon on February 28, 2020. The net assets acquired in our acquisition of Beacon and resulting goodwill and other intangible assets were recorded at fair value primarily using Level III inputs. The majority of Beacon's assets acquired and liabilities assumed were recorded at their carrying values as of the respective date of acquisition, as their carrying values approximated their fair values due to their short-term nature. The fair values of goodwill and other intangible assets acquired in our acquisition of Beacon were internally estimated based on the income approach. The income approach estimates fair value based on the present value of the cash flows that the assets could be expected to generate in the future. We developed internal estimates for the expected cash flows and discount rate in the present value calculation. Other than the assets acquired and liabilities assumed in our acquisition of Beacon described above, there were no material assets or liabilities measured at fair value on a nonrecurring basis during the three months ended March 31, 2021 or 2020.

Our valuation policy is determined by members of our treasury and accounting departments. Whenever possible, our policy is to obtain quoted market prices in active markets to estimate fair values for recognition and disclosure purposes.

Where quoted market prices in active markets are not available, fair values are estimated using discounted cash flow analyses, broker quotes, unobservable inputs or other valuation techniques. These techniques are significantly affected by our assumptions, including discount rates and estimates of future cash flows. The use of assumptions for unobservable inputs for the determination of fair value involves a level of judgment and uncertainty. Changes in assumptions that reasonably could have been different at the reporting date may result in a higher or lower determination of fair value. Changes in fair value measurements, if significant, may affect performance of cash flows.

Potential taxes and other transaction costs are not considered in estimating fair values. Our valuation policy is generally to obtain quoted prices for each security from third-party pricing services, which are derived through recently reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. As we are responsible for the determination of fair value, we perform analysis on the prices received from the pricing services to determine whether the prices are reasonable estimates of fair value. This analysis is performed by our internal treasury personnel who are familiar with our investment portfolios, the pricing services engaged and the valuation techniques and inputs used. Our analysis includes procedures such as a review of month-to-month price fluctuations and price comparisons to secondary pricing services. There were no adjustments to quoted market prices obtained from the pricing services during the three months ended March 31, 2021 or 2020.

In addition to the preceding disclosures on assets recorded at fair value in the consolidated balance sheets, FASB guidance also requires the disclosure of fair values for certain other financial instruments for which it is practicable to estimate fair value, whether or not such values are recognized in our consolidated balance sheets.

Non-financial instruments such as real estate, property and equipment, other current or noncurrent assets, deferred income taxes, intangible assets and certain financial instruments, such as policy liabilities, are excluded from the fair value disclosures. Therefore, the fair value amounts cannot be aggregated to determine our underlying economic value.

The carrying amounts for cash, premium receivables, self-funded receivables, other receivables, unearned income, accounts payable and accrued expenses, and certain other current liabilities approximate fair value because of the short term nature of these items. These assets and liabilities are not listed in the table below.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument that is recorded at its carrying value in our consolidated balance sheets:

*Other invested assets:* Other invested assets include primarily our investments in limited partnerships, joint ventures and other non-controlled corporations, as well as the cash surrender value of corporate-owned life insurance policies. Investments in limited partnerships, joint ventures and other non-controlled corporations are carried at our share in the entities' undistributed earnings, which approximates fair value. The carrying value of corporate-owned life insurance policies represents the cash surrender value as reported by the respective insurer, which approximates fair value.

*Short-term borrowings:* The fair value of our short-term borrowings is based on quoted market prices for the same or similar debt, or, if no quoted market prices were available, on the current market interest rates estimated to be available to us for debt of similar terms and remaining maturities.

*Long-term debt – commercial paper:* The carrying amount for commercial paper approximates fair value, as the underlying instruments have variable interest rates at market value.

*Long-term debt – senior unsecured notes and surplus notes:* The fair values of our notes are based on quoted market prices in active markets for the same or similar debt, or, if no quoted market prices are available, on the current market observable rates estimated to be available to us for debt of similar terms and remaining maturities.

*Long-term debt – convertible debentures:* The fair value of our convertible debentures is based on the quoted market price in the active private market in which the convertible debentures trade.

A summary of the estimated fair values by level of each class of financial instrument that is recorded at its carrying value on our consolidated balance sheets at March 31, 2021 and December 31, 2020 is as follows:

	Carrying Value	Estimated Fair Value			Total
		Level I	Level II	Level III	
<b>March 31, 2021</b>					
<b>Assets:</b>					
Other invested assets	\$ 4,474	\$ —	\$ —	\$ 4,474	\$ 4,474
<b>Liabilities:</b>					
Debt:					
Notes	23,125	—	25,289	—	25,289
Convertible debentures	109	—	797	—	797
<b>December 31, 2020</b>					
<b>Assets:</b>					
Other invested assets	\$ 4,285	\$ —	\$ —	\$ 4,285	\$ 4,285
<b>Liabilities:</b>					
Debt:					
Commercial paper	250	—	250	—	250
Notes	19,677	—	23,307	—	23,307
Convertible debentures	108	—	712	—	712

## 8. Income Taxes

During the three months ended March 31, 2021 and 2020, we recognized income tax expense of \$509 and \$566, respectively, which represent effective income tax rates of 23.4% and 27.1%, respectively. The decrease in our effective income tax rate was primarily due to the repeal of the non-tax deductible HIP Fee effective beginning in 2021.

Income taxes payable totaled \$176 at March 31, 2021. Income taxes receivable totaled \$262 at December 31, 2020. We recognize the income tax payable as a liability under the caption “Other current liabilities” and the income tax receivable as an asset under the caption “Other current assets” in our consolidated balance sheets.

## 9. Medical Claims Payable

A reconciliation of the beginning and ending balances for medical claims payable, by segment (see Note 15, "Segment Information"), for the three months ended March 31, 2021 is as follows:

	Commercial & Specialty Business	Government Business	Other	Total
Gross medical claims payable, beginning of period	\$ 3,294	\$ 7,646	\$ 195	\$ 11,135
Ceded medical claims payable, beginning of period	(13)	(33)	—	(46)
Net medical claims payable, beginning of period	3,281	7,613	195	11,089
Net incurred medical claims:				
Current period	6,575	17,289	351	24,215
Prior periods redundancies	(503)	(970)	(15)	(1,488)
Total net incurred medical claims	6,072	16,319	336	22,727
Net payments attributable to:				
Current period medical claims	4,164	10,650	217	15,031
Prior periods medical claims	1,746	4,856	146	6,748
Total net payments	5,910	15,506	363	21,779
Net medical claims payable, end of period	3,443	8,426	168	12,037
Ceded medical claims payable, end of period	9	30	—	39
Gross medical claims payable, end of period	\$ 3,452	\$ 8,456	\$ 168	\$ 12,076

At March 31, 2021, the total of net incurred but not reported liabilities plus expected development on reported claims for the Commercial & Specialty Business was \$101, \$931 and \$2,411 for the claim years 2019 and prior, 2020 and 2021, respectively.

At March 31, 2021, the total of net incurred but not reported liabilities plus expected development on reported claims for the Government Business was \$344, \$1,442 and \$6,640 for the claim years 2019 and prior, 2020 and 2021, respectively.

At March 31, 2021, the total of net incurred but not reported liabilities plus expected development on reported claims for Other was \$0, \$34 and \$134 for the claim years 2019 and prior, 2020 and 2021, respectively.

A reconciliation of the beginning and ending balances for medical claims payable, by segment (see Note 15, “Segment Information”), for the three months ended March 31, 2020 is as follows:

	Commercial & Specialty Business	Government Business	Other	Total
Gross medical claims payable, beginning of period	\$ 3,039	\$ 5,608	\$ —	\$ 8,647
Ceded medical claims payable, beginning of period	(14)	(19)	—	(33)
Net medical claims payable, beginning of period	3,025	5,589	—	8,614
Business combinations and purchase adjustments	—	141	198	339
Net incurred medical claims:				
Current period	6,090	15,010	130	21,230
Prior periods redundancies	(293)	(407)	—	(700)
Total net incurred medical claims	5,797	14,603	130	20,530
Net payments attributable to:				
Current period medical claims	3,908	9,698	138	13,744
Prior periods medical claims	1,875	4,234	—	6,109
Total net payments	5,783	13,932	138	19,853
Net medical claims payable, end of period	3,039	6,401	190	9,630
Ceded medical claims payable, end of period	37	23	—	60
Gross medical claims payable, end of period	\$ 3,076	\$ 6,424	\$ 190	\$ 9,690

The favorable development recognized in the three months ended March 31, 2021 and 2020 resulted primarily from trend factors in late 2020 and late 2019, respectively, developing more favorably than originally expected. Favorable development in the completion factors resulting from the latter parts of 2020 and 2019 developing faster than expected also contributed to the favorability.

The reconciliation of net incurred medical claims to benefit expense included in our consolidated statements of income is as follows:

	Three Months Ended	
	March 31, 2021	March 31, 2020
Net incurred medical claims:		
Commercial & Specialty Business	\$ 6,072	\$ 5,797
Government Business	16,319	14,603
Other	336	130
Total net incurred medical claims	22,727	20,530
Quality improvement and other claims expense	972	959
Benefit expense	\$ 23,699	\$ 21,489

The reconciliation of the medical claims payable reflected in the tables above to the consolidated ending balance for medical claims payable included in the consolidated balance sheet, as of March 31, 2021, is as follows:

	Commercial & Specialty Business	Government Business	Other	Total
Net medical claims payable, end of period	\$ 3,443	\$ 8,426	\$ 168	\$ 12,037
Ceded medical claims payable, end of period	9	30	—	39
Insurance lines other than short duration	—	271	—	271
Gross medical claims payable, end of period	<u>\$ 3,452</u>	<u>\$ 8,727</u>	<u>\$ 168</u>	<u>\$ 12,347</u>

## 10. Debt

We generally issue senior unsecured notes for long-term borrowing purposes. At March 31, 2021 and December 31, 2020, we had \$23,100 and \$19,652, respectively, outstanding under these notes.

On April 15, 2021, we provided notice to the holders of our outstanding 3.700% Notes due August 15, 2021 that we will be redeeming the \$700 outstanding principal balance of such notes on May 15, 2021 at a redemption price equal to 100% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest.

On March 17, 2021, we issued \$500 aggregate principal amount of 0.450% Notes due 2023 (the “2023 Notes”), \$750 aggregate principal amount of 1.500% Notes due 2026 (the “2026 Notes”), \$1,000 aggregate principal amount of 2.550% Notes due 2031 (the “2031 Notes”) and \$1,250 aggregate principal amount of 3.600% Notes due 2051 (the “2051 Notes”) under our shelf registration statement. Interest on the 2023 Notes, 2026 Notes, 2031 Notes and 2051 Notes is payable semi-annually in arrears on March 15 and September 15 of each year, commencing September 15, 2021. We intend to use the net proceeds for working capital and general corporate purposes, including, but not limited to, the funding of acquisitions, repayment of short-term and long-term debt and the repurchase of our common stock pursuant to our share repurchase program.

We have an unsecured surplus note with an outstanding principal balance of \$25 at both March 31, 2021 and December 31, 2020.

We have a senior revolving credit facility (the “5-Year Facility”) with a group of lenders for general corporate purposes. The 5-Year Facility provides credit up to \$2,500 and matures in June 2024. We also have a 364-day senior revolving credit facility (“364-Day Facility”) with a group of lenders for general corporate purposes, which provides for credit in the amount of \$1,000 and matures in June 2021. Our ability to borrow under these credit facilities is subject to compliance with certain covenants, including covenants requiring us to maintain a defined debt-to-capital ratio of not more than 60%, subject to increase in certain circumstances set forth in the applicable credit agreement. As of March 31, 2021, our debt-to-capital ratio, as defined and calculated under the credit facilities, was 40.7%. We do not believe the restrictions contained in any of our credit facility covenants materially affect our financial or operating flexibility. As of March 31, 2021, we were in compliance with all of the debt covenants under these credit facilities. There were no amounts outstanding under the 364-Day Facility at any time during the three months ended March 31, 2021 or the year ended December 31, 2020. At March 31, 2021 and December 31, 2020, there were no amounts outstanding under our 5-Year Facility.

Through certain subsidiaries, we have entered into multiple 364-day lines of credit (the “Subsidiary Credit Facilities”) with separate lenders for general corporate purposes. The Subsidiary Credit Facilities provide combined credit of up to \$300. At March 31, 2021 and December 31, 2020, there were no amounts outstanding under our Subsidiary Credit Facilities.

We have an authorized commercial paper program of up to \$3,500, the proceeds of which may be used for general corporate purposes. At March 31, 2021 and December 31, 2020, we had \$0 and \$250, respectively, outstanding under this program.

We have outstanding senior unsecured convertible debentures due 2042 (the “Debentures”) which are governed by an indenture (the “indenture”) between us and The Bank of New York Mellon Trust Company, N.A., as trustee. We have

accounted for the Debentures in accordance with the FASB cash conversion guidance for debt with conversion and other options. As a result, the value of the embedded conversion option (net of deferred taxes and equity issuance costs) has been bifurcated from its debt host and recorded as a component of additional paid-in capital in our consolidated balance sheets.

The following table summarizes at March 31, 2021 the related balances, conversion rate and conversion price of the Debentures:

Outstanding principal amount	\$	159
Unamortized debt discount	\$	49
Net debt carrying amount	\$	109
Equity component carrying amount	\$	58
Conversion rate (shares of common stock per \$1,000 of principal amount)		14.1158
Effective conversion price (per \$1,000 of principal amount)	\$	70.8426

We are a member, through certain subsidiaries, of the Federal Home Loan Bank of Indianapolis, the Federal Home Loan Bank of Cincinnati, the Federal Home Loan Bank of Atlanta and the Federal Home Loan Bank of New York (collectively, the "FHLBs"). As a member, we have the ability to obtain short-term cash advances, subject to certain minimum collateral requirements. We had no outstanding short-term borrowings from the FHLBs at March 31, 2021 and December 31, 2020.

All debt is a direct obligation of Anthem, Inc., except for the surplus note, the FHLB borrowings, and the Subsidiary Credit Facilities.

## 11. Commitments and Contingencies

### *Litigation and Regulatory Proceedings*

In the ordinary course of business, we are defendants in, or parties to, a number of pending or threatened legal actions or proceedings. To the extent a plaintiff or plaintiffs in the following cases have specified in their complaint or in other court filings the amount of damages being sought, we have noted those alleged damages in the descriptions below. With respect to the cases described below, we contest liability and/or the amount of damages in each matter and believe we have meritorious defenses.

Where available information indicates that it is probable that a loss has been incurred as of the date of the consolidated financial statements and we can reasonably estimate the amount of that loss, we accrue the estimated loss by a charge to income. In many proceedings, however, it is difficult to determine whether any loss is probable or reasonably possible. In addition, even where loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously identified loss contingency, it is not always possible to reasonably estimate the amount of the possible loss or range of loss.

With respect to many of the proceedings to which we are a party, we cannot provide an estimate of the possible losses, or the range of possible losses in excess of the amount, if any, accrued, for various reasons, including but not limited to some or all of the following: (i) there are novel or unsettled legal issues presented, (ii) the proceedings are in early stages, (iii) there is uncertainty as to the likelihood of a class being certified or decertified or the ultimate size and scope of the class, (iv) there is uncertainty as to the outcome of pending appeals or motions, (v) there are significant factual issues to be resolved, and/or (vi) in many cases, the plaintiffs have not specified damages in their complaint or in court filings. For those legal proceedings where a loss is probable, or reasonably possible, and for which it is possible to reasonably estimate the amount of the possible loss or range of losses, we currently believe that the range of possible losses, in excess of established reserves is, in the aggregate, from \$0 to approximately \$250 at March 31, 2021. This estimated aggregate range of reasonably possible losses is based upon currently available information taking into account our best estimate of such losses for which such an estimate can be made.

### Blue Cross Blue Shield Antitrust Litigation

We are a defendant in multiple lawsuits that were initially filed in 2012 against the BCBSA and Blue Cross and/or Blue Shield licensees (the "Blue plans") across the country. Cases filed in twenty-eight states were consolidated into a single,

multi-district proceeding captioned *In re Blue Cross Blue Shield Antitrust Litigation* that is pending in the United States District Court for the Northern District of Alabama (the “Court”). Generally, the suits allege that the BCBSA and the Blue plans have conspired to horizontally allocate geographic markets through license agreements, best efforts rules that limit the percentage of non-Blue revenue of each plan, restrictions on acquisitions, rules governing the BlueCard<sup>®</sup> and National Accounts programs and other arrangements in violation of the Sherman Antitrust Act (“Sherman Act”) and related state laws. The cases were brought by two putative nationwide classes of plaintiffs, health plan subscribers and providers.

In response to cross motions for partial summary judgment by plaintiffs and defendants, the Court issued an order in April 2018 determining that the defendants’ aggregation of geographic market allocations and output restrictions are to be analyzed under a per se standard of review, and the BlueCard<sup>®</sup> program and other alleged Section 1 Sherman Act violations are to be analyzed under the rule of reason standard of review. The Court also found that there remain genuine issues of material fact as to whether the defendants operate as a single entity with regard to the enforcement of the Blue Cross Blue Shield trademarks. In April 2019, the plaintiffs filed motions for class certification in conjunction with their supporting expert reports, and the defendants filed motions to exclude plaintiffs’ experts, and to oppose plaintiffs’ motions for class certification.

The BCBSA and Blue plans have approved a settlement agreement and release (the “Subscriber Settlement Agreement”) with the subscriber plaintiffs. If approved by the Court, the Subscriber Settlement Agreement will require the defendants to make a monetary settlement payment, our portion of which is estimated to be \$594, and will contain certain non-monetary terms including (i) eliminating the “national best efforts” rule in the BCBSA license agreements (which rule limits the percentage of non-Blue revenue permitted for each Blue plan) and (ii) allowing for some large national employers with self-funded benefit plans to request a bid for insurance coverage from a second Blue plan in addition to the local Blue plan. As of March 31, 2021, the liability balance accrued for our estimated remaining payment obligation was \$507, net of payments made.

On November 30, 2020, the Court issued an order preliminarily approving the Subscriber Settlement Agreement, following which members of the subscriber class were provided notice of the Subscriber Settlement Agreement and an opportunity to opt out of the class. All terms of the Subscriber Settlement Agreement are subject to final approval by the Court before they become effective. Objections to the settlement, as well as the deadline for those who wish to opt-out from the settlement, must be submitted by July 28, 2021. Claims must be filed by November 5, 2021. A final approval hearing has been scheduled for October 20, 2021. If the Court grants approval of the Subscriber Settlement Agreement, and after all appellate rights have expired or have been exhausted in a manner that affirms the Court’s final order and judgment, the defendants’ payment and non-monetary obligations under the Subscriber Settlement Agreement will become effective.

In October 2020, after the Court lifted the stay as to the provider litigation, provider plaintiffs filed a renewed motion for class certification, and defendants filed an opposition to that motion. In March 2021, the Court issued an order terminating the pending motion for class certification until after a ruling on the standard of review applicable to providers’ claims. Standard of review motions for the provider litigation are due on May 21, 2021, and certain other potentially dispositive motions on issues of liability are due on June 18, 2021. We intend to continue to vigorously defend the provider suit; however, its ultimate outcome cannot be presently determined.

#### Blue Cross of California Taxation Litigation

In July 2013, our California affiliate Blue Cross of California (doing business as Anthem Blue Cross) (“BCC”) was named as a defendant in a California taxpayer action filed in Los Angeles County Superior Court (the “Superior Court”) captioned *Michael D. Myers v. State Board of Equalization, et al.* This action was brought under a California statute that permits an individual taxpayer to sue a governmental agency when the taxpayer believes the agency has failed to enforce governing law. Plaintiff contends that BCC, a licensed Health Care Service Plan, is an “insurer” for purposes of taxation despite acknowledging it is not an “insurer” under regulatory law. At the time, under California law, “insurers” were required to pay a gross premiums tax (“GPT”) calculated as 2.35% on gross premiums. As a licensed Health Care Service Plan, BCC has paid the California Corporate Franchise Tax (“CFT”), the tax paid by California businesses generally. Plaintiff contends that BCC must pay the GPT rather than the CFT, and seeks a writ of mandate directing the taxing agencies to collect the GPT and an order requiring BCC to pay GPT back taxes, interest, and penalties for the eight-year period prior to the filing of the complaint.

Because the GPT is constitutionally imposed in lieu of certain other taxes, BCC has filed protective tax refund claims with the City of Los Angeles, the California Department of Health Care Services and the Franchise Tax Board to protect its rights to recover certain taxes previously paid should BCC eventually be determined to be subject to the GPT for the tax periods at issue in the litigation.

In March 2018, the Superior Court denied BCC's motion for judgment on the pleadings and similar motions brought by other entities. BCC filed a motion for summary judgment with the Superior Court, which was heard in October 2020. In December 2020, the Superior Court granted BCC's motion for summary judgment, dismissing the plaintiff's lawsuit. Plaintiff has appealed the order granting summary judgment. We intend to vigorously defend the appeal of this lawsuit.

#### Express Scripts, Inc. Pharmacy Benefit Management Litigation

In March 2016, we filed a lawsuit against Express Scripts, Inc. ("Express Scripts"), our vendor at the time for PBM services, captioned *Anthem, Inc. v. Express Scripts, Inc.*, in the U.S. District Court for the Southern District of New York. The lawsuit seeks to recover over \$14,800 in damages for pharmacy pricing that is higher than competitive benchmark pricing under the agreement between the parties (the "ESI PBM Agreement"), over \$158 in damages related to operational breaches, as well as various declarations under the ESI PBM Agreement, including that Express Scripts: (i) breached its obligation to negotiate in good faith and to agree in writing to new pricing terms; (ii) was required to provide competitive benchmark pricing to us through the term of the ESI PBM Agreement; (iii) has breached the ESI PBM Agreement; and (iv) is required under the ESI PBM Agreement to provide post-termination services, at competitive benchmark pricing, for one year following any termination.

Express Scripts has disputed our contractual claims and is seeking declaratory judgments: (i) regarding the timing of the periodic pricing review under the ESI PBM Agreement, and (ii) that it has no obligation to ensure that we receive any specific level of pricing, that we have no contractual right to any change in pricing under the ESI PBM Agreement and that its sole obligation is to negotiate proposed pricing terms in good faith. In the alternative, Express Scripts claims that we have been unjustly enriched by its payment of \$4,675 at the time we entered into the ESI PBM Agreement. In March 2017, the court granted our motion to dismiss Express Scripts' counterclaims for (i) breach of the implied covenant of good faith and fair dealing, and (ii) unjust enrichment with prejudice. The only remaining claims are for breach of contract and declaratory relief. Rebuttal expert reports were submitted in October 2020 and discovery must be completed by June 2021. We intend to vigorously pursue our claims and defend against any counterclaims, which we believe are without merit; however, the ultimate outcome cannot be presently determined.

#### In re Express Scripts/Anthem ERISA Litigation

We are a defendant in a class action lawsuit that was initially filed in June 2016 against Anthem, Inc. and Express Scripts, which has been consolidated into a single multi-district lawsuit captioned *In Re Express Scripts/Anthem ERISA Litigation*, in the U.S. District Court for the Southern District of New York. The consolidated complaint was filed by plaintiffs against Express Scripts and us on behalf of all persons who are participants in or beneficiaries of any ERISA or non-ERISA healthcare plan from December 1, 2009 to December 31, 2019 in which we provided prescription drug benefits through the ESI PBM Agreement and paid a percentage based co-insurance payment in the course of using that prescription drug benefit. The plaintiffs allege that we breached our duties, either under ERISA or with respect to the implied covenant of good faith and fair dealing implied in the health plans, (i) by failing to adequately monitor Express Scripts' pricing under the ESI PBM Agreement, (ii) by placing our own pecuniary interest above the best interests of our insureds by allegedly agreeing to higher pricing in the ESI PBM Agreement in exchange for the purchase price for our NextRx PBM business, and (iii) with respect to the non-ERISA members, by negotiating and entering into the ESI PBM Agreement that was allegedly detrimental to the interests of such non-ERISA members. Plaintiffs seek to hold us and Express Scripts jointly and severally liable and to recover all losses suffered by the proposed class, equitable relief, disgorgement of alleged ill-gotten gains, injunctive relief, attorney's fees and costs and interest.

In April 2017, we filed a motion to dismiss the claims brought against us, and it was granted, without prejudice, in January 2018. Plaintiffs filed a notice of appeal with the United States Court of Appeals for the Second Circuit (the "Second Circuit"), which was heard in October 2018. In December 2020, the Second Circuit affirmed the trial court's decision dismissing the ERISA complaint. Plaintiffs filed a Petition for Rehearing and Rehearing En Banc. Plaintiff's Petition for

Rehearing was denied. Plaintiffs have until June 2021 to file a Writ of Certiorari with the U.S. Supreme Court. We intend to vigorously defend this suit; however, its ultimate outcome cannot be presently determined.

#### Cigna Corporation Merger Litigation

In July 2015, we and Cigna Corporation (“Cigna”) announced that we entered into the Cigna Agreement and Plan of Merger (“Cigna Merger Agreement”) pursuant to which we would acquire all outstanding shares of Cigna. In July 2016, the U.S. Department of Justice (“DOJ”) along with certain state attorneys general, filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia (“District Court”) seeking to block the merger. In February 2017, Cigna purported to terminate the Cigna Merger Agreement and commenced litigation against us in the Delaware Court of Chancery (“Delaware Court”) seeking damages, including the \$1,850 termination fee pursuant to the terms of the Cigna Merger Agreement, and a declaratory judgment that its purported termination of the Cigna Merger Agreement was lawful, among other claims, which is captioned *Cigna Corp. v. Anthem Inc.*

Also in February 2017, we initiated our own litigation against Cigna in the Delaware Court seeking a temporary restraining order to enjoin Cigna from terminating the Cigna Merger Agreement, specific performance compelling Cigna to comply with the Cigna Merger Agreement and damages, which is captioned *Anthem Inc. v. Cigna Corp.* In April 2017, the U.S. Circuit Court of Appeals for the District of Columbia affirmed the ruling of the District Court, which blocked the merger. In May 2017, after the Delaware Court denied our motion to enjoin Cigna from terminating the Cigna Merger Agreement, we delivered to Cigna a notice terminating the Cigna Merger Agreement.

In the Delaware Court litigation, trial commenced in late February 2019 and concluded in March 2019. The Delaware Court held closing arguments in November 2019 and took the matter under consideration. In August 2020, the Delaware Court issued an opinion finding that neither party was owed damages and that we did not owe Cigna the \$1,850 termination fee. The Delaware Court issued an order implementing its opinion in October 2020. Cigna filed its notice of appeal in November 2020 challenging the Court's decision that Anthem did not owe Cigna a termination fee. Cigna filed its appellate brief in December 2020, and we filed our response in January 2021. Oral argument before the Delaware Supreme Court was held in April 2021. The matter was taken under advisement. We believe Cigna's allegations are without merit and we intend to vigorously defend against Cigna's allegations; however, the ultimate outcome of the appeal of this litigation with Cigna cannot be presently determined.

In October 2018, a shareholder filed a derivative lawsuit in the State of Indiana Marion County Superior Court, captioned *Henry Bittmann, Derivatively, et al. v. Joseph R Swedish, et al.*, purportedly on behalf of us and our shareholders against certain current and former directors and officers alleging breaches of fiduciary duties, unjust enrichment and corporate waste associated with the Cigna Merger Agreement. This case has been stayed at the request of the parties pending the outcome of our litigation with Cigna in the Delaware Court. This lawsuit's ultimate outcome cannot be presently determined.

#### Medicare Risk Adjustment Litigation

In March 2020, the DOJ filed a civil lawsuit against Anthem, Inc. in the U.S. District Court for the Southern District of New York in a case captioned *United States v. Anthem, Inc.* The DOJ's suit alleges, among other things, that we falsely certified the accuracy of the diagnosis data we submitted to the Centers for Medicare and Medicaid Services (“CMS”) for risk-adjustment purposes under Medicare Part C and knowingly failed to delete inaccurate diagnosis codes. The DOJ further alleges that, as a result of these purported acts, we caused CMS to calculate the risk-adjustment payments based on inaccurate diagnosis information, which enabled us to obtain unspecified amounts of payments in Medicare funds in violation of the False Claims Act. The DOJ filed an amended complaint in July 2020, alleging the same causes of action but revising some of its allegations. In September 2020, we filed a motion to transfer the lawsuit to the Southern District of Ohio, a motion to dismiss part of the lawsuit, and a motion to strike certain allegations in the amended complaint. The motions are fully briefed and no decision has been rendered. We intend to continue to vigorously defend this suit; however, the ultimate outcome cannot be presently determined.

#### Investigations of CareMore and HealthSun

With the assistance of outside counsel, we are conducting investigations of risk-adjustment practices involving data submitted to CMS (unrelated to our retrospective chart review program) at CareMore Health Plans, Inc. (“CareMore”), one of

our California subsidiaries, and HealthSun Health Plans, Inc. (“HealthSun”), one of our Florida subsidiaries. Our CareMore investigation has resulted in the termination of CareMore’s relationship with one contracted provider in California. Our HealthSun investigation focuses on risk adjustment practices initiated prior to our acquisition of HealthSun in December 2017 that continued after the acquisition. We have voluntarily self-disclosed the existence of both of our investigations to CMS and the Criminal Division of the DOJ, which then initiated an investigation. We are cooperating with the government’s investigation. We are in the process of analyzing the scope of potential data corrections to be submitted to CMS. We have also asserted indemnity claims for escrowed funds under the HealthSun purchase agreement for, among other things, breach of healthcare and financial representation provisions, based on the conduct discovered during our investigation. We are in active litigation with two groups of sellers regarding part of the escrowed funds in cases captioned *Shareholder Representative Services, LLC v. ATH Holding Company, LLC* and *Highland Acquisition Holdings, LLC* and *LPPAS Representative, LLC v. ATH Holding Company, LLC*, both pending in the Delaware Court.

### ***Other Contingencies***

From time to time, we and certain of our subsidiaries are parties to various legal proceedings, many of which involve claims for coverage encountered in the ordinary course of business. We, like HMOs and health insurers generally, exclude certain healthcare and other services from coverage under our HMO, PPO and other plans. We are, in the ordinary course of business, subject to the claims of our enrollees arising out of decisions to restrict or deny reimbursement for uncovered services. The loss of even one such claim, if it results in a significant punitive damage award, could have a material adverse effect on us. In addition, the risk of potential liability under punitive damage theories may increase significantly the difficulty of obtaining reasonable reimbursement of coverage claims.

In addition to the lawsuits described above, we are also involved in other pending and threatened litigation of the character incidental to our business, and are from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits, reviews and administrative proceedings include routine and special inquiries by state insurance departments, state attorneys general, the U.S. Attorney General and subcommittees of the U.S. Congress. Such investigations, audits, reviews and administrative proceedings could result in the imposition of civil or criminal fines, penalties, other sanctions and additional rules, regulations or other restrictions on our business operations. Any liability that may result from any one of these actions, or in the aggregate, could have a material adverse effect on our consolidated financial position or results of operations.

### ***Contractual Obligations and Commitments***

In March 2020, we entered into an agreement with a vendor for information technology infrastructure and related management and support services through June 2025. The new agreement supersedes certain prior agreements for such services and includes provisions for additional services not provided under those agreements. Our remaining commitment under this agreement at March 31, 2021 is approximately \$1,223. We will have the ability to terminate the agreement upon the occurrence of certain events, subject to early termination fees.

Beginning in the second quarter of 2019, we began using our pharmacy benefits manager IngenioRx to market and offer PBM services to our affiliated health plan customers, as well as to external customers outside of the health plans we own. The comprehensive prescription benefits management services portfolio includes, but is not limited to, formulary management, pharmacy networks, prescription drug database, member services and mail order capabilities. IngenioRx delegates certain PBM administrative functions, such as claims processing and prescription fulfillment, to CaremarkPCS Health, L.L.C., which is a subsidiary of CVS Health Corporation, pursuant to a five-year agreement. With IngenioRx, we retain the responsibilities for clinical and formulary strategy and development, member and employer experiences, operations, sales, marketing, account management and retail network strategy.

## **12. Capital Stock**

### ***Use of Capital – Dividends and Stock Repurchase Program***

We regularly review the appropriate use of capital, including acquisitions, common stock and debt security repurchases and dividends to shareholders. The declaration and payment of any dividends or repurchases of our common stock or debt is at the discretion of our Board of Directors and depends upon our financial condition, results of operations, future liquidity needs, regulatory and capital requirements and other factors deemed relevant by our Board of Directors.

A summary of our cash dividend activity for the three months ended March 31, 2021 and 2020 is as follows:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Cash Dividend per Share</u>	<u>Total</u>
<b>Three Months Ended March 31, 2021</b>				
January 26, 2021	March 10, 2021	March 25, 2021	\$1.13	\$ 277
<b>Three Months Ended March 31, 2020</b>				
January 28, 2020	March 16, 2020	March 27, 2020	\$0.95	\$ 240

On April 20, 2021, our Audit Committee declared a second quarter 2021 dividend to shareholders of \$1.13 per share, payable on June 25, 2021 to shareholders of record at the close of business on June 10, 2021.

Under our Board of Directors' authorization, we maintain a common stock repurchase program. On January 26, 2021, our Audit Committee, pursuant to authorization granted by the Board of Directors, authorized a \$5,000 increase to the common stock repurchase program. Repurchases may be made from time to time at prevailing market prices, subject to certain restrictions on volume, pricing and timing. The repurchases are effected from time to time in the open market, through negotiated transactions, including accelerated share repurchase agreements, and through plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. Our stock repurchase program is discretionary, as we are under no obligation to repurchase shares. We repurchase shares under the program when we believe it is a prudent use of capital. The excess cost of the repurchased shares over par value is charged on a pro rata basis to additional paid-in capital and retained earnings.

A summary of common stock repurchases for the three months ended March 31, 2021 and 2020 is as follows:

	<u>Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Shares repurchased	1.4	1.9
Average price per share	\$ 316.06	\$ 275.38
Aggregate cost	\$ 447	\$ 529
Authorization remaining at the end of the period	\$ 5,645	\$ 3,263

For additional information regarding the use of capital for debt security repurchases, see Note 10, "Debt", included in this Form 10-Q and Note 13, "Debt," to our audited consolidated financial statements as of and for the year ended December 31, 2020 included in our 2020 Annual Report on Form 10-K.

### **Stock Incentive Plans**

A summary of stock option activity for the three months ended March 31, 2021 is as follows:

	<u>Number of Shares</u>	<u>Weighted-Average Option Price per Share</u>	<u>Weighted-Average Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at January 1, 2021	3.1	\$ 230.00		
Granted	0.7	311.47		
Exercised	(0.4)	185.63		
Forfeited or expired	—	277.15		
Outstanding at March 31, 2021	3.4	251.80	7.44	\$ 361
Exercisable at March 31, 2021	1.8	214.76	6.16	\$ 259

A summary of the nonvested restricted stock activity, including restricted stock units, for the three months ended March 31, 2021 is as follows:

	Restricted Stock Shares and Units	Weighted- Average Grant Date Fair Value per Share
Nonvested at January 1, 2021	1.3	\$ 272.51
Granted	0.9	311.32
Vested	(0.8)	244.20
Forfeited	—	279.37
Nonvested at March 31, 2021	<u>1.4</u>	<u>294.70</u>

During the three months ended March 31, 2021, we granted approximately 0.3 restricted stock units that are contingent upon us achieving earnings targets over the three year period from 2021 to 2023. These grants have been included in the activity shown above, but will be subject to adjustment at the end of 2023 based on results in the three year period.

During the three months ended March 31, 2021, we granted an additional 0.3 restricted stock units associated with our 2018 grants that were earned as a result of satisfactory completion of performance measures between 2018 and 2020. These grants and vested shares have been included in the activity shown above.

#### **Fair Value**

We use a binomial lattice valuation model to estimate the fair value of all stock options granted. For a more detailed discussion of our stock incentive plan fair value methodology, see Note 15, "Capital Stock," to our audited consolidated financial statements as of and for the year ended December 31, 2020 included in our 2020 Annual Report on Form 10-K.

The following weighted-average assumptions were used to estimate the fair values of options granted during the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31	
	2021	2020
Risk-free interest rate	1.44 %	1.30 %
Volatility factor	30.00 %	26.00 %
Quarterly dividend yield	0.360 %	0.350 %
Weighted-average expected life (years)	5.50	4.30

The following weighted-average fair values per option or share were determined for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31	
	2021	2020
Options granted during the period	\$ 79.03	\$ 54.03
Restricted stock awards granted during the period	311.32	272.03

### 13. Accumulated Other Comprehensive Loss

A reconciliation of the components of accumulated other comprehensive loss at March 31, 2021 and 2020 is as follows:

	March 31	
	2021	2020
Investments:		
Gross unrealized gains	\$ 956	\$ 510
Gross unrealized losses	(179)	(729)
Net pre-tax unrealized gains (losses)	777	(219)
Deferred tax (liability) asset	(186)	51
Adjustment for noncontrolling interest	(2)	—
Net unrealized gains (losses) on investments	589	(168)
Non-credit components of impairments on investments:		
Gross unrealized losses	(1)	(44)
Deferred tax asset	—	10
Net unrealized non-credit component of impairments on investments	(1)	(34)
Cash flow hedges:		
Gross unrealized losses	(311)	(327)
Deferred tax asset	65	68
Net unrealized losses on cash flow hedges	(246)	(259)
Defined benefit pension plans:		
Deferred net actuarial loss	(734)	(724)
Deferred prior service credits	(1)	—
Deferred tax asset	186	185
Net unrecognized periodic benefit costs for defined benefit pension plans	(549)	(539)
Postretirement benefit plans:		
Deferred net actuarial loss	(2)	(25)
Deferred prior service costs	11	18
Deferred tax (liability) asset	(2)	2
Net unrecognized periodic benefit credit (costs) for postretirement benefit plans	7	(5)
Foreign currency translation adjustments:		
Gross unrealized gains (losses)	6	(4)
Deferred tax (liability) asset	(1)	1
Net unrealized gains (losses) on foreign currency translation adjustments	5	(3)
Accumulated other comprehensive loss	\$ (195)	\$ (1,008)

Other comprehensive income (loss) reclassification adjustments for the three months ended March 31, 2021 and 2020 are as follows:

	Three Months Ended March 31	
	2021	2020
<b>Investments:</b>		
Net holding loss on investment securities arising during the period, net of tax benefit of \$108 and \$213, respectively	\$ (332)	\$ (716)
Reclassification adjustment for net realized (loss) gains on investment securities, net of tax expense (benefit) of \$8 and (\$7), respectively	(28)	27
Total reclassification adjustment on investments	(360)	(689)
<b>Non-credit component of impairments on investments:</b>		
Non-credit component of impairments on investments, net of tax (expense) benefit of (\$1) and \$9, respectively	1	(32)
<b>Cash flow hedges:</b>		
Holding gain, net of tax expense of (\$1) and (\$1), respectively	4	3
<b>Other:</b>		
Net change in unrecognized periodic benefit costs for defined benefit pension and postretirement benefit plans, net of tax expense of (\$4) and (\$3), respectively	10	7
Foreign currency translation adjustment, net of tax expense of (\$0) and (\$0), respectively	—	(1)
Net loss recognized in other shareholders' comprehensive income, net of tax benefit of \$110 and \$211, respectively	(345)	(712)
Net loss related to noncontrolling interests, net of tax benefit of \$1 and \$0, respectively	(2)	—
Net loss recognized in other comprehensive income, net of tax benefit of \$111 and \$211, respectively	\$ (347)	\$ (712)

#### 14. Earnings per Share

The denominator for basic and diluted earnings per share for the three months ended March 31, 2021 and 2020 is as follows:

	Three Months Ended March 31	
	2021	2020
Denominator for basic earnings per share – weighted-average shares	245.0	252.4
Effect of dilutive securities – employee stock options, nonvested restricted stock awards and convertible debentures	3.2	4.0
Denominator for diluted earnings per share	248.2	256.4

During the three months ended March 31, 2021 and 2020, weighted-average shares related to certain stock options of 0.4 and 0.9, respectively, were excluded from the denominator for diluted earnings per share because the stock options were anti-dilutive.

During the three months ended March 31, 2021, we issued approximately 0.9 restricted stock units under our stock incentive plans, 0.3 of which vesting is contingent upon us meeting specified annual earnings targets for the three year period of 2021 through 2023. During the three months ended March 31, 2020, we issued approximately 1.2 restricted stock units under our stock incentive plans, 0.2 of which vesting is contingent upon us meeting specified annual earnings targets for the three year period of 2020 through 2022. The contingent restricted stock units have been excluded from the denominator for diluted earnings per share and will be included only if and when the contingency is met.

## 15. Segment Information

The results of our operations are described through four reportable segments: Commercial & Specialty Business, Government Business, IngenioRx and Other.

Our Commercial & Specialty Business segment offers plans and services to our Individual, Group risk-based, Group fee-based, BlueCard, and Specialty customers. The Commercial & Specialty Business segment offers health products on a full-risk basis; provides a broad array of managed care services to fee-based customers, including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services; and provides an array of specialty and other insurance products and services such as dental, vision, life and disability insurance benefits.

Our Government Business segment includes our Medicare and Medicaid businesses, National Government Services (“NGS”), and services provided to the federal government in connection with the FEHB program. Our Medicare business includes services such as Medicare Supplement plans; Medicare Advantage, including Special Needs Plans; Medicare Part D; and dual-eligible programs through Medicare-Medicaid Plans. Medicare Advantage membership also includes Medicare Advantage members in our Group Retiree Solutions business who are retired members of Commercial accounts or retired members of groups who are not affiliated with our Commercial accounts who have selected a Medicare Advantage product through us. Our Medicaid business includes our managed care alternatives through publicly funded healthcare programs, including Medicaid, Medicaid expansion programs related to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, as amended, Temporary Assistance for Needy Families programs, programs for seniors and people with disabilities, Children’s Health Insurance Programs, and specialty programs such as those focused on long-term services and support, HIV/AIDS, foster care, behavioral health and/or substance abuse disorders, and intellectual disabilities or developmental disabilities. NGS acts as a Medicare contractor for the federal government in several regions across the nation.

Our IngenioRx segment includes our PBM business, which began its operations during the second quarter of 2019. IngenioRx markets and offers PBM services to our affiliated health plan customers, as well as to external customers outside of the health plans we own. IngenioRx has a comprehensive PBM services portfolio, which includes services such as formulary management, pharmacy networks, prescription drug database, member services and mail order capabilities.

Our Other segment includes our Diversified Business Group (“DBG”), which is our integrated health services business, and certain eliminations and corporate expenses not allocated to our other reportable segments.

Affiliated revenues represent revenues or cost for services provided by IngenioRx and DBG to our subsidiaries, are recorded at cost or management’s estimate of fair market value, and are eliminated in consolidation.

Financial data by reportable segment for the three months ended March 31, 2021 and 2020 is as follows:

	Commercial & Specialty Business	Government Business	IngenioRx	Other	Eliminations	Total
<b>Three Months Ended March 31, 2021</b>						
Operating revenue - unaffiliated	\$ 9,491	\$ 19,283	\$ 2,738	\$ 586	\$ —	\$ 32,098
Operating revenue - affiliated	—	—	3,124	1,784	(4,908)	—
Operating gain	1,268	478	407	8	—	2,161
<b>Three Months Ended March 31, 2020</b>						
Operating revenue - unaffiliated	\$ 9,361	\$ 17,466	\$ 2,344	\$ 277	\$ —	\$ 29,448
Operating revenue - affiliated	—	—	2,853	750	(3,603)	—
Operating gain	1,420	411	349	14	—	2,194

The major product revenues for each of the reportable segments for the three months ended March 31, 2021 and 2020 are as follows:

	Three Months Ended March 31	
	2021	2020
<b>Commercial &amp; Specialty Business</b>		
Managed care products	\$ 7,689	\$ 7,569
Managed care services	1,386	1,381
Dental/Vision products and services	336	315
Other	80	96
Total Commercial & Specialty Business	<u>9,491</u>	<u>9,361</u>
<b>Government Business</b>		
Managed care products	19,182	17,375
Managed care services	101	91
Total Government Business	<u>19,283</u>	<u>17,466</u>
<b>IngenioRx</b>		
Pharmacy products and services	5,862	5,197
Total IngenioRx	<u>5,862</u>	<u>5,197</u>
<b>Other</b>		
Integrated health services	2,249	949
Other	121	78
Total Other Business	<u>2,370</u>	<u>1,027</u>
<b>Eliminations</b>		
Eliminations	(4,908)	(3,603)
Total product revenues	<u>\$ 32,098</u>	<u>\$ 29,448</u>

The classification between managed care products and managed care services in the above table primarily distinguishes between the levels of risk assumed. Managed care products represent insurance products where we bear the insurance risk, whereas managed care services represent product offerings where we provide claims adjudication and other administrative services to the customer, but the customer principally bears the insurance risk.

A reconciliation of reportable segments' operating revenue to the amounts of total revenues included in our consolidated statements of income for the three months ended March 31, 2021 and 2020 is as follows:

	Three Months Ended March 31	
	2021	2020
Reportable segments' operating revenue	\$ 32,098	\$ 29,448
Net investment income	291	254
Net realized losses on financial instruments	(4)	(81)
Total revenues	<u>\$ 32,385</u>	<u>\$ 29,621</u>

A reconciliation of reportable segments' operating gain to income before income tax expense included in our consolidated statements of income for the three months ended March 31, 2021 and 2020 is as follows:

	Three Months Ended March 31	
	2021	2020
Reportable segments' operating gain	\$ 2,161	\$ 2,194
Net investment income	291	254
Net realized losses on financial instruments	(4)	(81)
Interest expense	(192)	(194)
Amortization of other intangible assets	(80)	(83)
Loss on extinguishment of debt	—	(1)
Income before income tax expense	<u>\$ 2,176</u>	<u>\$ 2,089</u>

## 16. Leases

We lease office space and certain computer and related equipment using noncancelable operating leases. Our leases have remaining lease terms of 1 year to 13 years.

The information related to our leases is as follows:

	Balance Sheet Location	March 31, 2021	December 31, 2020
<b>Operating Leases</b>			
Right-of-use assets	Other noncurrent assets	\$ 628	\$ 646
Lease liabilities, current	Other current liabilities	116	110
Lease liabilities, noncurrent	Other noncurrent liabilities	801	847
<b>Three Months Ended March 31</b>			
		2021	2020
<b>Lease Expense</b>			
Operating lease expense		\$ 29	\$ 47
Short-term lease expense		12	13
Sublease income		(1)	(3)
Total lease expense		<u>\$ 40</u>	<u>\$ 57</u>
<b>Other information</b>			
Operating cash paid for amounts included in the measurement of lease liabilities, operating leases		\$ 52	\$ 44
Right-of-use assets obtained in exchange for new lease liabilities, operating leases		\$ 14	\$ 323

As of March 31, 2021 and December 31, 2020, the weighted average remaining lease term of our operating leases was 7 years. The lease liabilities reflect a weighted average discount rate of 3.07% at March 31, 2021 and 3.21% at December 31, 2020.

Future lease payments for noncancellable operating leases with initial or remaining terms of one year or more are as follows:

2021 (excluding the three months ended March 31, 2021)	\$	151
2022		188
2023		163
2024		134
2025		94
Thereafter		243
Total future minimum payments		973
Less imputed interest		(56)
Total lease liabilities	\$	917

As of March 31, 2021, we have additional operating leases for building spaces that have not yet commenced, and some building spaces are being constructed by the lessors and their agents. These leases have terms of up to 12 years and are expected to commence on various dates during 2021 when the construction is complete and we take possession of the buildings. The undiscounted lease payments for these leases, which are not included in the tables above, aggregate \$133.

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*(In Millions, Except Per Share Data or as Otherwise Stated Herein)*

This Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) should be read in conjunction with the accompanying consolidated financial statements and notes, our consolidated financial statements and notes as of and for the year ended December 31, 2020 and the MD&A included in our 2020 Annual Report on Form 10-K. References to the terms “we,” “our,” “us,” or “Anthem” used throughout this MD&A refer to Anthem, Inc., an Indiana corporation, and unless the context otherwise requires, its direct and indirect subsidiaries. References to the “states” include the District of Columbia, unless the context otherwise requires.

Results of operations, cost of care trends, investment yields and other measures for the three months ended March 31, 2021 are not necessarily indicative of the results and trends that may be expected for the full year ending December 31, 2021, or any other period.

### Overview

We are one of the largest health benefits companies in the United States in terms of medical membership, serving nearly 44 million members through our affiliated health plans as of March 31, 2021. We are an independent licensee of the Blue Cross and Blue Shield Association (“BCBSA”), an association of independent health benefit plans. We serve our members as the Blue Cross licensee for California and as the Blue Cross and Blue Shield (“BCBS”) licensee for Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri (excluding 30 counties in the Kansas City area), Nevada, New Hampshire, New York (in the New York City metropolitan area and upstate New York), Ohio, Virginia (excluding the Northern Virginia suburbs of Washington, D.C.) and Wisconsin. In a majority of these service areas, we do business as Anthem Blue Cross, Anthem Blue Cross and Blue Shield, and Empire Blue Cross Blue Shield or Empire Blue Cross. We also conduct business through arrangements with other BCBS licensees as well as other strategic partners. Through our subsidiaries, we also serve customers in numerous states across the country as AIM Specialty Health, Amerigroup, Aspire Health, Beacon, CareMore, Freedom Health, HealthLink, HealthSun, Optimum HealthCare, Simply Healthcare, and/or UniCare. Pharmacy benefits management (“PBM”) services are offered through our IngenioRx subsidiary. We are licensed to conduct insurance operations in all 50 states and the District of Columbia through our subsidiaries.

For additional information about our organization, see Part I, Item 1, “Business” and Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in our 2020 Annual Report on Form 10-K. Additional information on our segments can be found in this MD&A and in Note 15, “Segment Information” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

### COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (“COVID-19”) a global health pandemic. The virus and mitigation efforts have continued to impact the global economy, cause market instability, increase unemployment and put pressure on the healthcare system. The COVID-19 pandemic has impacted, and will likely continue to impact, our membership, our benefit expense and member behavior, including how members access healthcare services. Our Medicaid membership grew since the pandemic as a result of the temporary suspension of eligibility recertification efforts in response to the COVID-19 pandemic, which we expect will remain suspended at least through the end of 2021. During the first quarter of 2021, our non-COVID-19 healthcare utilization experience remained below pre-COVID-19 levels, partially offsetting our COVID-19 related healthcare utilization, which remained elevated. Our expenses associated with COVID-19, including testing, treatment and vaccine administration exceeded the benefit we experienced during the quarter from the lower volume of healthcare claims attributable to decreased utilization of non-COVID-19 healthcare services.

We provided enhanced access and coverage for our members, made changes to select membership benefits and business operations and modified tools and policies to assist consumers and care providers at the height of the COVID-19 pandemic. We continued to waive cost-sharing to our members related to COVID-19 diagnostic tests, treatment and vaccine administration through the first quarter of 2021. Although the COVID-19 pandemic has impacted and will likely continue to impact our membership and benefit expense, and continued COVID-19 care, testing and vaccine administration, and the

possible risk of new COVID-19 variants are expected to result in increased future medical costs, we have proactively taken actions to minimize these effects, and the pandemic has not had a material adverse effect on our reported results through March 31, 2021. However, this may change in the future as the COVID-19 pandemic continues to evolve and the full extent of its impact (including new variants of the virus, which may be more contagious, more severe or less responsive to treatment or vaccines) will depend on future developments, which are highly uncertain and cannot be predicted at this time. We will continue to monitor the COVID-19 pandemic as well as resulting legislative and regulatory changes that may impact our business. For additional discussion related to the COVID-19 pandemic and our risk factors, see Part I, Item 1, “Business–COVID-19”, Part I, Item 1A, “Risk Factors” and Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations–COVID-19” included in our 2020 Annual Report on Form 10-K.

## **Business Trends**

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, as amended (collectively, the “ACA”) has changed and may continue to make broad-based changes to the U.S. healthcare system. We expect the ACA will continue to impact our business model and strategy. Also, the legal challenges regarding the ACA, including a federal district court decision invalidating the ACA, which was argued before the U.S. Supreme Court in November 2020 and has been stayed pending the U.S. Supreme Court’s decision, could significantly disrupt our business. In 2020, we modestly expanded our participation in the Individual ACA-compliant market for 2021. Our strategy has been, and will continue to be, to only participate in rating regions where we have an appropriate level of confidence that these markets are on a path toward sustainability, including, but not limited to, factors such as expected financial performance, regulatory environment, and underlying market characteristics. We currently offer Individual ACA-compliant products in 103 of the 143 rating regions in which we operate. In addition, the continuing growth in our government-sponsored business exposes us to increased regulatory oversight.

Beginning in the second quarter of 2019, we began using IngenioRx to market and offer PBM services to our affiliated health plan customers throughout the country, as well as to customers outside of the health plans we own. Our comprehensive PBM services portfolio includes services such as formulary management, pharmacy networks, a prescription drug database, member services and mail order capabilities. IngenioRx delegates certain PBM administrative functions, such as claims processing and prescription fulfillment, to CaremarkPCS Health, L.L.C., which is a subsidiary of CVS Health Corporation, pursuant to a five-year agreement. With IngenioRx, we retain the responsibilities for clinical and formulary strategy and development, member and employer experiences, operations, sales, marketing, account management and retail network strategy.

**Pricing Trends:** We strive to price our healthcare benefit products consistent with anticipated underlying medical cost trends. We continue to closely monitor the COVID-19 pandemic and the impacts it may have on our pricing, such as surges in COVID-19 related hospitalizations, infection rates, the cost of COVID-19 vaccines and the return of non-COVID-19 healthcare utilization. We frequently make adjustments to respond to legislative and regulatory changes as well as pricing and other actions taken by existing competitors and new market entrants. Product pricing in our Commercial & Specialty Business segment, including our Individual and Small Group lines of business, remains competitive. Revenues from the Medicare and Medicaid programs are dependent, in whole or in part, upon annual funding from the federal government and/or applicable state governments. The ACA imposed an annual Health Insurance Provider Fee (“HIP Fee”) on health insurers that write certain types of health insurance on U.S. risks. We priced our affected products to cover the impact of the HIP Fee, when applicable. The HIP Fee has been permanently repealed beginning in 2021.

**Medical Cost Trends:** Our medical cost trends are primarily driven by increases in the utilization of services across all provider types and the unit cost increases of these services. We work to mitigate these trends through various medical management programs such as utilization management, condition management, program integrity and specialty pharmacy management, as well as benefit design changes. There are many drivers of medical cost trends that can cause variance from our estimates, such as changes in the level and mix of services utilized, regulatory changes, aging of the population, health status and other demographic characteristics of our members, epidemics, pandemics, advances in medical technology, new high cost prescription drugs, and healthcare provider or member fraud.

The COVID-19 pandemic has caused a decrease in utilization of non-COVID-19 health services, which decreased our claim costs in 2020. During the first quarter of 2021, non-COVID healthcare utilization experience remained below our pre-COVID-19 levels, partially offsetting our COVID-19 related healthcare utilization, which remained elevated. We expect

utilization of non-COVID-19 healthcare services to rebound and for claim costs to normalize in 2021. Further increases and pent-up demand in the utilization of such services may increase our claim costs in the future and affect our medical cost trends. Our expenses in 2020 and the first quarter of 2021 included additional costs to cover COVID-19 related testing, treatment and vaccine administration. During the first quarter of 2021, through various dates, we continued to provide expanded coverage for certain members for treatment related to a COVID-19 diagnosis. Governmental action has required us to provide varying coverage for COVID-19 testing and vaccine administration to our members. Continued COVID-19 care, testing and vaccine administration, and the possible risk of new COVID-19 variants, are expected to result in increased future medical costs. We continue to closely monitor the COVID-19 pandemic and its impacts on our business, financial condition, results of operations and medical cost trends.

For additional discussion regarding business trends, see Part I, Item 1, “Business” included in our 2020 Annual Report on Form 10-K.

### **Regulatory Trends and Uncertainties**

Federal and state governments have enacted, and may continue to enact, legislation and regulations in response to the COVID-19 pandemic that have had, and we expect will continue to have, a significant impact on healthcare benefits, consumer eligibility for public programs and our cash flows for all of our lines of business. These actions, which are in effect for various durations, provide, among other things:

- mandates to waive cost-sharing on COVID-19 testing, treatment, vaccines and related services;
- reforms, including waiving Medicare originating site restrictions for qualified providers providing telehealth services;
- financial support to healthcare providers, including expansion of the Medicare accelerated payment program to all providers receiving Medicare payments;
- mandated expansion of premium payment terms, including the time period for which claims can be denied for lack of payment; and
- mandates related to prior authorizations and payment levels to providers, additional consumer enrollment windows and an increased ability to provide telehealth services.

The Consolidated Appropriations Act of 2021, which was enacted in December 2020 (the “Appropriations Act”) contains a number of provisions that may have a material effect upon our business, including procedures and coverage requirements related to surprise medical bills and new mandates for continuity of care for certain patients, price comparison tools, disclosure of broker compensation and reporting on pharmacy benefits and drug costs. The various health plan-related requirements of the Appropriations Act will go into effect on January 1, 2022, and our first report on pharmacy benefits and drug costs is due December 27, 2021.

The ACA presented us with new growth opportunities, but also introduced new risks, regulatory challenges and uncertainties, and required changes in the way products are designed, underwritten, priced, distributed and administered. Changes to our business environment are likely to continue as elected officials at the national and state levels continue to enact, and both elected officials and candidates for election continue to propose, significant modifications to existing laws and regulations, including changes to taxes and fees. In addition, the legal challenges regarding the ACA continue to contribute to this uncertainty, including a federal district court decision invalidating the ACA in its entirety, which was argued before the U.S. Supreme Court in November 2020 and has been stayed pending the U.S. Supreme Court’s decision. We will continue to evaluate the impact of the ACA as any further developments or judicial rulings occur.

The annual HIP Fee, which has been permanently eliminated effective in 2021, was allocated to health insurers based on the ratio of the amount of an insurer’s net premium revenues written during the preceding calendar year to the amount of health insurance premium for all U.S. health risk for those certain lines of business written during the preceding calendar year. The HIP Fee was non-deductible for federal income tax purposes. Our affected products were priced to cover the increased selling, general and administrative and income tax expenses associated with the HIP Fee when applicable. The total amount due from allocations to all health insurers was \$15,523 for 2020. For the three months ended March 31, 2020, we recognized \$417 as selling, general and administrative expense related to the HIP Fee.

For additional discussion regarding regulatory trends and uncertainties and risk factors, see Part I, Item 1, “Business – Regulation”, Part I, Item 1A, “Risk Factors”, and the “Regulatory Trends and Uncertainties” section of Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2020 Annual Report on Form 10-K.

## **Other Significant Items**

### **Business and Operational Matters**

On March 24, 2021, we announced our entrance into an agreement with WindRose Health Investors to acquire myNEXUS, Inc. (“myNEXUS”). myNEXUS is a comprehensive home-based nursing management company for payors and delivers integrated clinical support services for Medicare Advantage members across twenty states. This acquisition aligns with our strategy to manage integrated, whole person multi-site care and support, by providing national, large-scale expertise to manage nursing services in the home and facilitate transitions of care. The acquisition is expected to close by the end of the second quarter of 2021 and is subject to standard closing conditions and customary approvals.

On February 2, 2021, we announced our entrance into an agreement with InnovaCare Health, L.P. to acquire its Puerto Rico-based subsidiaries, including MMM Holdings, LLC (“MMM”), its Medicare Advantage plan, Medicaid plan and other affiliated companies. MMM is an integrated healthcare organization and seeks to provide its Medicare Advantage and Medicaid members with a whole health experience through its network of specialized clinics and wholly owned independent physician associations. This acquisition aligns with our vision to be an innovative, valuable and inclusive healthcare partner by providing care management programs that improve the lives of the people we serve. The acquisition is expected to close by the end of the second quarter of 2021 and is subject to standard closing conditions and customary approvals.

In 2020, we introduced enterprise-wide initiatives to optimize our business and as a result, recorded a charge of \$653 in selling, general and administrative expenses for the year ended December 31, 2020. We believe these initiatives largely represent the next step forward in our progression towards becoming a more agile organization, including process automation and a reduction in our office space footprint. For additional information, see Note 4, “Business Optimization Initiatives” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

On February 28, 2020, we completed our acquisition of Beacon Health Options, Inc., (“Beacon”), the largest independently held behavioral health organization in the country. At the time of acquisition, Beacon served more than thirty-four million individuals across all fifty states. This acquisition aligned with our strategy to diversify into health services and deliver both integrated solutions and care delivery models that personalize care for people with complex and chronic conditions. For additional information, see Note 3, “Business Acquisitions,” of the Notes to Consolidated Financial Statements included in Part 1, Item 1 of this Form 10-Q.

### **Litigation Matters**

In the consolidated multi-district proceeding in the United States District Court for the Northern District of Alabama (the “Court”) captioned *In re Blue Cross Blue Shield Antitrust Litigation* (“BCBSA Litigation”), the BCBSA and Blue Cross and/or Blue Shield licensees, including us (the “Blue plans”) have approved a settlement agreement and release (the “Subscriber Settlement Agreement”) with the plaintiffs representing a putative nationwide class of health plan subscribers. Generally, the lawsuits in the BCBSA Litigation challenge elements of the licensing agreements between the BCBSA and the independently owned and operated Blue plans. The cases were brought by two putative nationwide classes of plaintiffs, health plan subscribers and providers, and the Subscriber Settlement Agreement applies only to the putative subscriber class. No settlement agreement has been reached with the provider plaintiffs at this time, and the defendants continue to contest the consolidated cases brought by the provider plaintiffs.

If approved by the Court, the Subscriber Settlement Agreement will require the defendants to make a monetary settlement payment, our portion of which is estimated to be \$594, and will contain certain non-monetary terms. As of March 31, 2021, the liability balance accrued for our estimated remaining payment obligation was \$507, net of payments made. All terms of the Subscriber Settlement Agreement are subject to final approval by the Court before they become effective. For additional information regarding this lawsuit, see Note 11, “Commitments and Contingencies – *Litigation and Regulatory Proceedings – Blue Cross Blue Shield Antitrust Litigation*,” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

In August 2020, the Delaware Court of Chancery ruled that neither we nor Cigna Corporation (“Cigna”) could collect damages in connection with the now terminated Agreement and Plan of Merger between us and Cigna. Cigna filed a notice of appeal in November 2020 challenging the trial court’s opinion that Anthem did not owe Cigna a termination fee. Cigna filed its appellate brief in December 2020, and we filed a response in January 2021. Oral argument before the Delaware Supreme Court was held in April 2021. The matter was taken under advisement. For additional information, see Note 11, “Commitments and Contingencies – *Litigation and Regulatory Proceedings – Cigna Corporation Merger Litigation*,” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

In January 2019, we exercised our contractual right to terminate our PBM agreement with Express Scripts, Inc. (the “ESI PBM Agreement”) and we completed the transition of our members from Express Scripts to IngenioRx by January 1, 2020. Notwithstanding our termination of the ESI PBM Agreement, the litigation between us and Express Scripts regarding the ESI PBM Agreement continues. For additional information regarding this lawsuit, see Note 11, “Commitments and Contingencies – *Litigation and Regulatory Proceedings – Express Scripts, Inc. Pharmacy Benefit Management Litigation*,” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

### **Selected Operating Performance**

For the twelve months ended March 31, 2021, total medical membership increased 1.4, or 3.3%. Our medical membership grew primarily due to membership increases in our Government Business segment, partially offset by declines in our Commercial & Specialty Business segment. The increase in our Government Business membership was primarily driven by organic growth in our Medicaid business due to the temporary suspension of eligibility recertification during the COVID-19 pandemic, which we expect will remain suspended at least through the end of 2021. The increase in our Government Business membership was further due to higher sales in our Medicare Advantage business exceeding lapses. The decrease in our Commercial & Specialty Business membership was primarily driven by our fee-based business, which experienced higher in-group change as a result of increased unemployment caused by the COVID-19 pandemic, partially offset by sales in our Individual business exceeding lapses.

Operating revenue for the three months ended March 31, 2021 was \$32,098, an increase of \$2,650, or 9.0%, from the three months ended March 31, 2020. The increase in operating revenue for the three months ended March 31, 2021 compared to 2020 was primarily driven by higher premium revenue in our Government Business segment and higher pharmacy product revenue in our IngenioRx segment.

Net income for the three months ended March 31, 2021 was \$1,667, an increase of \$144, or 9.5%, from the three months ended March 31, 2020. The increase in net income for the three months ended March 31, 2021 was primarily due to lower net realized losses on financial instruments, improved operating gain in our Government Business and IngenioRx segments, lower income tax expense, and improved investment income, partially offset by a decline in operating gain in our Commercial & Specialty Business segment.

Our fully-diluted earnings per share (“EPS”) was \$6.71 for the three months ended March 31, 2021, which represented a 13.0% increase from EPS of \$5.94 for the three months ended March 31, 2020. The increase in EPS for the three months ended March 31, 2021 compared to 2020 resulted primarily from the increase in net income, as well as a lower number of diluted shares outstanding in 2021.

Operating cash flow for the three months ended March 31, 2021 and 2020 was \$2,505 and \$2,515, respectively. Operating cash flow was driven by changes in working capital, the impact of membership growth in our Government Business segment and higher net income in 2021 offset by the impact of the repeal of the HIP Fee in 2021.

## Membership

In 2021, we have updated our medical membership reporting to better align with how we view our business. Our medical membership now includes the following customer types: Individual, Group risk-based, Group fee-based, BlueCard<sup>®</sup>, Medicare, Medicaid and our Federal Employees Health Benefits (“FEHB”) Program. BCBS-branded business generally refers to members in our service areas licensed by the BCBSA. Non-BCBS-branded business refers to members in our non-BCBS-branded Amerigroup, Freedom Health, HealthSun, Optimum HealthCare and Simply Healthcare plans, as well as HealthLink and UniCare members. In addition to the above medical membership, we also serve customers who purchase one or more of our other products or services that are often ancillary to our health business.

- Individual consists of individual customers under age 65 and their covered dependents. Individual policies are generally sold through independent agents and brokers, retail partnerships, our in-house sales force or via the exchanges. Individual business is sold on a risk-based basis. We offer on-exchange products through public exchanges and off-exchange products. Federal premium subsidies are available only for certain public exchange Individual products. Unsubsidized Individual customers are generally more sensitive to product pricing and, to a lesser extent, the configuration of the network and the efficiency of administration. Customer turnover is generally higher with Individual as compared to Group risk-based business.
- Group risk-based consists of employer customers who purchase products on a full-risk basis, which are products for which we charge a premium and indemnify our policyholders against costs for health benefits. Group risk-based accounts include Local Group customers and National Accounts. Local Group consists of those employer customers with less than 5% of eligible employees located outside of the headquarter state, as well as customers with more than 5% of eligible employees located outside of the headquarter state with up to 5,000 eligible employees. In addition, Local Group includes Student Health members. National Accounts generally consist of multi-state employer groups primarily headquartered in an Anthem service area with at least 5% of the eligible employees located outside of the headquarter state and with more than 5,000 eligible employees. Some exceptions are allowed based on broker and consultant relationships. Group risk-based accounts are generally sold through brokers or consultants who work with industry specialists from our in-house sales force and are offered both on and off the public exchanges.
- Group fee-based customers represent employer groups, Local Group, including UniCare members, and National Accounts, who purchase fee-based products and elect to retain most or all of the financial risk associated with their employees’ healthcare costs. Some fee-based customers choose to purchase stop loss coverage to limit their retained risk. Group fee-based accounts are generally sold through independent brokers or consultants retained by the customer working with our in-house sales force.
- BlueCard<sup>®</sup> host customers represent enrollees of Blue Cross and/or Blue Shield plans not owned by Anthem who receive healthcare services in our BCBSA licensed markets. BlueCard<sup>®</sup> membership consists of estimated host members using the national BlueCard<sup>®</sup> program. Host members are generally members who reside in or travel to a state in which an Anthem subsidiary is the Blue Cross and/or Blue Shield licensee and who are covered under an employer-sponsored health plan issued by a non-Anthem controlled BCBSA licensee (the “home plan”). We perform certain functions, including claims pricing and administration, for BlueCard<sup>®</sup> members, for which we receive administrative fees from the BlueCard<sup>®</sup> members’ home Blue plans. Other administrative functions, including maintenance of enrollment information and customer service, are performed by the home Blue plan. Host members are computed using, among other things, the average number of BlueCard<sup>®</sup> claims received per month.
- Medicare customers are Medicare-eligible individual members age 65 and over who have enrolled in Medicare Supplement plans; Medicare Advantage, including Special Needs Plans (“SNPs”), also known as Medicare Advantage SNPs; Medicare Part D; and dual-eligible programs through Medicare-Medicaid Plans (“MMPs”). Medicare Supplement plans typically pay the difference between healthcare costs incurred by a beneficiary and amounts paid by Medicare. Medicare Advantage plans provide Medicare beneficiaries with a managed care alternative to traditional Medicare and often include a Medicare Part D benefit. In addition, our Medicare Advantage SNPs provide tailored benefits to special needs individuals who are institutionalized or have severe or disabling chronic conditions and to dual-eligible customers, who are low-income seniors and persons under age 65 with disabilities. Medicare Advantage SNPs are coordinated care plans specifically designed to provide targeted care, covering all the healthcare services considered medically necessary for members and often providing professional care coordination services, with personal guidance and programs that help members maintain their health. Medicare Advantage membership also includes Medicare Advantage members in our Group Retiree Solutions business who

are retired members of Commercial accounts or retired members of groups who are not affiliated with our Commercial accounts who have selected a Medicare Advantage product through us. Medicare Part D offers a prescription drug plan to Medicare and MMP beneficiaries. MMP, which was established as a result of the passage of the ACA, is a demonstration program focused on serving members who are dually eligible for Medicaid and Medicare. Medicare Supplement and Medicare Advantage products are marketed in the same manner, primarily through independent agents and brokers.

- Medicaid membership represents eligible members who receive healthcare benefits through publicly funded healthcare programs, including Medicaid, ACA-related Medicaid expansion programs, Temporary Assistance for Needy Families, programs for seniors and people with disabilities, Children's Health Insurance Programs, and specialty programs such as those focused on long-term services and support, HIV/AIDS, foster care, behavioral health and/or substance abuse disorders, and intellectual disabilities or developmental disabilities, among others.
- FEHB members consist of United States government employees and their dependents within our geographic markets through our participation in the national contract between the BCBSA and the U.S. Office of Personnel Management.

The following table presents our medical membership by reportable segment and customer type as of March 31, 2021 and 2020. Also included below is other membership by product. The medical membership and other membership data presented are unaudited and in certain instances include estimates of the number of members represented by each contract at the end of the period.

(In thousands)	March 31		Change	% Change
	2021	2020		
<b>Medical Membership</b>				
Commercial & Specialty Business:				
Individual	731	717	14	2.0 %
Group Risk-Based	3,837	3,841	(4)	(0.1)%
Commercial Risk-Based	4,568	4,558	10	0.2 %
BlueCard®	6,166	6,197	(31)	(0.5)%
Group Fee-Based	19,515	19,905	(390)	(2.0)%
Commercial Fee-Based	25,681	26,102	(421)	(1.6)%
<b>Total Commercial &amp; Specialty Business</b>	<b>30,249</b>	<b>30,660</b>	<b>(411)</b>	<b>(1.3)%</b>
Government Business:				
Medicare Advantage	1,538	1,341	197	14.7 %
Medicare Supplement	930	914	16	1.8 %
<b>Total Medicare</b>	<b>2,468</b>	<b>2,255</b>	<b>213</b>	<b>9.4 %</b>
Medicaid	9,172	7,615	1,557	20.4 %
Federal Employees Health Benefits	1,632	1,614	18	1.1 %
<b>Total Government Business</b>	<b>13,272</b>	<b>11,484</b>	<b>1,788</b>	<b>15.6 %</b>
<b>Total Medical Membership</b>	<b>43,521</b>	<b>42,144</b>	<b>1,377</b>	<b>3.3 %</b>
<b>Other Membership</b>				
Life and Disability Members	4,766	5,158	(392)	(7.6)%
Dental Members	6,599	6,476	123	1.9 %
Dental Administration Members	1,488	1,311	177	13.5 %
Vision Members	7,798	7,510	288	3.8 %
Medicare Part D Standalone Members	450	383	67	17.5 %

### **Medical Membership**

Total medical membership increased primarily due to growth in our Government Business, which was driven by organic growth in our Medicaid membership as a result of the temporary suspension of eligibility recertification during the

COVID-19 pandemic. The increase in our Government Business membership was further due to higher sales in our Medicare Advantage business exceeding the lapses. These increases were partially offset by a decrease in our Commercial & Specialty Business group fee-based membership attributable to higher in-group change as a result of increased unemployment caused by the COVID-19 pandemic, partially offset by sales in our Individual business exceeding lapses.

### Other Membership

Our other membership can be impacted by changes in our medical membership, as our medical members often purchase our other products that are ancillary to our health business. Life and disability membership decreased primarily due to the loss of a group risk-based account and membership decrease in our group fee-based business. Vision membership increased as a result of growth in our Medicare business. Dental administration membership increased due to growth in our FEHB program. Dental membership increased primarily due to higher sales in our Individual and group accounts and growth in our FEHB business.

### **Consolidated Results of Operations**

Our consolidated summarized results of operations and other financial information for the three months ended March 31, 2021 and 2020 are as follows:

	<b>Three Months Ended March 31</b>			
	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>% Change</b>
Total operating revenue	\$ 32,098	\$ 29,448	\$ 2,650	9.0 %
Net investment income	291	254	37	14.6 %
Net realized losses on financial instruments	(4)	(81)	77	95.1 %
<b>Total revenues</b>	<b>32,385</b>	<b>29,621</b>	<b>2,764</b>	<b>9.3 %</b>
Benefit expense	23,699	21,489	2,210	10.3 %
Cost of products sold	2,313	1,984	329	16.6 %
Selling, general and administrative expense	3,925	3,781	144	3.8 %
Other expense <sup>1</sup>	272	278	(6)	(2.2)%
<b>Total expenses</b>	<b>30,209</b>	<b>27,532</b>	<b>2,677</b>	<b>9.7 %</b>
<b>Income before income tax expense</b>	<b>2,176</b>	<b>2,089</b>	<b>87</b>	<b>4.2 %</b>
Income tax expense	509	566	(57)	(10.1)%
<b>Net income</b>	<b>\$ 1,667</b>	<b>\$ 1,523</b>	<b>\$ 144</b>	<b>9.5 %</b>
<b>Net income attributable to noncontrolling interests</b>	<b>(2)</b>	<b>—</b>	<b>(2)</b>	<b>NM</b>
<b>Shareholders' net income</b>	<b>\$ 1,665</b>	<b>\$ 1,523</b>	<b>\$ 142</b>	<b>9.3 %</b>
Average diluted shares outstanding	248.2	256.4	(8.2)	(3.2)%
Diluted shareholders' net income per share	\$ 6.71	\$ 5.94	\$ 0.77	13.0 %
Effective tax rate	23.4 %	27.1 %		(370) bp <sup>3</sup>
Benefit expense ratio <sup>2</sup>	85.6 %	84.2 %		140 bp <sup>3</sup>
Selling, general and administrative expense ratio <sup>4</sup>	12.2 %	12.8 %		(60) bp <sup>3</sup>
Income before income tax expense as a percentage of total revenues	6.7 %	7.1 %		(40) bp <sup>3</sup>
Shareholders' net income as a percentage of total revenues	5.1 %	5.1 %		0 bp <sup>3</sup>

Certain of the following definitions are also applicable to all other results of operations tables in this discussion:

NM Not meaningful.

1 Includes interest expense, amortization of other intangible assets and loss on extinguishment of debt.

2 Benefit expense ratio represents benefit expense as a percentage of premium revenue. Premiums for the three months ended March 31, 2021 and 2020 were \$27,676 and \$25,517, respectively.

3 bp = basis point; one hundred basis points = 1%.

4 Selling, general and administrative expense ratio represents selling, general and administrative expense as a percentage of total operating revenue.

### ***Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020***

Total operating revenue increased as a result of higher premium revenue due mainly to membership growth in our Government Business segment related to our Medicaid and Medicare businesses. The increase in operating revenue was also the result of additional pharmacy product revenue within our IngenioRx segment. These increases in operating revenue were partially offset by the impact of lower premium revenue due to the repeal of the HIP Fee in 2021 and certain retroactive rate adjustments and experience-rated refunds in our Medicaid business.

Net investment income increased primarily due to an increase in income from other invested assets, partially offset by lower yields on fixed maturity securities.

Net realized losses on financial instruments decreased primarily due to an increase in gains from sales of our fixed maturity securities, other invested assets and equity securities. In addition, credit losses on fixed maturity securities declined year-over-year. These improvements were partially offset by a decline in the fair value of our equity securities, which is recognized in earnings.

Benefit expense increased primarily due to increased costs resulting from membership growth in our Medicaid and Medicare businesses as well as increased expense for COVID-19 related costs. These benefit expense increases were partially offset by decreased utilization of non-COVID-19 healthcare services in 2021.

Our benefit expense ratio increased primarily due to costs associated with COVID-19, including testing and vaccine administration, and to a lesser extent, the impact of the repeal of the HIP Fee in 2021. These increases were partially offset by lower non-COVID-19 healthcare utilization in 2021 and the impact of one less calendar day compared to the first quarter of 2020.

Cost of products sold reflects the cost of pharmaceuticals dispensed by IngenioRx for our unaffiliated PBM customers. Cost of products sold increased as the corresponding pharmacy product revenues increased.

Selling, general and administrative expense increased primarily due to increased spend to support growth in our businesses, higher employee incentive compensation costs and increased premium taxes as a result of the growth in our premiums. These increases were partially offset by the repeal of the HIP Fee in 2021.

Our selling, general and administrative expense ratio decreased primarily due to the repeal of the HIP Fee in 2021 and the growth in our operating revenue. These decreases were partially offset by increased selling, general and administrative expense, as discussed in the preceding paragraph.

Our effective income tax rate decreased primarily due to the elimination of the non-tax deductible HIP Fee in 2021.

Our shareholders' net income as a percentage of total revenues remained level in 2021 as compared to 2020 as a result of all factors discussed above.

### **Reportable Segments Results of Operations**

Our results of operations discussed throughout this MD&A are determined in accordance with U.S. generally accepted accounting principles ("GAAP"). We also calculate operating gain and operating margin to further aid investors in understanding and analyzing our core operating results and comparing them among periods. We define operating revenue as premium income, product revenue and administrative fees and other revenue. Operating gain is calculated as total operating revenue less benefit expense, cost of products sold and selling, general and administrative expense. It does not include net investment income, net realized losses on financial instruments, interest expense, amortization of other intangible assets, loss on extinguishment of debt or income taxes, as these items are managed in our corporate shared service environment and are not the responsibility of operating segment management. Operating margin is calculated as operating gain divided by operating revenue. We use these measures as a basis for evaluating segment performance, allocating resources, forecasting future operating periods and setting incentive compensation targets. This information is not intended to be considered in isolation or as a substitute for income before income tax expense, shareholders' net income or EPS, prepared in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies. For a reconciliation of reportable segments' operating revenue to the amounts of total revenue included in the consolidated statements of income and

a reconciliation of reportable segments' operating gain to income before income tax expense, see Note 15, "Segment Information," of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Results of our operations are described through four reportable segments: Commercial & Specialty Business, Government Business, IngenioRx and Other. For additional information, see Note 15, "Segment Information," of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

The following table presents a summary of the reportable segment financial information for the three months ended March 31, 2021 and 2020:

	<b>Three Months Ended March 31</b>		<b>Change</b>	<b>% Change</b>
	<b>2021</b>	<b>2020</b>		
<b>Operating Revenue</b>				
Commercial & Specialty Business	\$ 9,491	\$ 9,361	\$ 130	1.4 %
Government Business	19,283	17,466	1,817	10.4 %
IngenioRx	5,862	5,197	665	12.8 %
Other	2,370	1,027	1,343	130.8 %
Eliminations	(4,908)	(3,603)	(1,305)	36.2 %
<b>Total operating revenue</b>	<b>\$ 32,098</b>	<b>\$ 29,448</b>	<b>\$ 2,650</b>	<b>9.0 %</b>
<b>Operating Gain</b>				
Commercial & Specialty Business	\$ 1,268	\$ 1,420	\$ (152)	(10.7)%
Government Business	478	411	67	16.3 %
IngenioRx	407	349	58	16.6 %
Other	8	14	(6)	(42.9)%
<b>Operating Margin</b>				
Commercial & Specialty Business	13.4 %	15.2 %		(180) bp
Government Business	2.5 %	2.4 %		10 bp
IngenioRx	6.9 %	6.7 %		20 bp

***Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020***

**Commercial & Specialty Business**

Operating revenue increased primarily due to premium rate increases in our Group risk-based business designed to cover medical cost trends and increased membership in our Individual business. These increases were partially offset by decreases in premiums due to the repeal of the HIP Fee in 2021.

Operating gain decreased primarily due to costs associated with COVID-19, including testing and vaccine administration as well as investments to support growth. The decrease in operating gain was partially offset by lower non-COVID-19 healthcare utilization and the impact of one less calendar day compared to the first quarter of 2020.

**Government Business**

Operating revenue increased primarily due to higher premium revenue growth in our Medicaid business driven by the temporary suspension of eligibility recertification efforts during the COVID-19 pandemic, which we expect will remain suspended at least through the end of 2021. Acquisitions and new expansions, as well as membership growth and rate increases, in our Medicare business also contributed to the operating revenue increase. These increases were partially offset by a decline in premium revenue associated with the repeal of the HIP Fee in 2021, as well as certain retroactive rate adjustments and experience-rated refunds in our Medicaid business and lower risk revenue.

The increase in operating gain was primarily driven by growth in our Medicaid membership and the impact of one less calendar day compared to the first quarter of 2020. The increase was partially offset by increased costs associated with COVID-19, net of lower non-COVID-19 healthcare utilization, experience-rated refunds in our Medicaid business and lower risk revenue.

### **IngenioRx**

Operating revenue increased as a result of higher drug spend from IngenioRx customers including spend relating to increased Medicaid membership within our Government Business segment.

The increase in operating gain was primarily driven by an out of period adjustment and growth in integrated medical and pharmacy members in 2021.

### **Other**

Operating revenue increased primarily due to higher administrative fees and other revenue for services performed by our Diversified Business Group for our Commercial & Specialty Business and Government Business segments, as well as our acquisition of Beacon in February 2020.

The decrease in operating gain was driven by an increase in unallocated corporate expenses, partially offset by growth in our Diversified Business Group.

### **Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in conformity with GAAP. Application of GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes and within this MD&A. We consider our most important accounting policies that require significant estimates and management judgment to be those policies with respect to liabilities for medical claims payable, income taxes, goodwill and other intangible assets, investments and retirement benefits. Our accounting policies related to these items are discussed in our 2020 Annual Report on Form 10-K in Note 2, "Basis of Presentation and Significant Accounting Policies," to our audited consolidated financial statements as of and for the year ended December 31, 2020, as well as in the "Critical Accounting Policies and Estimates" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." As of March 31, 2021, our critical accounting policies and estimates have not changed from those described in our 2020 Annual Report on Form 10-K.

#### ***Medical Claims Payable***

The most subjective accounting estimate in our consolidated financial statements is our liability for medical claims payable. Our accounting policies related to medical claims payable are discussed in the references cited above. As of March 31, 2021, our critical accounting policies and estimates related to medical claims payable have not changed from those described in our 2020 Annual Report on Form 10-K. For a reconciliation of the beginning and ending balance for medical claims payable for the three months ended March 31, 2021 and 2020, see Note 9, "Medical Claims Payable," of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

The following table provides a summary of the two key assumptions having the most significant impact on our incurred but not paid liability estimates for the three months ended March 31, 2021 and 2020, which are the trend and completion factors. These two key assumptions can be influenced by utilization levels, unit costs, mix of business, benefit plan designs, provider reimbursement levels, processing system conversions and changes, claim inventory levels, claim processing patterns, claim submission patterns and operational changes resulting from business combinations.

	<b>Favorable Developments by Changes in Key Assumptions</b>	
	<b>Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Assumed trend factors	\$ 998	\$ 510
Assumed completion factors	490	190
<b>Total</b>	<b>\$ 1,488</b>	<b>\$ 700</b>

The favorable development recognized in the three months ended March 31, 2021 and 2020 resulted primarily from trend factors in late 2020 and late 2019, respectively, developing more favorably than originally expected. Favorable development in the completion factors resulting from the latter parts of 2020 and 2019 developing faster than expected also contributed to the favorability.

The ratio of current year medical claims paid as a percent of current year net medical claims incurred was 62.1% and 64.7% for the three months ended March 31, 2021 and 2020, respectively. This ratio serves as an indicator of claims processing speed whereby claims were processed at a similar speed during the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

We calculate the percentage of prior year redundancies in the current period as a percent of prior year net medical claims payable less prior year redundancies in the current period in order to demonstrate the development of the prior year reserves. For the three months ended March 31, 2021, this metric was 15.5%, largely driven by favorable trend factor development at the end of 2020 as well as favorable completion factor development from 2019 and 2020. For the three months ended March 31, 2020, this metric was 8.8%, largely driven by favorable trend factor development at the end of 2019.

We calculate the percentage of prior year redundancies in the current period as a percent of prior year net incurred medical claims to indicate the percentage of redundancy included in the preceding year calculation of current year net incurred medical claims. We believe this calculation supports the reasonableness of our prior year estimate of incurred medical claims and the consistency in our methodology. For the three months ended March 31, 2021, this metric was 1.8%, which was calculated using the redundancy of \$1,488. For the three months ended March 31, 2020, the comparable metric was 0.9%, which was calculated using the redundancy of \$700. We believe these metrics demonstrate an appropriate level of reserve conservatism.

### **Investments**

The COVID-19 pandemic and efforts to prevent its spread have significantly impacted the global economy, causing market instability and declines in the fair value of our holdings of fixed maturity securities in the energy sector and consumer-driven industries such as travel, entertainment and retail. While the markets have stabilized since the onset of the COVID-19 pandemic, the extent and length of the recovery remain uncertain. Further, the energy sector and consumer-driven industries remain distressed. Given the market uncertainty, there is a risk that our investments that have declined may not recover in future periods.

### **New Accounting Pronouncements**

For information regarding new accounting pronouncements that were adopted and new accounting pronouncements that were issued during the three months ended March 31, 2021, see the “*Recently Adopted Accounting Guidance*” and “*Recent Accounting Guidance Not Yet Adopted*” sections of Note 2, “Basis of Presentation and Significant Accounting Policies,” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

## Liquidity and Capital Resources

### Sources and Uses of Capital

Our cash receipts result primarily from premiums, product revenue, administrative fees and other revenue, investment income, proceeds from the sale or maturity of our investment securities, proceeds from borrowings, and proceeds from the issuance of common stock under our employee stock plans. Cash disbursements result mainly from claims payments, administrative expenses, taxes, purchases of investment securities, interest expense, payments on borrowings, acquisitions, capital expenditures, repurchases of our debt securities and common stock and the payment of cash dividends. Cash outflows fluctuate with the amount and timing of settlement of these transactions. Any future decline in our profitability would likely have an unfavorable impact on our liquidity.

The COVID-19 pandemic and efforts to prevent its spread have significantly impacted the global economy and caused increased volatility in the securities and credit markets. While the full impact of COVID-19 on our business is currently uncertain, it could have a material adverse effect on our financial condition and our liquidity. We intend to continue to monitor market conditions and act in a prudent manner.

For a more detailed overview of our liquidity and capital resources management, see the “Introduction” section included in the “Liquidity and Capital Resources” section of Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2020 Annual Report on Form 10-K.

For additional information regarding our sources and uses of capital during the three months ended March 31, 2021, see Note 6, “Derivative Financial Instruments,” Note 10, “Debt,” and Note 12, “Capital Stock – Use of Capital – Dividends and Stock Repurchase Program,” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

### Liquidity

A summary of our major sources and uses of cash and cash equivalents for the three months ended March 31, 2021 and 2020 is as follows:

	Three Months Ended March 31		2021 vs. 2020
	2021	2020	Change
<b>Sources of Cash:</b>			
Net cash provided by operating activities	\$ 2,505	\$ 2,515	\$ (10)
Issuances of commercial paper and short- and long-term debt, net of repayments	3,212	1,528	1,684
Proceeds from issuance of common stock under employee stock plans	89	44	45
Other sources of cash, net	65	—	65
Total sources of cash	5,871	4,087	1,784
<b>Uses of Cash:</b>			
Purchases of investments, net of proceeds from sales, maturities, calls and redemptions	(1,330)	(571)	(759)
Purchases of subsidiaries, net of cash acquired	(27)	(1,908)	1,881
Repurchase and retirement of common stock	(447)	(529)	82
Purchases of property and equipment	(204)	(204)	—
Cash dividends	(277)	(240)	(37)
Other uses of cash, net	—	(225)	225
Total uses of cash	(2,285)	(3,677)	1,392
Effect of foreign exchange rates on cash and cash equivalents	(1)	(2)	1
Net increase in cash and cash equivalents	\$ 3,585	\$ 408	\$ 3,177

Cash provided by operating activities was driven by changes in working capital, the impact of membership growth in our Government Business segment and higher net income in 2021 offset by the impact of the repeal of the HIP Fee in 2021.

Other significant changes in sources or uses of cash year-over-year included a decrease in cash paid for acquisitions, an increase in net proceeds received from the issuance of long-term debt and an increase in net purchases of investments.

### **Financial Condition**

We maintained a strong financial condition and liquidity position, with consolidated cash, cash equivalents and investments in fixed maturity and equity securities of \$38,069 at March 31, 2021. Since December 31, 2020, total cash, cash equivalents and investments in fixed maturity and equity securities increased by \$6,774, primarily due to net proceeds from the issuance of commercial paper and short- and long-term debt and cash generated from operations.

Many of our subsidiaries are subject to various government regulations that restrict the timing and amount of dividends and other distributions that may be paid to their respective parent companies. Certain accounting practices prescribed by insurance regulatory authorities, or statutory accounting practices, differ from GAAP. Changes that occur in statutory accounting practices, if any, could impact our subsidiaries' future dividend capacity. In addition, we have agreed to certain undertakings to regulatory authorities, including requirements to maintain certain capital levels in certain of our subsidiaries.

At March 31, 2021, we held \$4,593 of cash, cash equivalents and investments at the parent company, which are available for general corporate use, including investment in our businesses, pending acquisitions, potential future common stock repurchases and dividends to shareholders, repurchases of debt securities and debt and interest payments.

### **Debt**

Periodically, we access capital markets and issue debt ("Notes") for long-term borrowing purposes, for example, to refinance debt, to finance acquisitions or for share repurchases. Certain of these Notes may have a call feature that allows us to redeem the Notes at any time at our option and/or a put feature that allows a Note holder to redeem the Notes upon the occurrence of both a change in control event and a downgrade of the Notes below an investment grade rating. For more information on our debt, including redemptions and issuances, see Note 10, "Debt," of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

We calculate our consolidated debt-to-capital ratio, a non-GAAP measure, from the amounts presented on our consolidated balance sheets included in Part I, Item 1 of this Form 10-Q. Our debt-to-capital ratio is calculated as total debt divided by total debt plus total shareholders' equity. Total debt is the sum of short-term borrowings, current portion of long-term debt, long-term debt, less current portion and lease liabilities. We believe our debt-to-capital ratio assists investors and rating agencies in measuring our overall leverage and additional borrowing capacity. In addition, our bank covenants include a maximum debt-to-capital ratio that we cannot and did not exceed. Our debt-to-capital ratio may not be comparable to similarly titled measures reported by other companies. Our consolidated debt-to-capital ratio was 41.6% and 38.7% as of March 31, 2021 and December 31, 2020, respectively. The increase in our consolidated debt-to-capital ratio was primarily due to the debt issued in our March bond offering to fund our pending acquisitions and refinance an upcoming debt maturity.

Our senior debt is rated "A" by S&P Global Ratings, "BBB" by Fitch Ratings, Inc., "Baa2" by Moody's Investor Service, Inc. and "bbb+" by AM Best Company, Inc. We intend to maintain our senior debt investment grade ratings. If our credit ratings are downgraded, our business, liquidity, financial condition and results of operations could be adversely impacted by limitations on future borrowings and a potential increase in our borrowing costs.

### **Future Sources and Uses of Liquidity**

We have a senior revolving credit facility (the "5-Year Facility") with a group of lenders for general corporate purposes. The 5-Year Facility provides credit up to \$2,500 and matures in June 2024. We also have a 364-day senior revolving credit facility ("364-Day Facility") with a group of lenders for general corporate purposes, which provides for credit in the amount of \$1,000 and matures in June 2021. Our ability to borrow under these credit facilities is subject to compliance with certain covenants, including covenants requiring us to maintain a defined debt-to-capital ratio of not more than 60%, subject to increase in certain circumstances set forth in the applicable credit agreement. As of March 31, 2021, our debt-to-capital ratio, as defined and calculated under the credit facilities, was 40.7%. We do not believe the restrictions contained in any of our credit facility covenants materially affect our financial or operating flexibility. As of March 31, 2021, we were in compliance with all of the debt covenants under these credit facilities. There were no amounts outstanding under the 364-Day Facility at any time during the three months ended March 31, 2021 or the year ended December 31, 2020. At March 31, 2021 and December 31, 2020, there were no amounts outstanding under our 5-Year Facility.

We have an authorized commercial paper program of up to \$3,500, the proceeds of which may be used for general corporate purposes. Should commercial paper issuance become unavailable, we intend to use a combination of cash on hand and/or our senior revolving credit facilities, which provide for combined credit up to \$3,500, to redeem any outstanding commercial paper upon maturity. While there is no assurance in the current economic environment, we believe the lenders participating in our senior credit facilities, if market conditions allow, will be willing to provide financing in accordance with their legal obligations. At March 31, 2021, there were no amounts outstanding under our commercial paper program.

We have a shelf registration statement on file with the U.S. Securities and Exchange Commission to register an unlimited amount of any combination of debt or equity securities in one or more offerings. Specific information regarding terms and securities being offered will be provided at the time of an offering. Proceeds from future offerings are expected to be used for general corporate purposes, including, but not limited to, the repayment of debt, investments in or extensions of credit to our subsidiaries, the financing of possible acquisitions or business expansions or the repurchase of shares of our common stock.

We regularly review the appropriate use of capital, including acquisitions, common stock and debt security repurchases and dividends to shareholders. The declaration and payment of any dividends or repurchases of our common stock or debt is at the discretion of our Board of Directors and depends upon our financial condition, results of operations, future liquidity needs, regulatory and capital requirements and other factors deemed relevant by our Board of Directors.

For additional information regarding our sources and uses of capital at March 31, 2021, see Note 5, "Investments," Note 6, "Derivative Financial Instruments," Note 10, "Debt," and Note 12, "Capital Stock – Use of Capital – Dividends and Stock Repurchase Program," of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

### ***Risk-Based Capital***

Our regulated subsidiaries' states of domicile have statutory risk-based capital ("RBC") requirements for health and other insurance companies and health maintenance organizations largely based on the National Association of Insurance Commissioners ("NAIC") Risk-Based Capital (RBC) for Insurers Model Act (the "RBC Model Act"). These RBC requirements are intended to measure capital adequacy, taking into account the risk characteristics of an insurer's investments and products. The NAIC sets forth the formula for calculating the RBC requirements, which are designed to take into account asset risks, insurance risks, interest rate risks and other relevant risks with respect to an individual insurance company's business. In general, under the RBC Model Act, an insurance company must submit a report of its RBC level to the state insurance department or insurance commissioner, as appropriate, at the end of each calendar year. Our regulated subsidiaries' respective RBC levels as of December 31, 2020, which was the most recent date for which reporting was required, were in excess of all mandatory RBC requirements. In addition to exceeding the RBC requirements, we are in compliance with the liquidity and capital requirements for a licensee of the BCBSA and with the tangible net equity requirements applicable to certain of our California subsidiaries.

For additional information, see Note 22, "Statutory Information," in our audited consolidated financial statements as of and for the year ended December 31, 2020 included in our 2020 Annual Report on Form 10-K.

### ***Contractual Obligations and Commitments***

We believe that funds from future operating cash flows, cash and investments and funds available under our 5-year and 364-day senior revolving credit facilities and/or from public or private financing sources will be sufficient for future operations and commitments, and for capital acquisitions and other strategic transactions.

There have been no material changes to our Contractual Obligations and Commitments disclosure in our 2020 Annual Report on Form 10-K other than an increase in our borrowings. For additional information regarding our estimated contractual obligations and commitments, see Note 6, "Derivative Financial Instruments," Note 10, "Debt," and the "Other Contingencies" and "Contractual Obligations and Commitments" sections of Note 11 "Commitments and Contingencies," of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

## FORWARD-LOOKING STATEMENTS

*This document contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect our views about future events and financial performance and are generally not historical facts. Words such as “expect,” “feel,” “believe,” “will,” “may,” “should,” “anticipate,” “intend,” “estimate,” “project,” “forecast,” “plan” and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to: financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. You are also urged to carefully review and consider the various risks and other disclosures discussed in our reports filed with the U.S. Securities and Exchange Commission from time to time, which attempt to advise interested parties of the factors that affect our business. Except to the extent otherwise required by federal securities laws, we do not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof. These risks and uncertainties include, but are not limited to: the impact of large scale medical emergencies, such as public health epidemics and pandemics, including COVID-19, and catastrophes; trends in healthcare costs and utilization rates; our ability to secure sufficient premium rates, including regulatory approval for and implementation of such rates; the impact of federal and state regulation, including ongoing changes in the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, as amended (collectively, the “ACA”), and the ultimate outcome of legal challenges to the ACA; changes in economic and market conditions, as well as regulations that may negatively affect our liquidity and investment portfolios; our ability to contract with providers on cost-effective and competitive terms; competitive pressures and our ability to adapt to changes in the industry and develop and implement strategic growth opportunities; reduced enrollment; unauthorized disclosure of member or employee sensitive or confidential information, including the impact and outcome of any investigations, inquiries, claims and litigation related thereto; risks and uncertainties regarding Medicare and Medicaid programs, including those related to non-compliance with the complex regulations imposed thereon; our ability to maintain and achieve improvement in Centers for Medicare and Medicaid Services Star ratings and other quality scores and funding risks with respect to revenue received from participation therein; a negative change in our healthcare product mix; costs and other liabilities associated with litigation (including the ultimate outcome of litigation between Cigna Corporation and us related to the merger agreement between the parties), government investigations, audits or reviews; risks and uncertainties related to our pharmacy benefit management (“PBM”) business, including non-compliance by any party with the PBM services agreement between us and CaremarkPCS Health, L.L.C.; medical malpractice or professional liability claims or other risks related to healthcare and PBM services provided by our subsidiaries; general risks associated with mergers, acquisitions, joint ventures and strategic alliances; changes in U.S. tax laws; possible impairment of the value of our intangible assets if future results do not adequately support goodwill and other intangible assets; possible restrictions in the payment of dividends from our subsidiaries and increases in required minimum levels of capital; our ability to repurchase shares of our common stock and pay dividends on our common stock due to the adequacy of our cash flow and earnings and other considerations; the potential negative effect from our substantial amount of outstanding indebtedness; a downgrade in our financial strength ratings; the effects of any negative publicity related to the health benefits industry in general or us in particular; failure to effectively maintain and modernize our information systems; events that may negatively affect our licenses with the Blue Cross and Blue Shield Association; the impact of international laws and regulations; intense competition to attract and retain employees; and various laws and provisions in our governing documents that may prevent or discourage takeovers and business combinations.*

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For a discussion of our market risks, refer to Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” included in our 2020 Annual Report on Form 10-K. There have been no material changes to any of these risks since December 31, 2020.

### **ITEM 4. CONTROLS AND PROCEDURES**

We carried out an evaluation as of March 31, 2021, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be disclosed in our reports under the Exchange Act. In addition, based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

There have been no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

For information regarding legal proceedings at March 31, 2021, see the “*Litigation and Regulatory Proceedings*,” and “*Other Contingencies*” sections of Note 11, “Commitments and Contingencies” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, which information is incorporated herein by reference.

### **ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors disclosed in our 2020 Annual Report on Form 10-K.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Issuer Purchases of Equity Securities

The following table presents information related to our repurchases of common stock for the periods indicated:

<b>Period</b>	<b>Total Number of Shares Purchased<sup>1</sup></b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Programs<sup>2</sup></b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs</b>
<i>(in millions, except share and per share data)</i>				
January 1, 2021 to January 31, 2021	496,541	\$ 319.59	493,200	\$ 5,935
February 1, 2021 to February 28, 2021	528,311	295.23	527,734	5,779
March 1, 2021 to March 31, 2021	679,367	327.81	393,985	5,645
	<u>1,704,219</u>		<u>1,414,919</u>	

- 1 Total number of shares purchased includes 289,300 shares delivered to or withheld by us in connection with employee payroll tax withholding upon the exercise or vesting of stock awards. Stock grants to employees and directors and stock issued for stock option plans and stock purchase plans in the consolidated statements of shareholders' equity are shown net of these shares purchased.
- 2 Represents the number of shares repurchased through the common stock repurchase program authorized by our Board of Directors, which the Board of Directors evaluates periodically. During the three months ended March 31, 2021, we repurchased 1,414,919 shares at a total cost of \$447 under the program, including the cost of options to purchase shares. The Board of Directors has authorized our common stock repurchase program since 2003. The most recent authorized increase to the program was \$5,000 on January 26, 2021 by our Audit Committee, pursuant to authorization granted by the Board of Directors. No duration has been placed on our common stock repurchase program, and we reserve the right to discontinue the program at any time.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

None.

## ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit</u>
3.1	<a href="#"><u>Amended and Restated Articles of Incorporation of the Company, as amended and restated effective May 15, 2019, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 15, 2019.</u></a>
3.2	<a href="#"><u>Bylaws of the Company, as amended effective September 30, 2020, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 6, 2020.</u></a>
4.6	(l) <a href="#"><u>Form of the 0.450% Notes due 2023, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 17, 2021.</u></a>
	(m) <a href="#"><u>Form of the 1.500% Notes due 2026, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on March 17, 2021.</u></a>
	(n) <a href="#"><u>Form of the 2.550% Notes due 2031, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on March 17, 2021.</u></a>
	(o) <a href="#"><u>Form of the 3.600% Notes due 2051, incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on March 17, 2021.</u></a>
4.7	Upon the request of the U.S. Securities and Exchange Commission, the Company will furnish copies of any other instruments defining the rights of holders of long-term debt of the Company or its subsidiaries.
10.2 *	(m) <a href="#"><u>Form of Incentive Compensation Plan Nonqualified Stock Option Award Agreement for 2021.</u></a>
*	(n) <a href="#"><u>Form of Incentive Compensation Plan Restricted Stock Unit Award Agreement for 2021.</u></a>
*	(o) <a href="#"><u>Form of Incentive Compensation Plan Performance Stock Unit Award Agreement for 2021.</u></a>
31.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101	The following material from Anthem, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in Inline XBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Shareholders' Equity; and (vi) Notes to Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File formatted in Inline XBRL and contained in Exhibit 101.

\* Indicates management contracts or compensatory plans or arrangements.



**Schedule A**  
**Notice of Option Grant**

**Participant:** [●]

**Company:** Anthem, Inc.

**Notice:** You have been granted the following nonqualified stock option to purchase shares of common stock of the Company in accordance with the terms of the Plan and the attached Nonqualified Stock Option Award Agreement.

**Plan:** 2017 Anthem Incentive Compensation Plan

**Grant:** Grant Date: [●]

Option Price per Share: \$[●]

Number of Shares under Option: [●]

**Exercisability:** Subject to the terms of the Plan and this Agreement, your Option will become exercisable on and after the dates indicated below as to the number of Shares set forth below opposite each such date, plus any Shares as to which your Option could have been exercised previously but was not so exercised.

Shares	Date
[●]	[●]
[●]	[●]
[●]	[●]

In the event that a Change of Control (as defined in the Plan) occurs before your Termination, your Option will remain subject to the terms of this Agreement, unless the successor company does not assume your Option. If a successor company does not assume your Option, then your Option shall become fully exercisable immediately prior to the Change of Control.

**Expiration Date:** Your Option will expire ten years from the Grant Date, subject to earlier termination as set forth in the Plan and this Agreement.

**Acceptance:** In order to accept your Options, you must electronically accept this Agreement through the Company's broker at any time within ninety (90) days after the Grant Date. To effect your acceptance, please follow the instructions included with your grant materials. Acceptance of the Agreement includes acceptance of the terms and conditions of the Plan. If you do not timely and electronically accept this Agreement, this Agreement will be null and void as of the 90th day after the Grant Date and you will have no right or claim to the Options described above.

## Nonqualified Stock Option Award Agreement

This Nonqualified Stock Option Award Agreement (this “Agreement”) dated as of the Grant Date (the “Grant Date”) set forth in the Notice of Option Grant attached as Schedule A hereto (the “Grant Notice”) is made between Anthem, Inc. (the “Company”) and the Participant set forth in the Grant Notice. The Grant Notice is included in and made part of this Agreement.

1. Grant of the Option. Subject to the provisions of this Agreement and the provisions of the Plan, the Company hereby grants to the Participant, pursuant to the Plan, the right and option (the “Option”) to purchase all or any part of the number of shares of common stock of the Company (“Shares”) as set forth in the Grant Notice at an Option Price (“Option Price”) per share and on the other terms as set forth in the Grant Notice. This Option is intended to be a nonqualified stock option for federal income tax purposes.

2. Method of Exercise of the Option.

(a) The Participant may exercise the Option, to the extent then exercisable, by delivering a notice to the Company’s captive broker in a form specified or accepted by the captive broker, specifying the number of Shares with respect to which the Option is being exercised.

(b) At the time the Participant exercises the Option, the Participant shall pay the Option Price of the Shares as to which the Option is being exercised and applicable taxes (i) in United States dollars by personal check, bank draft or money order; (ii) subject to such terms, conditions and limitations as the Compensation and Talent Committee of the Board of Directors of the Company (“Committee”) may prescribe, by tendering (either by actual delivery or attestation) unencumbered Shares previously acquired by the Participant having an aggregate Fair Market Value at the time of exercise equal to the total Option Price of the Shares for which the Option is so exercised; (iii) subject to such terms, conditions and limitations as the Committee may prescribe, a cashless (broker-assisted) exercise that complies with all applicable laws; or (iv) by a combination of the consideration provided for in the foregoing clauses (i), (ii) and (iii).

3. Termination. The Option shall terminate upon the Participant’s Termination for any reason and no Shares may thereafter be purchased under the Option except as provided below. Notwithstanding anything contained in this Agreement, (i) a Participant who is in a position of Vice President or above must give at least 30 days advance written notice of his Termination due to resignation (including Retirement) in order for the Participant to exercise the Option for any period that may apply below and (ii) in no event shall the Option be exercisable after the Expiration Date. If less than 30 days advance written notice is given, the Option shall be immediately canceled, including the portion of the Option that is otherwise exercisable.

(a) *Retirement.* If the Participant’s Termination is due to Retirement (for purposes of this Agreement, defined as the Participant’s Termination after attaining age fifty-five (55) with at least ten (10) completed years of service or after attaining age sixty-five (65)), the Option shall continue to become exercisable according to the schedule set forth in the Grant Notice; *provided* that the Option shall terminate on the five-year anniversary of the date of the Participant’s Retirement but not later than the Expiration Date noted on the attached Schedule A; *provided, further*, that if the Participant’s Termination is due to Retirement during the calendar year of the Grant Date, the Option shall be immediately terminated on a pro-rata basis, measured by the number of completed full months in that calendar year during which the Participant was employed by the Company or an Affiliate (e.g., if the Participant’s Retirement occurs in September, 33.3% (or 4/12) of the Option shall be immediately terminated), and the non-terminated portion of the Option shall continue to become exercisable according to the schedule set forth in the Grant Notice.<sup>1</sup>

(b) *Death and Disability.* If the Participant’s Termination is due to the Participant’s death or Disability (for purposes of this Agreement, as defined in the applicable Anthem Long-Term Disability

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<sup>1</sup> This retirement provision is deleted in non-annual retention grants.

Plan), the Option shall immediately become fully exercisable and shall terminate on the five-year anniversary of the date of such Termination but not later than the Expiration Date noted on the attached Schedule A.

(c) *Termination without Cause or Good Reason.* Unless Sections 3(a) or 3(e) are applicable, if the Participant's Termination is by the Company or an Affiliate without Cause (for purposes of this Agreement, defined as a violation of "conduct" as such term is defined in the Anthem HR Corrective Action Policy and if the Participant participates in the Anthem, Inc. Executive Agreement Plan (the "Agreement Plan"), the Key Associate Agreement or the Key Sales Associate Agreement also as defined in that plan or agreement) or voluntarily by the Participant, the following shall apply:

(i) Unless clause (ii) applies, the Option, to the extent fully exercisable as of the date of such Termination, shall thereafter only be exercisable for a period of ninety (90) days from the date of such Termination, but not later than the Expiration Date noted on the attached Schedule A.

(ii) If the Participant is receiving severance under the Agreement Plan, the Anthem Supplemental Unemployment Benefit Plan, the Anthem Excess Termination Benefit Plan, the Key Associate Agreement or the Key Sales Associate Agreement and any portion of the Option remains unexercisable as of the Participant's Termination, the Option shall continue to become exercisable through the earlier of (A) the last day of the period for which the Participant is receiving severance or (B) the last day of the schedule set forth in the Grant Notice. The Option shall be exercisable for a period of ninety (90) days from the date the severance period ends, but not later than the Expiration Date noted on the attached Schedule A.

(d) *Cause.* If the Participant's Termination is for Cause, even if on the date of such Termination the Participant has met the definition of Retirement or Disability, then the portion of the Option that has not been exercised shall immediately terminate.

(e) *Termination after Change of Control.* Notwithstanding any other provision of the Agreement, including Section 3(c), if after a Change of Control the Participant's Termination is (i) by the Company or an Affiliate without Cause or (ii) if the Participant participates in the Executive Agreement Plan, by the Participant for Good Reason (as defined in the Executive Agreement Plan), the Option shall immediately become fully exercisable and shall terminate on the five-year anniversary of the date of such Termination but not later than the Expiration Date noted on the attached Schedule A.

4. Transferability of the Option. The Option shall not be transferable or assignable by the Participant except as provided in this Section 4 and the Option shall be exercisable, during the Participant's lifetime, only by him/her or, during periods of legal disability, by his guardian or other legal representative. No Option shall be subject to execution, attachment, or similar process. The Participant shall have the right to appoint any individual or legal entity in writing, on a Designation of Beneficiary form as his/her beneficiary to receive any Option (to the extent not previously terminated or forfeited) under this Agreement upon the Participant's death. Such designation under this Agreement may be revoked by the Participant at any time and a new beneficiary may be appointed by the Participant by execution and submission to the Company, or its designee, of a revised Designation of Beneficiary form to this Agreement. In order to be effective, a designation of beneficiary must be completed by the Participant on the Designation of Beneficiary form and received by the Company, or its designee, prior to the date of the Participant's death. If the Participant dies without such designation, the Option may be exercised only by the executor or administrator of the Participant's estate or by a person who shall have acquired the right to such exercise by will or by the laws of descent and distribution.

5. Taxes and Withholdings. At the time of receipt of Shares upon the exercise of all or any part of the Option, the Participant shall pay to the Company in cash (or make other arrangements, in accordance with Article XVIII of the Plan, for the satisfaction of) any taxes of any kind required by law to be withheld with respect to such Shares; *provided, however*, that pursuant to any procedures, and subject to any limitations as the Committee may prescribe and subject to applicable law, the Participant may elect to satisfy, in whole or in part, such

withholding obligations by (a) withholding Shares otherwise deliverable to the Participant pursuant to the Option (*provided, however*, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy required Federal, state, local and non-United States withholding obligations using the minimum statutory withholding rates for Federal, state, local and/or non-U.S. tax purposes, including payroll taxes, that are applicable to supplemental taxable income) and/or (b) tendering to the Company Shares owned by the Participant (or the Participant and the Participant's spouse jointly) based, in each case, on the Fair Market Value of the Shares on the payment date as determined by the Committee. Any such election made by the Participant must be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

6. No Rights as a Shareholder. Neither the Participant nor any other person shall become the beneficial owner of the Shares subject to the Option, nor have any rights to dividends or other rights as a shareholder with respect to any such Shares, until the Participant has actually received such Shares following the exercise of the Option in accordance with the terms of the Plan and this Agreement.

7. Restrictive Covenants. For purposes of Sections 7, 8, 9, 10 and 11 of this Agreement, Company shall mean Anthem, Inc. and its subsidiaries and affiliates. The Participant acknowledges that s/he has the right to consult with counsel at the Participant's sole expense. As a condition to receipt of the Option Grant made under this Agreement, which the Participant and the Company agree is fair and reasonable consideration, the Participant agrees as follows:

(a) *Confidentiality*.

(i) The Participant recognizes that the Company derives substantial economic value from information created and used in its business which is not generally known by the public, including, but not limited to, plans, designs, concepts, computer programs, formulae, and equations; product fulfillment and supplier information; customer and supplier lists, and confidential business practices of the Company, its affiliates and any of its customers, vendors, business partners or suppliers; profit margins and the prices and discounts the Company obtains or has obtained or at which it sells or has sold or plans to sell its products or services (except for public pricing lists); manufacturing, assembling, labor and sales plans and costs; business and marketing plans, ideas, or strategies; confidential financial performance and projections; employee compensation; employee staffing and recruiting plans and employee personal information; and other confidential concepts and ideas related to the Company's business (collectively, "Confidential Information"). The Participant expressly acknowledges and agrees that by virtue of his/her employment with the Company, the Participant will have access and will use in the course of the Participant's duties certain Confidential Information and that Confidential Information constitutes trade secrets and confidential and proprietary business information of the Company, all of which is the exclusive property of the Company. For purposes of this Agreement, Confidential Information includes the foregoing and other information protected under the Indiana Uniform Trade Secrets Act (the "Act"), or to any comparable protection afforded by applicable law, but does not include information that the Participant establishes by clear and convincing evidence is or may become known to the Participant or to the public from sources outside the Company and through means other than a breach of this Agreement. Notwithstanding the foregoing, in accordance with the Defend Trade Secrets Act of 2016, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the Company's trade secrets to his/her attorney and use the trade secret information in the court proceeding if the Participant (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(ii) The Participant agrees that the Participant will not for himself or herself or for any other person or entity, directly or indirectly, without the prior written consent of the Company, while employed by the Company and thereafter: (A) use Confidential Information for the benefit of any person or entity other than the Company or its affiliates; (B) remove, copy, duplicate or otherwise reproduce any document or tangible item embodying or pertaining to any of the Confidential Information, except as required to perform the Participant's duties for the Company or its affiliates; or (C) while employed and thereafter, publish, release, disclose or deliver or otherwise make available to any third party any Confidential Information by any communication, including oral, documentary, electronic or magnetic information transmittal device or media. Upon termination of employment, the Participant shall return all Confidential Information and all other property of the Company. This obligation of non-disclosure and non-use of information shall continue to exist for so long as such information remains Confidential Information. Provided, however, nothing in this Agreement prohibits or limits the Participant from (i) reporting possible violations of federal securities law or regulation to any governmental agency or entity or (ii) receiving a monetary award from the governmental agency or entity for the information reported.

(b) *Non-Competition.* During any period in which the Participant is employed by the Company, and during a period of time after the Participant's termination of employment (the "Restriction Period") which, unless otherwise limited by applicable state law, is (i) twenty-four (24) months for Executive Vice Presidents and the President & Chief Executive Officer, and (ii) the greater of the period of severance or twelve (12) months for all other Participants, the Participant will not, without prior written consent of the Company, directly or indirectly seek or obtain a Competitive Position in a Restricted Territory and perform a Restricted Activity with a Competitor, as those terms are defined herein.

(i) Competitive Position means any employment or performance of services with a Competitor (A) the same as or similar to the services in which Participant performed for the Company in the last twenty-four (24) months of Participant's employment with Company, or (B) in which the Participant will use any Confidential Information of the Company.

(ii) Restricted Territory means any geographic area in which the Company does business and in which the Participant provided services in, had responsibility for, had a material presence or influence in, or had access to Confidential Information about, such business, within the thirty-six (36) months prior to the Participant's termination of employment from the Company.

(iii) Restricted Activity means any activity for which the Participant had responsibility for the Company within the thirty-six (36) months prior to the termination of the Participant's employment from the Company or about which the Participant had Confidential Information.

(iv) Competitor means any entity or individual (other than the Company or its affiliates) engaged in management of network-based managed care plans and programs, or the performance of managed care services, health insurance, long term care insurance, dental, life or disability insurance, behavioral health, vision, flexible spending accounts and COBRA administration or other products or services substantially the same or similar to those offered by the Company while the Participant was employed, or other products or services offered by the Company within twelve (12) months after the termination of Participant's employment if the Participant had responsibility for, or Confidential Information about, such other products or services while the Participant was employed by the Company.

(v) The restrictions contained in this subsection (b) shall not apply to attorneys who accept a Competitive Position that consists of practicing law.

(c) *Non-Solicitation of Customers.* During any period in which the Participant is employed by the Company, and during the Restriction Period after the Participant's termination of employment, the Participant will not, either individually or as an employee, partner, consultant, independent contractor, owner, agent, or in any other capacity, directly or indirectly, for a Competitor of the Company as defined in subsection (b) above: (i) solicit business from any client or account of the Company or any of its affiliates with which the Participant had contact, participated in the contact, or responsibility for, or about which the Participant had knowledge of Confidential Information by reason of the Participant's employment with the Company, (ii) solicit business from any client or account which was pursued by the Company or any of its affiliates and with which the Participant had contact, or responsibility for, or about which the Participant had knowledge of Confidential Information by reason of the Participant's employment with the Company, within the twelve (12) month period prior to termination of employment. For purposes of this provision, an individual policyholder in a plan maintained by the Company or by a client or account of the Company under which individual policies are issued, or a certificate holder in such plan under which group policies are issued, shall not be considered a client or account subject to this restriction solely by reason of being such a policyholder or certificate holder.

(d) *Non-Solicitation of Employees.* During any period in which the Participant is employed by the Company, and during the Restriction Period after the Participant's termination of employment, the Participant will not, either individually or as an employee, partner, independent contractor, owner, agent, or in any other capacity, directly or indirectly solicit, hire, attempt to solicit or hire, or participate in any attempt to solicit or hire, for any non-Company affiliated entity, any person who on or during the six (6) months immediately preceding the date of such solicitation or hire is or was an officer or employee of the Company, or whom the Participant was involved in recruiting while the Participant was employed by the Company.

(e) *Non-Disparagement.* The Participant agrees that he/she will not, nor will he/she cause or assist any other person to, make any statement to a third party or take any action which is intended to or would reasonably have the effect of disparaging or harming the Company or the business reputation of the Company's directors, employees, officers and managers. Further, the Participant will not at any time make any verbal or written statement to any media outlet regarding the Company.

#### 8. Return of Consideration.

i. If at any time a Participant breaches any provision of Section 7 or Section 11 then: (i) all unexercised Company stock options under any Designated Plan (defined below) whether or not otherwise vested shall cease to be exercisable and shall immediately terminate; (ii) the Participant shall forfeit any outstanding restricted stock or other outstanding equity award made under any Designated Plan and not otherwise vested on the date of breach; and (iii) the Participant shall pay to the Company (A) for each share of common stock of the Company ("Common Share") acquired on exercise of an option under a Designated Plan within the 24 months prior to such breach, the excess of the fair market value of a Common Share on the date of exercise over the exercise price, and (B) for each share of restricted stock and/or performance stock that became vested under any Designated Plan within the 24 months prior to such breach, the fair market value (on the date of vesting) of a Common Share. Any amount to be repaid pursuant to this Section 8 shall be held by the Participant in constructive trust for the benefit of the Company and shall, upon written notice from the Company, within 10 days of such notice, be paid by the Participant to the Company with interest from the date such Common Share was acquired or the share of restricted stock became vested, as the case may be, to the date of payment, at 120% of the applicable six month short-term applicable federal rate. Any amount described in clauses (i) and (ii) that the Participant forfeits as a result of a breach of the provisions of Sections 7 or 11 shall not reduce any money damages that would be payable to the Company as compensation for such breach.

ii. The amount to be repaid pursuant to this Section 8 shall be determined on a gross basis, without reduction for any taxes incurred, as of the date of the realization event, and without regard to any subsequent change in the fair market value of a Common Share. The Company shall have the right to offset such amount against any amounts otherwise owed to the Participant by the Company (whether as wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement other than any amount pursuant to any nonqualified deferred compensation plan under Section 409A of the Code).

iii. For purposes of this Section 8, a "Designated Plan" is each stock option, restricted stock, or other equity compensation or long-term incentive compensation plan.

9. Equitable Relief and Other Remedies. As a condition to this Agreement:

i. The Participant acknowledges that each of the provisions of Section 7 and 8 of the Plan are reasonable and necessary to preserve the legitimate business interests of the Company, its present and potential business activities and the economic benefits derived therefrom; that they will not prevent him or her from earning a livelihood in the Participant's chosen business and are not an undue restraint on the trade of the Participant, or any of the public interests which may be involved.

ii. The Participant agrees that beyond the amounts otherwise to be provided under the Plan and this Agreement, the Company will be damaged by a violation of the terms of this Agreement and the amount of such damage may be difficult to measure. The Participant agrees that if the Participant commits or threatens to commit a breach of any of the covenants and agreements contained in Sections 7 or 11 to the extent permitted by applicable law, then the Company shall have the right to seek and obtain all appropriate injunctive and other equitable remedies, without posting bond therefor, except as required by law, in addition to any other rights and remedies that may be available at law or under this Agreement, it being acknowledged and agreed that any such breach would cause irreparable injury to the Company and that money damages would not provide an adequate remedy. Further, if the Participant violates Section 7 hereof the Participant agrees that the period of violation shall be added to the period in which the Participant's activities are restricted.

iii. Notwithstanding the foregoing, the Company will not seek injunctive relief to prevent a Participant residing in California from engaging in post termination competition in California under Section 7(b) or (c) of this Agreement, provided that the Company may seek and obtain relief to enforce Section 8 of this Agreement with respect to such Participants.

iv. The parties agree that the covenants contained herein are severable. If an arbitrator or court shall hold that the duration, scope, area or activity restrictions stated herein are unreasonable under circumstances then existing, or under applicable state law, the parties agree that the maximum duration, scope, area or activity restrictions reasonable and enforceable under such circumstances shall be substituted for the stated duration, scope, area or activity restrictions to the maximum extent permitted by law. The parties further agree that the Company's rights under Section 8 should be enforced to the fullest extent permitted by law irrespective of whether the Company seeks equitable relief in addition to relief provided therein or if the arbitrator or court deems equitable relief to be inappropriate.

10. Survival of Provisions. The obligations contained in Sections 7, 8, 9 and Section 11 shall survive the Termination of the Participant's employment with the Company and shall be fully enforceable thereafter.

11. Cooperation. Upon the receipt of reasonable notice from the Company (including from outside counsel to the Company), the Participant agrees that while employed by the Company and for two years (or, if longer, for so long as any claim referred to in this Section remains pending) after the termination of Participant's employment for any reason, the Participant will respond and provide information with regard to matters in which the Participant has knowledge as a result of the Participant's employment with the Company, and will provide reasonable assistance to the Company, its affiliates and their respective representatives in defense of any claims that may be made against the Company or its affiliates, and will assist the Company and its affiliates in the prosecution of any claims that may be made by the Company or its affiliates, to the extent that such claims may relate to the period of the Participant's employment with the Company (or any predecessor); provided, that with respect to periods after the termination of the Participant's employment, the Company shall reimburse the Participant for any out-of-pocket expenses incurred in providing such assistance and if the Participant is required to provide more than ten (10) hours of assistance per week after his termination of employment then the Company shall pay the Participant a reasonable amount of money for his services at a rate agreed to between the Company and the Participant; and provided further that after the Participant's termination of employment with the Company such assistance shall not unreasonably interfere with the Participant's business or personal obligations. The Participant

agrees to promptly inform the Company if the Participant becomes aware of any lawsuits involving such claims that may be filed or threatened against the Company or its affiliates. The Participant also agrees to promptly inform the Company (to the extent the Participant is legally permitted to do so) if the Participant is asked to assist in any investigation of the Company or its affiliates (or their actions), regardless of whether a lawsuit or other proceeding has then been filed against the Company or its affiliates with respect to such investigation, and shall not do so unless legally required. Provided, however, the Participant is not required to inform the Company of any investigation by a governmental agency or entity resulting from the reporting of possible violations of federal securities law or regulation to any governmental agency or entity, and the Participant may participate in such investigation, without informing the Company.

12. No Right to Continued Employment. Neither the Option nor any terms contained in this Agreement shall confer upon the Participant any express or implied right to be retained in the employment or service of the Company or any Affiliate for any period, nor restrict in any way the right of the Company, which right is hereby expressly reserved, to terminate the Participant's employment or service at any time with or without Cause. The Participant acknowledges and agrees that any right to exercise the Option is earned only by continuing as an employee of the Company or an Affiliate at the will of the Company or such Affiliate, or satisfaction of any other applicable terms and conditions contained in the Plan and this Agreement, and not through the act of being hired, being granted the Option or acquiring Shares hereunder.

13. The Plan. This Agreement is subject to all the terms, provisions and conditions of the Plan, which are incorporated herein by reference, and to such regulations as may from time to time be adopted by the Committee. Unless defined herein, capitalized terms are as defined in the Plan. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Plan and the prospectus describing the Plan can be found on the Company's HR intranet. A paper copy of the Plan and the prospectus shall be provided to the Participant upon the Participant's written request to the Company at Anthem, Inc., 220 Virginia Avenue, Indianapolis, Indiana 46204, Attention: Corporate Secretary, Shareholder Services Department.

14. Compliance with Laws and Regulations.

i. The Option and the obligation of the Company to sell and deliver Shares hereunder shall be subject in all respects to (i) all applicable Federal and state laws, rules and regulations and (ii) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its discretion, determine to be necessary or applicable. Moreover, the Option may not be exercised if its exercise, or the receipt of Shares pursuant thereto, would be contrary to applicable law. If at any time the Company determines, in its discretion, that the listing, registration or qualification of Shares upon any national securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable, the Company shall not be required to deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement unless and until such listing, registration, qualification, consent or approval has been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Company.

ii. The Shares received upon the exercise of the Option shall have been registered under the Securities Act of 1933 ("Securities Act"). If the Participant is an "affiliate" of the Company, as that term is defined in Rule 144 under the Securities Act ("Rule 144"), the Participant may not sell the Shares received except in compliance with Rule 144. Certificates representing Shares issued to an "affiliate" of the Company may bear a legend setting forth such restrictions on the disposition or transfer of the Shares as the Company deems appropriate to comply with Federal and state securities laws.

iii. If at the time of exercise of all or part of the Option, the Shares are not registered under the Securities Act, and/or there is no current prospectus in effect under the Securities Act with respect to the Shares, the Participant shall execute, prior to the delivery of any Shares to the Participant by the Company pursuant to this Agreement, an agreement (in such form as the Company may specify) in which the Participant represents and warrants that the Participant is purchasing or acquiring the shares acquired under this Agreement for the Participant's

own account, for investment only and not with a view to the resale or distribution thereof, and represents and agrees that any subsequent offer for sale or distribution of any kind of such Shares shall be made only pursuant to either (i) a registration statement on an appropriate form under the Securities Act, which registration statement has become effective and is current with regard to the Shares being offered or sold, or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the Participant shall, prior to any offer for sale of such Shares, obtain a prior favorable written opinion, in form and substance satisfactory to the Company, from counsel for or approved by the Company, as to the applicability of such exemption thereto.

15. Notices. All notices by the Participant or the Participant's assignees shall be addressed to Anthem, Inc., 220 Virginia Avenue, Indianapolis, Indiana 46204, Attention: Stock Administration, or such other address as the Company may from time to time specify. All notices to the Participant shall be addressed to the Participant at the Participant's address in the Company's records.

16. Other Plans. The Participant acknowledges that any income derived from the exercise of the Option shall not affect the Participant's participation in, or benefits under, any other benefit plan or other contract or arrangement maintained by the Company or any Affiliate.

17. Recoupment Policy for Incentive Compensation. The Company's Recoupment Policy for Incentive Compensation, as may be amended from time to time, shall apply to the Option, any Shares acquired upon exercise of the Option and any profits realized from the sale of such Shares to the extent that the Participant is covered by such policy. If the Participant is covered by such policy, the policy may apply to recoup the Option, any Shares acquired upon exercise of the Option or profits realized from the sale of Shares previously covered by the Option either before, on or after the date on which the Participant becomes subject to such policy.

ANTHEM, INC.

By: \_\_\_\_\_

Printed: Ramiro G. Peru

Its: Chair, Compensation and Talent Committee of the Board of Directors

**Schedule A**  
**Notice of Restricted Stock Unit Grant**

**Participant:** [●]

**Company:** Anthem, Inc.

**Notice:** You have been granted the following award of restricted stock units of common stock of the Company in accordance with the terms of the Plan and the attached Restricted Stock Unit Award Agreement.

**Plan:** 2017 Anthem Incentive Compensation Plan

**Grant:** Grant Date: [●]  
Number of Restricted Stock Units: [●]

**Period of Restriction:** The Period of Restriction applicable to the number of your Restricted Stock Units listed in the “Shares” column below, and any related Dividend Equivalents, shall commence on the Grant Date and shall lapse on the date listed in the “Lapse Date” column below.

Shares	Lapse Date
[●]	[●]
[●]	[●]
[●]	[●]

In the event that a Change of Control (as defined in the Plan) occurs before your Termination, your Restricted Stock Unit Grant will remain subject to the terms of this Agreement, unless the successor company does not assume the Restricted Stock Unit Grant. If the successor company does not assume the Restricted Stock Unit Grant, then the Period of Restriction shall immediately lapse upon a Change of Control and the Shares covered by the award shall be immediately delivered upon the Change of Control, provided that in the event that the Restricted Stock Unit Grant is deferred compensation within the meaning of Code Section 409A, such Shares shall only be delivered upon the Change of Control if such Change of Control is a “change in control event” within the meaning of Code Section 409A and the delivery is made in accordance with Treasury Regulation 1-409A-3(j)(ix).

**Acceptance:** In order to accept your Restricted Stock Units, you must electronically accept this Agreement through the Company’s broker at any time within ninety (90) days after the Grant Date. To effect your acceptance, please follow the instructions included with your grant materials. Acceptance of the Agreement includes acceptance of the terms and conditions of the Plan. If you do not timely and electronically accept this Agreement, this Agreement will be null and void as of the 90th day after the Grant Date and you will have no right or claim to the Restricted Stock Units described above.

## Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award Agreement (this “Agreement”) dated as of the Grant Date (the “Grant Date”) set forth in the Notice of Restricted Stock Unit Grant attached as Schedule A hereto (the “Grant Notice”) is made between Anthem, Inc. (the “Company”) and the Participant set forth in the Grant Notice. The Grant Notice is included in and made part of this Agreement.

1. Period of Restriction. The Period of Restriction with respect to the Restricted Stock Units shall be as set forth in the Grant Notice (the “Period of Restriction”). The Participant acknowledges that prior to the expiration of the applicable portion of the Period of Restriction, the Restricted Stock Units may not be sold, transferred, pledged, assigned, encumbered, alienated, hypothecated or otherwise disposed of (whether voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy)). Upon the expiration of the applicable portion of the Period of Restriction described in the attached Grant Notice, the restrictions set forth in this Agreement with respect to the Restricted Stock Units theretofore subject to such expired Period of Restriction shall lapse and the Shares covered by the related portion of the award shall be immediately delivered, except as may be provided in accordance with Sections 8 and 15 hereof.

2. Ownership. Upon expiration of the applicable portion of the Period of Restriction described in the attached Grant Notice, the Company shall transfer the Shares covered by the related portion of the award to the Participant’s account with the Company’s captive broker.

3. Termination.

(a) *Retirement.* If the Participant’s Termination is due to Retirement (for purposes of this Agreement, defined as the Participant’s Termination after attaining age fifty-five (55) with at least ten (10) completed years of service or after attaining age sixty-five (65)), the restrictions upon the Restricted Stock Units shall continue to lapse throughout the Period of Restriction and the Shares covered by the related portion of the Restricted Stock Units shall continue to be delivered upon the applicable Lapse Date; *provided, however,* that if the Participant’s Termination due to Retirement is during the calendar year of the Grant Date, the Restricted Stock Units shall be forfeited on a pro-rata basis, measured by the number of completed full months in that calendar year during which the Participant was employed by the Company or an Affiliate (*e.g.*, if the Participant’s Retirement occurs in September, 33.3% (or 4/12) of the Restricted Stock Units will be forfeited), and the Period of Restriction on the non-forfeited portion of the Restricted Stock Units shall continue to lapse throughout the Period of Restriction described in the attached Grant Notice and the Shares covered by the related portion of the Restricted Stock Units shall continue to be delivered upon the applicable Lapse Date.<sup>1</sup>

(b) *Death and Disability.* If the Participant’s Termination is due to death or Disability (for purposes of this Agreement, as defined in the applicable Anthem Long-Term Disability Plan), then the Period of Restriction shall immediately lapse, causing any restrictions which would otherwise remain on the Restricted Stock Units to immediately lapse and the Shares covered by the Restricted Stock Units shall be immediately delivered.

(c) *Without Cause or Good Reason.* Unless 3(a) is applicable, if the Participant’s Termination is by the Company or an Affiliate without Cause (for purposes of this Agreement, defined as a violation of “conduct” as such term is defined in the Anthem HR Corrective Action Policy and if the Participant participates in the Anthem, Inc. Executive Agreement Plan (the “Agreement Plan”), the Key Associate Agreement or the Key Sales Associate Agreement also as defined in that plan or agreement) and the Participant is receiving severance under the Agreement Plan, the Anthem Supplemental Unemployment Benefit Plan, the Anthem Excess Termination Benefit Plan, the Key Associate Agreement or the Key Sales Associate Agreement and any portion of the Period of Restriction has not lapsed as of the Participant’s Termination, the Period of Restriction shall continue to lapse through the earlier of (A) the last day of the period for which the Participant is receiving severance or (B) the last Lapse Date in the schedule set forth in the Grant Notice. The foregoing shall also apply to a Participant who participates in the Agreement Plan and receives severance under the Agreement Plan for a termination by the Participant for Good Reason (as defined in the Agreement Plan).

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<sup>1</sup> This retirement provision is deleted in non-annual retention grants.

(d) *Other Terminations.* If the Participant's Termination is (i) by the Company or an Affiliate for Cause even if on the date of such Termination the Participant has met the definition of Retirement or Disability or (ii) by the Participant for any reason other than death, Disability, Retirement, or Good Reason as described in Section 3(c), then all Restricted Stock Units for which the Period of Restriction had not lapsed prior to the date of such Termination shall be immediately forfeited.

(e) *Termination after Change of Control.* Notwithstanding any other provision of the Agreement, including Section 3(c), if after a Change of Control the Participant's Termination is (i) by the Company or an Affiliate without Cause (for purposes of this Agreement, defined as a violation of "conduct" as such term is defined in the Anthem HR Corrective Action Policy and if the Participant participates in the Agreement Plan, the Key Associate Agreement or the Key Sales Associate Agreement also as defined in that plan or agreement) or (ii) if the Participant participates in the Agreement Plan, by the Participant for Good Reason (as defined in the Agreement Plan), then the Period of Restriction on all Restricted Stock Units shall immediately lapse, causing any restrictions which would otherwise remain on the Restricted Stock Units to immediately lapse and the Shares covered by the Restricted Stock Units shall be immediately delivered. Notwithstanding any provision of this Agreement to the contrary, in the event that the restrictions on any Restricted Stock Units lapse under any provision of this Section 3 by reason of any Termination and such Termination occurs within the two year period following a Change of Control that is a "change in control event" within the meaning of Code Section 409A, the Shares subject to the Participant's Restricted Stock Units shall be delivered to the Participant immediately upon such Termination.

4. Transferability of the Restricted Stock Units. The Participant shall have the right to appoint any individual or legal entity in writing, on a Designation of Beneficiary form, as his/her beneficiary to receive any Restricted Stock Units (to the extent not previously terminated or forfeited) under this Agreement upon the Participant's death. Such designation under this Agreement may be revoked by the Participant at any time and a new beneficiary may be appointed by the Participant by execution and submission to the Company, or its designee, of a revised Designation of Beneficiary form to this Agreement. In order to be effective, a designation of beneficiary must be completed by the Participant on the Designation of Beneficiary form and received by the Company, or its designee, prior to the date of the Participant's death. If the Participant dies without such designation, the Restricted Stock Units will become part of the Participant's estate.

5. Dividend Equivalents. In the event the Company declares a dividend on Shares (as defined in the Plan), for each unvested Restricted Stock Unit on the dividend payment date, the Participant shall be credited with a Dividend Equivalent, payable in cash, with a value equal to the value of the declared dividend. The Dividend Equivalents shall be subject to the same restrictions as the unvested Restricted Stock Units to which they relate. No interest or other earnings shall be credited on the Dividend Equivalents. Subject to continued employment with the Company and Affiliates, the restrictions with respect to the Dividend Equivalents shall lapse at the same time and in the same proportion as the initial award of Restricted Stock Units. No additional Dividend Equivalents shall be accrued for the benefit of the Participant with respect to record dates occurring prior to, or with respect to record dates occurring on or after the date, if any, on which the Participant has forfeited the Restricted Stock Units or any Restricted Stock Units have been settled. For any specified employee, any Dividend Equivalents subject to Code Section 409A and payable upon a termination of employment shall be subject to a six month delay. The Dividend Equivalents shall be subject to all such other provisions set forth herein, and may be used to satisfy any or all obligations for the payment of any tax attributable to the Dividend Equivalents and/or Restricted Stock Units.

6. Taxes and Withholdings. Upon the expiration of the applicable portion of the Period of Restriction (and delivery of the underlying Shares), or as of which the value of any Restricted Stock Units first becomes includible in the Participant's gross income for income tax purposes, the Participant shall satisfy all obligations for the payment of any tax attributable to the Restricted Stock Units. The Participant shall notify the Company if the Participant wishes to pay the Company in cash, check or with shares of Anthem common stock already owned for the satisfaction of any taxes of any kind required by law to be withheld with respect to such Restricted Stock Units. Any such election made by the Participant must be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Compensation and Talent Committee of the Board of Directors of the Company ("Committee"), in its sole discretion, deems appropriate. If the Participant does not notify the Company in writing at least 14 days prior to the applicable lapse of the Period of Restriction, the Committee is authorized to take any such other action as may be necessary or appropriate, as determined by the Committee, to satisfy all obligations for the payment of such taxes. Such other actions may include withholding the

required amounts from other compensation payable to the Participant, a sell-to-cover transaction or such other method determined by the Committee, in its discretion.

7. Restrictive Covenants. For purposes of Section 7, 8, 9, 10 and 11 of this Agreement, Company shall mean Anthem, Inc. and its subsidiaries and affiliates. The Participant acknowledges that s/he has the right to consult with counsel at the Participant's sole expense. As a condition to receipt of the Restricted Stock Unit Grant made under this Agreement and/or award of vested Restricted Stock Units, which the Participant and the Company agree is fair and reasonable consideration, the Participant agrees as follows:

(a) *Confidentiality*.

(i) The Participant recognizes that the Company derives substantial economic value from information created and used in its business which is not generally known by the public, including, but not limited to, plans, designs, concepts, computer programs, formulae, and equations; product fulfillment and supplier information; customer and supplier lists, and confidential business practices of the Company, its affiliates and any of its customers, vendors, business partners or suppliers; profit margins and the prices and discounts the Company obtains or has obtained or at which it sells or has sold or plans to sell its products or services (except for public pricing lists); manufacturing, assembling, labor and sales plans and costs; business and marketing plans, ideas, or strategies; confidential financial performance and projections; employee compensation; employee staffing and recruiting plans and employee personal information; and other confidential concepts and ideas related to the Company's business (collectively, "Confidential Information"). The Participant expressly acknowledges and agrees that by virtue of his/her employment with the Company, the Participant will have access and will use in the course of the Participant's duties certain Confidential Information and that Confidential Information constitutes trade secrets and confidential and proprietary business information of the Company, all of which is the exclusive property of the Company. For purposes of this Agreement, Confidential Information includes the foregoing and other information protected under the Indiana Uniform Trade Secrets Act (the "Act"), or to any comparable protection afforded by applicable law, but does not include information that the Participant establishes by clear and convincing evidence is or may become known to the Participant or to the public from sources outside the Company and through means other than a breach of this Agreement. Notwithstanding the foregoing, in accordance with the Defend Trade Secrets Act of 2016, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the Company's trade secrets to his/her attorney and use the trade secret information in the court proceeding if the Participant (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(ii) The Participant agrees that the Participant will not for himself or herself or for any other person or entity, directly or indirectly, without the prior written consent of the Company, while employed by the Company and thereafter: (A) use Confidential Information for the benefit of any person or entity other than the Company or its affiliates; (B) remove, copy, duplicate or otherwise reproduce any document or tangible item embodying or pertaining to any of the Confidential Information, except as required to perform the Participant's duties for the Company or its affiliates; or (C) while employed and thereafter, publish, release, disclose or deliver or otherwise make available to any third party any Confidential Information by any communication, including oral, documentary, electronic or magnetic information transmittal device or media. Upon termination of employment, the Participant shall return all Confidential Information and all other property of the Company. This obligation of non-disclosure and non-use of information shall continue to exist for so long as such information remains Confidential Information. Provided, however, nothing in this Agreement prohibits or limits the Participant from (i) reporting possible violations of federal securities law or regulation to any governmental

agency or entity or (ii) receiving a monetary award from the governmental agency or entity for the information reported.

i. *Non-Competition.* During any period in which the Participant is employed by the Company, and during a period of time after the Participant's termination of employment (the "Restriction Period") which, unless otherwise limited by applicable state law, is (i) twenty-four (24) months for Executive Vice Presidents and the President & Chief Executive Officer, and (ii) the greater of the period of severance or twelve (12) months for all other Participants, the Participant will not, without prior written consent of the Company, directly or indirectly seek or obtain a Competitive Position in a Restricted Territory and perform a Restricted Activity with a Competitor, as those terms are defined herein.

(i) Competitive Position means any employment or performance of services with a Competitor (A) the same as or similar to the services in which Participant performed for the Company in the last twenty-four (24) months of Participant's employment with Company, or (B) in which the Participant will use any Confidential Information of the Company.

(ii) Restricted Territory means any geographic area in which the Company does business and in which the Participant provided services in, had responsibility for, had a material presence or influence in, or had access to Confidential Information about, such business, within the thirty-six (36) months prior to the Participant's termination of employment from the Company.

(iii) Restricted Activity means any activity for which the Participant had responsibility for the Company within the thirty-six (36) months prior to the termination of the Participant's employment from the Company or about which the Participant had Confidential Information.

(iv) Competitor means any entity or individual (other than the Company or its affiliates) engaged in management of network-based managed care plans and programs, or the performance of managed care services, health insurance, long term care insurance, dental, life or disability insurance, behavioral health, vision, flexible spending accounts and COBRA administration or other products or services substantially the same or similar to those offered by the Company while the Participant was employed, or other products or services offered by the Company within twelve (12) months after the termination of Participant's employment if the Participant had responsibility for, or Confidential Information about, such other products or services while the Participant was employed by the Company.

(v) The restrictions contained in this subsection (b) shall not apply to attorneys who accept a Competitive Position that consists of practicing law.

ii. *Non-Solicitation of Customers.* During any period in which the Participant is employed by the Company, and during the Restriction Period after the Participant's termination of employment, the Participant will not, either individually or as an employee, partner, consultant, independent contractor, owner, agent, or in any other capacity, directly or indirectly, for a Competitor of the Company as defined in subsection (b) above: (i) solicit business from any client or account of the Company or any of its affiliates with which the Participant had contact, participated in the contact, or responsibility for, or about which the Participant had knowledge of Confidential Information by reason of the Participant's employment with the Company, (ii) solicit business from any client or account which was pursued by the Company or any of its affiliates and with which the Participant had contact, or responsibility for, or about which the Participant had knowledge of Confidential Information by reason of the Participant's employment with the Company, within the twelve (12) month period prior to termination of employment. For purposes of this provision, an individual policyholder in a plan maintained by the Company or by a client or account of the Company under which individual policies are issued, or a certificate holder in such plan under which group policies are issued, shall not be considered a client or account subject to this restriction solely by reason of being such a policyholder or certificate holder.

iii. *Non-Solicitation of Employees.* During any period in which the Participant is employed by the Company, and during the Restriction Period after the Participant's termination of employment, the Participant

will not, either individually or as an employee, partner, independent contractor, owner, agent, or in any other capacity, directly or indirectly solicit, hire, attempt to solicit or hire, or participate in any attempt to solicit or hire, for any non-Company affiliated entity, any person who on or during the six (6) months immediately preceding the date of such solicitation or hire is or was an officer or employee of the Company, or whom the Participant was involved in recruiting while the Participant was employed by the Company.

iv. *Non-Disparagement.* The Participant agrees that he/she will not, nor will he/she cause or assist any other person to, make any statement to a third party or take any action which is intended to or would reasonably have the effect of disparaging or harming the Company or the business reputation of the Company's directors, employees, officers and managers. Further, the Participant will not at any time make any verbal or written statement to any media outlet regarding the Company.

8. Return of Consideration.

v. If at any time a Participant breaches any provision of Section 7 or Section 11 then: (i) all unexercised Company stock options under any Designated Plan (defined below) whether or not otherwise vested shall cease to be exercisable and shall immediately terminate; (ii) the Participant shall forfeit any outstanding restricted stock or other outstanding equity award made under any Designated Plan and not otherwise vested on the date of breach; and (iii) the Participant shall pay to the Company (A) for each share of common stock of the Company ("Common Share") acquired on exercise of an option under a Designated Plan within the 24 months prior to such breach, the excess of the fair market value of a Common Share on the date of exercise over the exercise price, and (B) for each share of restricted stock and/or performance stock that became vested under any Designated Plan within the 24 months prior to such breach, the fair market value (on the date of vesting) of a Common Share. Any amount to be repaid pursuant to this Section 8 shall be held by the Participant in constructive trust for the benefit of the Company and shall, upon written notice from the Company, within 10 days of such notice, be paid by the Participant to the Company with interest from the date such Common Share was acquired or the share of restricted stock became vested, as the case may be, to the date of payment, at 120% of the applicable six month short-term applicable federal rate. Any amount described in clauses (i) and (ii) that the Participant forfeits as a result of a breach of the provisions of Sections 7 or 11 shall not reduce any money damages that would be payable to the Company as compensation for such breach.

vi. The amount to be repaid pursuant to this Section 8 shall be determined on a gross basis, without reduction for any taxes incurred, as of the date of the realization event, and without regard to any subsequent change in the fair market value of a Common Share. The Company shall have the right to offset such amount against any amounts otherwise owed to the Participant by the Company (whether as wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement other than any amount pursuant to any nonqualified deferred compensation plan under Section 409A of the Code).

vii. For purposes of this Section 8, a "Designated Plan" is each stock option, restricted stock, or other equity compensation or long-term incentive compensation plan.

9. Equitable Relief and Other Remedies. As a condition to this Agreement:

viii. The Participant acknowledges that each of the provisions of Section 7 and 8 of the Plan are reasonable and necessary to preserve the legitimate business interests of the Company, its present and potential business activities and the economic benefits derived therefrom; that they will not prevent him or her from earning a livelihood in the Participant's chosen business and are not an undue restraint on the trade of the Participant, or any of the public interests which may be involved.

ix. The Participant agrees that beyond the amounts otherwise to be provided under the Plan and this Agreement, the Company will be damaged by a violation of the terms of this Agreement and the amount of such damage may be difficult to measure. The Participant agrees that if the Participant commits or threatens to commit a breach of any of the covenants and agreements contained in Sections 7 or 11 to the extent permitted by applicable law, then the Company shall have the right to seek and obtain all appropriate injunctive and other equitable remedies, without posting bond therefor, except as required by law, in addition to any other rights and remedies that may be available at law or under this Agreement, it being acknowledged and agreed that any such breach would cause irreparable injury to the Company and that money damages would not provide an adequate

remedy. Further, if the Participant violates Section 7 hereof the Participant agrees that the period of violation shall be added to the period in which the Participant's activities are restricted.

x. Notwithstanding the foregoing, the Company will not seek injunctive relief to prevent a Participant residing in California from engaging in post termination competition in California under Section 7(b) or (c) of this Agreement, provided that the Company may seek and obtain relief to enforce Section 8 of this Agreement with respect to such Participants.

xi. The parties agree that the covenants contained herein are severable. If an arbitrator or court shall hold that the duration, scope, area or activity restrictions stated herein are unreasonable under circumstances then existing, or under applicable state law, the parties agree that the maximum duration, scope, area or activity restrictions reasonable and enforceable under such circumstances shall be substituted for the stated duration, scope, area or activity restrictions to the maximum extent permitted by law. The parties further agree that the Company's rights under Section 8 should be enforced to the fullest extent permitted by law irrespective of whether the Company seeks equitable relief in addition to relief provided therein or if the arbitrator or court deems equitable relief to be inappropriate.

10. Survival of Provisions. The obligations contained in Sections 7, 8, 9 and Section 11 shall survive the Termination of the Participant's employment with the Company and shall be fully enforceable thereafter.

11. Cooperation. Upon the receipt of reasonable notice from the Company (including from outside counsel to the Company), the Participant agrees that while employed by the Company and for two years (or, if longer, for so long as any claim referred to in this Section remains pending) after the termination of Participant's employment for any reason, the Participant will respond and provide information with regard to matters in which the Participant has knowledge as a result of the Participant's employment with the Company, and will provide reasonable assistance to the Company, its affiliates and their respective representatives in defense of any claims that may be made against the Company or its affiliates, and will assist the Company and its affiliates in the prosecution of any claims that may be made by the Company or its affiliates, to the extent that such claims may relate to the period of the Participant's employment with the Company (or any predecessor); provided, that with respect to periods after the termination of the Participant's employment, the Company shall reimburse the Participant for any out-of-pocket expenses incurred in providing such assistance and if the Participant is required to provide more than ten (10) hours of assistance per week after his termination of employment then the Company shall pay the Participant a reasonable amount of money for his services at a rate agreed to between the Company and the Participant; and provided further that after the Participant's termination of employment with the Company such assistance shall not unreasonably interfere with the Participant's business or personal obligations. The Participant agrees to promptly inform the Company if the Participant becomes aware of any lawsuits involving such claims that may be filed or threatened against the Company or its affiliates. The Participant also agrees to promptly inform the Company (to the extent the Participant is legally permitted to do so) if the Participant is asked to assist in any investigation of the Company or its affiliates (or their actions), regardless of whether a lawsuit or other proceeding has then been filed against the Company or its affiliates with respect to such investigation, and shall not do so unless legally required. Provided, however, the Participant is not required to inform the Company of any investigation by a governmental agency or entity resulting from the reporting of possible violations of federal securities law or regulation to any governmental agency or entity, and the Participant may participate in such investigation, without informing the Company.

12. No Rights as a Shareholder. The Participant shall have no rights of a shareholder (including, without limitation, dividend and voting rights) with respect to the Restricted Stock Units, for record dates occurring on or after the Grant Date and prior to the date any such Restricted Stock Units vest in accordance with this Agreement.

13. No Right to Continued Employment. Neither the Restricted Stock Units nor any terms contained in this Agreement shall confer upon the Participant any express or implied right to be retained in the employment or service of the Company or any Affiliate for any period, nor restrict in any way the right of the Company, which right is hereby expressly reserved, to terminate the Participant's employment or service at any time for any reason. The Participant acknowledges and agrees that any right to have restrictions on the Restricted Stock Units lapse is earned only by continuing as an employee of the Company or an Affiliate at the will of the Company or such Affiliate, or satisfaction of any other applicable terms and conditions contained in the Plan and this

Agreement, and not through the act of being hired, being granted the Restricted Stock Units or acquiring Shares hereunder.

14. The Plan. This Agreement is subject to all the terms, provisions and conditions of the Plan, which are incorporated herein by reference, and to such regulations as may from time to time be adopted by the Committee. Unless defined herein, capitalized terms are as defined in the Plan. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Plan and the prospectus describing the Plan can be found on the Company's HR intranet. A paper copy of the Plan and the prospectus shall be provided to the Participant upon the Participant's written request to the Company at Anthem, Inc., 220 Virginia Avenue, Indianapolis, Indiana 46204, Attention: Corporate Secretary, Shareholder Services Department.

15. Compliance with Laws and Regulations.

xii. The Restricted Stock Units and the obligation of the Company to deliver Shares hereunder shall be subject in all respects to (i) all applicable Federal and state laws, rules and regulations and (ii) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its discretion, determine to be necessary or applicable. Moreover, the Company shall not deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement if doing so would be contrary to applicable law. If at any time the Company determines, in its discretion, that the listing, registration or qualification of Shares upon any national securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable, the Company shall not be required to deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement unless and until such listing, registration, qualification, consent or approval has been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Company.

xiii. The Shares received upon the expiration of the applicable portion of the Period of Restriction shall have been registered under the Securities Act of 1933 ("Securities Act"). If the Participant is an "affiliate" of the Company, as that term is defined in Rule 144 under the Securities Act ("Rule 144"), the Participant may not sell the Shares received except in compliance with Rule 144. Certificates representing Shares issued to an "affiliate" of the Company may bear a legend setting forth such restrictions on the disposition or transfer of the Shares as the Company deems appropriate to comply with Federal and state securities laws.

xiv. If, at any time, the Shares are not registered under the Securities Act, and/or there is no current prospectus in effect under the Securities Act with respect to the Shares, the Participant shall execute, prior to the delivery of any Shares to the Participant by the Company pursuant to this Agreement, an agreement (in such form as the Company may specify) in which the Participant represents and warrants that the Participant is purchasing or acquiring the shares acquired under this Agreement for the Participant's own account, for investment only and not with a view to the resale or distribution thereof, and represents and agrees that any subsequent offer for sale or distribution of any kind of such Shares shall be made only pursuant to either (i) a registration statement on an appropriate form under the Securities Act, which registration statement has become effective and is current with regard to the Shares being offered or sold, or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the Participant shall, prior to any offer for sale of such Shares, obtain a prior favorable written opinion, in form and substance satisfactory to the Company, from counsel for or approved by the Company, as to the applicability of such exemption thereto.

16. Code Section 409A Compliance. Except with respect to Participants who are Retirement eligible or become Retirement eligible before the calendar year containing the second Lapse Date as shown on the Grant Notice, it is intended that this Agreement meet the short-term deferral exception from Code Section 409A. This Agreement and the Plan shall be administered in a manner consistent with this intent and any provision that would cause the Agreement or Plan to fail to satisfy this exception shall have no force and effect. Notwithstanding anything contained herein to the contrary, Shares in respect of any Restricted Stock Units that (a) constitute "nonqualified deferred compensation" as defined under Code Section 409A and (b) vest as a consequence of the Participant's Termination shall not be delivered until the date that the Participant incurs a "separation from service" within the meaning of Code Section 409A (or, if the Participant is a "specified employee" within the meaning of Code Section 409A and the regulations promulgated thereunder, the date that is six months following the date of such "separation from service" (or death, if earlier)). In addition, each amount to be paid or benefit to be provided to

the Participant pursuant to this Agreement that constitutes deferred compensation subject to Code Section 409A, shall be construed as a separate identified payment for purposes of Code Section 409A.

17. Notices. All notices by the Participant or the Participant's assignees shall be addressed to Anthem, Inc., 220 Virginia Avenue, Indianapolis, Indiana 46204, Attention: Stock Administration, or such other address as the Company may from time to time specify. All notices to the Participant shall be addressed to the Participant at the Participant's address in the Company's records.

18. Other Plans. The Participant acknowledges that any income derived from the Restricted Stock Units shall not affect the Participant's participation in, or benefits under, any other benefit plan or other contract or arrangement maintained by the Company or any Affiliate.

19. Recoupment Policy for Incentive Compensation. The Company's Recoupment Policy for Incentive Compensation, as may be amended from time to time, shall apply to the Restricted Stock Units, any Shares delivered hereunder and any profits realized on the sale of such Shares to the extent that the Participant is covered by such policy. If the Participant is covered by such policy, the policy may apply to recoup Restricted Stock Units awarded, any Shares delivered hereunder or profits realized on the sale of such Shares either before, on or after the date on which the Participant becomes subject to such policy.

ANTHEM, INC.

By:

\_\_\_\_\_  
Printed: Ramiro G. Peru

Its: Chair, Compensation and Talent Committee  
of the Board of Directors

## Schedule A

### Notice of Performance Stock Unit Grant

**Participant:** [●]

**Company:** Anthem, Inc.

**Notice:** You have been granted the following award of performance stock units of common stock of the Company in accordance with the terms of the Plan and the attached Performance Stock Unit Agreement.

**Plan:** 2017 Anthem Incentive Compensation Plan

**Grant:** Grant Date: [●]  
Number of Performance Stock Units: [●]

**Performance Period:** The Performance Period is the three calendar year period that begins on the January 1 of the calendar year that includes the Grant Date. Subject to achievement of the performance measures described in the Long Term Stock Incentive Plan Brochure (“Summary”), the number of your Performance Stock Units listed in the “Shares” column, and any related Dividend Equivalents shall vest on the later of the date listed in the “Vesting Date” column or the date the Compensation and Talent Committee of the Board of Directors of Anthem, Inc. certifies the performance results. Unless otherwise provided in the Agreement, you must be employed on the Vesting Date to receive any Performance Stock Units payable under the Agreement. Achievement of the performance measures may increase or decrease the total number of Performance Stock Units covered by the Grant and any related Dividend Equivalents that vest on the Vesting Date.

Shares	Vesting Date
[●]	[●]

Achievement of the performance measures must be approved by the Compensation and Talent Committee of the Board of Directors of Anthem, Inc. The performance measures as described in the Summary, including any modifications to such performance measures, are incorporated into and made part of the Agreement.

In the event that a Change of Control (as defined in the Plan) occurs before your Termination, your Performance Stock Unit Grant will remain subject to the terms of this Agreement, unless the successor company does not assume the Performance Stock Unit Grant. If the successor company does not assume the Performance Stock Unit Grant, then the Performance Stock Units shall immediately vest upon a Change of Control and the Shares covered by the award shall be immediately delivered upon the Change of Control, provided that in the event that the Performance Stock Units are deferred compensation within the meaning of Code Section 409A, such Stock Units shall only be delivered upon the Change of Control if such Change of Control is a “change in control event” within the meaning of Code Section 409A and the delivery is made in accordance with Treasury Regulation 1-409A-3(j) (ix).

**Acceptance:** In order to accept your Performance Stock Units, you must electronically accept this Agreement through the Company’s broker at any time within ninety (90) days after the Grant Date. To effect your acceptance, please follow the instructions included with your grant materials. Acceptance of the Agreement includes acceptance of the terms and conditions of the Plan. If you do not timely and electronically accept this Agreement, this Agreement will be null and void as of the 90th day after the Grant Date and you will have no right or claim to the Performance Stock Units described above.

## Performance Stock Unit Award Agreement

This Performance Stock Unit Award Agreement (this "Agreement") dated as of the Grant Date (the "Grant Date") set forth in the Notice of Performance Stock Unit Grant attached as Schedule A hereto (the "Grant Notice") is made between Anthem, Inc. (the "Company") and the Participant set forth in the Grant Notice. The Grant Notice is included in and made part of this Agreement.

1. Performance Period. The Performance Period with respect to the Performance Stock Units shall be as set forth in the Grant Notice (the "Performance Period"). The Participant acknowledges that the Performance Stock Units may not be sold, transferred, pledged, assigned, encumbered, alienated, hypothecated or otherwise disposed of (whether voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy)). Upon the completion of the applicable portion of the Performance Period and subject to the performance measures described in the Summary, the restrictions set forth in this Agreement with respect to the Performance Stock Units theretofore subject to such completed Performance Period shall lapse and the Shares covered by the related portion of the award shall be immediately delivered, except as may be provided in accordance with Sections 8 and 15 hereof.

2. Ownership. Upon expiration of the applicable portion of the Performance Period and subject to the performance measure described in the Summary, the Company shall transfer the Shares covered by the related portion of the award to the Participant's account with the Company's captive broker.

3. Termination.

(a) *Retirement.* If the Participant's Termination is due to Retirement (for purposes of this Agreement, defined as the Participant's Termination after attaining age fifty-five (55) with at least ten (10) completed years of service) or after attaining age sixty-five (65), the Participant shall become vested in a prorata number of Performance Stock Units based on actual achievement of the performance measures set forth in the Summary. For purposes of the preceding, the prorata number of the Performance Stock Units shall be equal to (i) the number of Performance Stock Units set forth in the Grant Notice, adjusted for actual achievement of performance measures, plus any Dividend Equivalents multiplied by (ii) a fraction, the numerator of which shall be the number of full calendar months the Participant is employed with the Company during the Measurement Period and the denominator of which shall be 36 calendar months. For purposes of the Agreement, the Measurement Period is (A) the same as the Performance Period for a Participant employed on the first day of the Performance Period, and (B) the 36 month period beginning on the Grant Date for all other Participants. The shares covered by the related portion of the award shall be delivered upon the applicable Vesting Date.<sup>1</sup>

(b) *Death and Disability.* If the Participant's Termination is due to death or Disability (for purposes of this Agreement, as defined in the applicable Anthem Long-Term Disability Plan), then the Performance Period shall immediately lapse, causing any restrictions which would otherwise remain on the Performance Stock Units to immediately lapse, and the Shares covered by the award shall be immediately delivered.

(c) *Without Cause or Good Reason.* If the Participant's Termination is by the Company or an Affiliate without Cause (for purposes of this Agreement, defined as a violation of "conduct" as such term is defined in the Anthem HR Corrective Action Policy and if the Participant participates in the Anthem, Inc. Executive Agreement Plan (the "Agreement Plan"), the Key Associate Agreement, or the Key Sales Associate Agreement also as defined in that plan or agreement), the Participant shall become vested in a prorata number of Performance Stock Units based on actual achievement of the performance measures set forth in the Summary. For purposes of the preceding, the prorata number of the Performance Stock Units shall be equal to (i) the number of Performance Stock Units set forth in the Grant Notice, adjusted for actual achievement of performance measures, plus any Dividend Equivalents multiplied by (ii) a fraction, the numerator of which shall be the number of full calendar months elapsed from the first day of the Measurement Period through the Participant's date of Termination and the denominator of which shall be 36 calendar months. The shares covered by the related portion of the award shall be delivered upon the applicable Vesting Date. The foregoing shall also apply to a Participant who participates

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<sup>1</sup> This retirement provision is deleted in non-annual retention grants.

in the Agreement Plan and receives severance under the Agreement Plan for a termination by the Participant for Good Reason (as defined in the Agreement Plan).

(d) *Other Terminations.* If the Participant's Termination is (i) by the Company or an Affiliate for Cause even if on the date of such Termination the Participant has met the definition of Retirement or Disability or (ii) by the Participant for any reason other than death, Disability, Retirement, Good Reason or without Cause, then all Performance Stock Units for which the Performance Period had not lapsed prior to the date of such Termination shall be immediately forfeited.

(e) *Termination after Change of Control.* Notwithstanding any other provision of the Agreement, including Section 3(c), if after a Change of Control the Participant's Termination is (i) by the Company or an Affiliate without Cause or (ii), if the Participant participates in the Agreement Plan, by the Participant for Good Reason (as defined in the Agreement Plan), then there shall be paid out in cash to the Participant within 30 days following termination of employment the value of the Performance Stock Units to which the Participant would have been entitled if performance achieved 100% of the target performance measures as described in the Summary. Notwithstanding any provision of this Agreement to the contrary, in the event that the Participant becomes entitled to vest in Performance Stock Units under any provision of this Section 3 by reason of any Termination and such Termination occurs within the two year period following a Change of Control that is a "change in control event" within the meaning of Code Section 409A, the Participant's Performance Stock Units shall be paid to the Participant immediately upon such Termination.

4. Transferability of the Performance Stock Units. The Participant shall have the right to appoint any individual or legal entity in writing, on a Designation of Beneficiary form, as his/her beneficiary to receive any Shares (to the extent not previously terminated or forfeited) under this Agreement upon the Participant's death. Such designation under this Agreement may be revoked by the Participant at any time and a new beneficiary may be appointed by the Participant by execution and submission to the Company, or its designee, of a revised Designation of Beneficiary form to this Agreement. In order to be effective, a designation of beneficiary must be completed by the Participant on the Designation of Beneficiary form and received by the Company, or its designee, prior to the date of the Participant's death. If the Participant dies without such designation, the Performance Stock Units will become part of the Participant's estate.

5. Dividend Equivalents. In the event the Company declares a dividend on Shares (as defined in the Plan), for each invested Performance Stock Unit on the dividend payment date, the Participant shall be credited with a Dividend Equivalent, payable in cash, with a value equal to the value of the declared dividend. The Dividend Equivalents shall be subject to the same restrictions as the unvested Performance Stock Units to which they relate. No interest or other earnings shall be credited on the Dividend Equivalents, provided that additional Dividend Equivalents may be awarded or forfeited in the same proportion as the number of Performance Stock Units determined to be awarded or forfeited based on the achievement of the performance measures. Subject to continued employment with the Company and Affiliates and, as applicable, achievement of performance measures, the restrictions with respect to the Dividend Equivalents shall lapse at the same time and in the same proportion as the initial award of Performance Stock Units. No additional Dividend Equivalents shall be accrued for the benefit of the Participant with respect to record dates occurring prior to, or with respect to record dates occurring on or after the date, if any, on which the Participant has forfeited the Performance Stock Units or any Performance Stock Units have been settled. For any specified employee, any Dividend Equivalents subject to Code Section 409A and payable upon a termination of employment shall be subject to a six month delay. The Dividend Equivalents shall be subject to all such other provisions set forth herein, and may be used to satisfy any or all obligations for the payment of any tax attributable to the Dividend Equivalents and/or Performance Stock Units.

6. Taxes and Withholdings. Upon the expiration of the applicable portion of the Performance Period (and delivery of the underlying Shares), or as of which the value of any Performance Stock Units first becomes includible in the Participant's gross income for income tax purposes, the Participant shall satisfy all obligations for the payment of any tax attributable to the Performance Stock Units. The Participant shall notify the Company if the Participant wishes to pay the Company in cash, check or with shares of Anthem common stock already owned for the satisfaction of any taxes of any kind required by law to be withheld with respect to such Performance Stock Units. Any such election made by the Participant must be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Compensation and Talent Committee of the Board of Directors of the Company ("Committee"), in its sole discretion deems appropriate. If the

Participant does not notify the Company in writing at least 14 days prior to the applicable lapse of the Performance Period, the Committee is authorized to take any such other action as may be necessary or appropriate, as determined by the Committee, to satisfy all obligations for the payment of such taxes. Such other actions may include withholding the required amounts from other compensation payable to the Participant, a sell-to-cover transaction or such other method determined by the Committee, in its discretion.

7. Restrictive Covenants. For purposes of Sections 7, 8, 9, 10 and 11 of this Agreement, Company shall mean Anthem, Inc. and its subsidiaries and affiliates. The Participant acknowledges that s/he has the right to consult with counsel at the Participant's sole expense. As a condition to receipt of the Performance Stock Unit Grant made under this Agreement and/or award of vested Performance Stock Units, which the Participant and the Company agree is fair and reasonable consideration, the Participant agrees as follows:

(a) *Confidentiality*.

(i) The Participant recognizes that the Company derives substantial economic value from information created and used in its business which is not generally known by the public, including, but not limited to, plans, designs, concepts, computer programs, formulae, and equations; product fulfillment and supplier information; customer and supplier lists, and confidential business practices of the Company, its affiliates and any of its customers, vendors, business partners or suppliers; profit margins and the prices and discounts the Company obtains or has obtained or at which it sells or has sold or plans to sell its products or services (except for public pricing lists); manufacturing, assembling, labor and sales plans and costs; business and marketing plans, ideas, or strategies; confidential financial performance and projections; employee compensation; employee staffing and recruiting plans and employee personal information; and other confidential concepts and ideas related to the Company's business (collectively, "Confidential Information"). The Participant expressly acknowledges and agrees that by virtue of his/her employment with the Company, the Participant will have access and will use in the course of the Participant's duties certain Confidential Information and that Confidential Information constitutes trade secrets and confidential and proprietary business information of the Company, all of which is the exclusive property of the Company. For purposes of this Agreement, Confidential Information includes the foregoing and other information protected under the Indiana Uniform Trade Secrets Act (the "Act"), or to any comparable protection afforded by applicable law, but does not include information that the Participant establishes by clear and convincing evidence is or may become known to the Participant or to the public from sources outside the Company and through means other than a breach of this Agreement. Notwithstanding the foregoing, in accordance with the Defend Trade Secrets Act of 2016, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the Company's trade secrets to his/her attorney and use the trade secret information in the court proceeding if the Participant (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(ii) The Participant agrees that the Participant will not for himself or herself or for any other person or entity, directly or indirectly, without the prior written consent of the Company, while employed by the Company and thereafter: (A) use Confidential Information for the benefit of any person or entity other than the Company or its affiliates; (B) remove, copy, duplicate or otherwise reproduce any document or tangible item embodying or pertaining to any of the Confidential Information, except as required to perform the Participant's duties for the Company or its affiliates; or (C) while employed and thereafter, publish, release, disclose or deliver or otherwise make available to any third party any Confidential Information by any communication, including oral, documentary, electronic or magnetic information transmittal device or media. Upon termination of employment, the Participant shall return all Confidential Information and all other property of the Company. This obligation of non-disclosure and non-use

of information shall continue to exist for so long as such information remains Confidential Information. Provided, however, nothing in this Agreement prohibits or limits the Participant from (i) reporting possible violations of federal securities law or regulation to any governmental agency or entity or (ii) receiving a monetary award from the governmental agency or entity for the information reported.

i. *Non-Competition.* During any period in which the Participant is employed by the Company, and during a period of time after the Participant's termination of employment (the "Restriction Period") which, unless otherwise limited by applicable state law, is (i) twenty-four (24) months for Executive Vice Presidents and the President & Chief Executive Officer, and (ii) the greater of the period of severance or twelve (12) months for all other Participants, the Participant will not, without prior written consent of the Company, directly or indirectly seek or obtain a Competitive Position in a Restricted Territory and perform a Restricted Activity with a Competitor, as those terms are defined herein.

(i) Competitive Position means any employment or performance of services with a Competitor (A) the same as or similar to the services in which Participant performed for the Company in the last twenty-four (24) months of Participant's employment with Company, or (B) in which the Participant will use any Confidential Information of the Company.

(ii) Restricted Territory means any geographic area in which the Company does business and in which the Participant provided services in, had responsibility for, had a material presence or influence in, or had access to Confidential Information about, such business, within the thirty-six (36) months prior to the Participant's termination of employment from the Company.

(iii) Restricted Activity means any activity for which the Participant had responsibility for the Company within the thirty-six (36) months prior to the termination of the Participant's employment from the Company or about which the Participant had Confidential Information.

(iv) Competitor means any entity or individual (other than the Company or its affiliates) engaged in management of network-based managed care plans and programs, or the performance of managed care services, health insurance, long term care insurance, dental, life or disability insurance, behavioral health, vision, flexible spending accounts and COBRA administration or other products or services substantially the same or similar to those offered by the Company while the Participant was employed, or other products or services offered by the Company within twelve (12) months after the termination of Participant's employment if the Participant had responsibility for, or Confidential Information about, such other products or services while the Participant was employed by the Company.

(v) The restrictions contained in this subsection (b) shall not apply to attorneys who accept a Competitive Position that consists of practicing law.

ii. *Non-Solicitation of Customers.* During any period in which the Participant is employed by the Company, and during the Restriction Period after the Participant's termination of employment, the Participant will not, either individually or as an employee, partner, consultant, independent contractor, owner, agent, or in any other capacity, directly or indirectly, for a Competitor of the Company as defined in subsection (b) above: (i) solicit business from any client or account of the Company or any of its affiliates with which the Participant had contact, participated in the contact, or responsibility for, or about which the Participant had knowledge of Confidential Information by reason of the Participant's employment with the Company, (ii) solicit business from any client or account which was pursued by the Company or any of its affiliates and with which the Participant had contact, or responsibility for, or about which the Participant had knowledge of Confidential Information by reason of the Participant's employment with the Company, within the twelve (12) month period prior to termination of employment. For purposes of this provision, an individual policyholder in a plan maintained by the Company or by a client or account of the Company under which individual policies are issued, or a certificate holder in such plan under which group policies are issued, shall not be considered a client or account subject to this restriction solely by reason of being such a policyholder or certificate holder.

iii. *Non-Solicitation of Employees.* During any period in which the Participant is employed by the Company, and during the Restriction Period after the Participant's termination of employment, the Participant will not, either individually or as an employee, partner, independent contractor, owner, agent, or in any other capacity, directly or indirectly solicit, hire, attempt to solicit or hire, or participate in any attempt to solicit or hire, for any non-Company affiliated entity, any person who on or during the six (6) months immediately preceding the date of such solicitation or hire is or was an officer or employee of the Company, or whom the Participant was involved in recruiting while the Participant was employed by the Company.

iv. *Non-Disparagement.* The Participant agrees that he/she will not, nor will he/she cause or assist any other person to, make any statement to a third party or take any action which is intended to or would reasonably have the effect of disparaging or harming the Company or the business reputation of the Company's directors, employees, officers and managers. Further, the Participant will not at any time make any verbal or written statement to any media outlet regarding the Company.

8. Return of Consideration.

v. If at any time a Participant breaches any provision of Section 7 or Section 11 then: (i) all unexercised Company stock options under any Designated Plan (defined below) whether or not otherwise vested shall cease to be exercisable and shall immediately terminate; (ii) the Participant shall forfeit any outstanding restricted stock or other outstanding equity award made under any Designated Plan and not otherwise vested on the date of breach; and (iii) the Participant shall pay to the Company (A) for each share of common stock of the Company ("Common Share") acquired on exercise of an option under a Designated Plan within the 24 months prior to such breach, the excess of the fair market value of a Common Share on the date of exercise over the exercise price, and (B) for each share of restricted stock and/or performance stock that became vested under any Designated Plan within the 24 months prior to such breach, the fair market value (on the date of vesting) of a Common Share. Any amount to be repaid pursuant to this Section 8 shall be held by the Participant in constructive trust for the benefit of the Company and shall, upon written notice from the Company, within 10 days of such notice, be paid by the Participant to the Company with interest from the date such Common Share was acquired or the share of restricted stock became vested, as the case may be, to the date of payment, at 120% of the applicable six month short-term applicable federal rate. Any amount described in clauses (i) and (ii) that the Participant forfeits as a result of a breach of the provisions of Sections 7 or 11 shall not reduce any money damages that would be payable to the Company as compensation for such breach.

vi. The amount to be repaid pursuant to this Section 8 shall be determined on a gross basis, without reduction for any taxes incurred, as of the date of the realization event, and without regard to any subsequent change in the fair market value of a Common Share. The Company shall have the right to offset such amount against any amounts otherwise owed to the Participant by the Company (whether as wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement other than any amount pursuant to any nonqualified deferred compensation plan under Section 409A of the Code).

vii. For purposes of this Section 8, a "Designated Plan" is each stock option, restricted stock, or other equity compensation or long-term incentive compensation plan.

9. Equitable Relief and Other Remedies. As a condition to this Agreement:

viii. The Participant acknowledges that each of the provisions of Section 7 and 8 of the Plan are reasonable and necessary to preserve the legitimate business interests of the Company, its present and potential business activities and the economic benefits derived therefrom; that they will not prevent him or her from earning a livelihood in the Participant's chosen business and are not an undue restraint on the trade of the Participant, or any of the public interests which may be involved.

ix. The Participant agrees that beyond the amounts otherwise to be provided under the Plan and this Agreement, the Company will be damaged by a violation of the terms of this Agreement and the amount of such damage may be difficult to measure. The Participant agrees that if the Participant commits or threatens to commit a breach of any of the covenants and agreements contained in Sections 7 or 11 to the extent permitted by applicable law, then the Company shall have the right to seek and obtain all appropriate injunctive and other equitable remedies, without posting bond therefor, except as required by law, in addition to any other rights and

remedies that may be available at law or under this Agreement, it being acknowledged and agreed that any such breach would cause irreparable injury to the Company and that money damages would not provide an adequate remedy. Further, if the Participant violates Section 7 hereof the Participant agrees that the period of violation shall be added to the period in which the Participant's activities are restricted.

x. Notwithstanding the foregoing, the Company will not seek injunctive relief to prevent a Participant residing in California from engaging in post termination competition in California under Section 7(b) or (c) of this Agreement, provided that the Company may seek and obtain relief to enforce Section 8 of this Agreement with respect to such Participants.

xi. The parties agree that the covenants contained herein are severable. If an arbitrator or court shall hold that the duration, scope, area or activity restrictions stated herein are unreasonable under circumstances then existing, or under applicable state law, the parties agree that the maximum duration, scope, area or activity restrictions reasonable and enforceable under such circumstances shall be substituted for the stated duration, scope, area or activity restrictions to the maximum extent permitted by law. The parties further agree that the Company's rights under Section 8 should be enforced to the fullest extent permitted by law irrespective of whether the Company seeks equitable relief in addition to relief provided therein or if the arbitrator or court deems equitable relief to be inappropriate.

10. Survival of Provisions. The obligations contained in Sections 7, 8, 9 and Section 11 shall survive the Termination of the Participant's employment with the Company and shall be fully enforceable thereafter.

11. Cooperation. Upon the receipt of reasonable notice from the Company (including from outside counsel to the Company), the Participant agrees that while employed by the Company and for two years (or, if longer, for so long as any claim referred to in this Section remains pending) after the termination of Participant's employment for any reason, the Participant will respond and provide information with regard to matters in which the Participant has knowledge as a result of the Participant's employment with the Company, and will provide reasonable assistance to the Company, its affiliates and their respective representatives in defense of any claims that may be made against the Company or its affiliates, and will assist the Company and its affiliates in the prosecution of any claims that may be made by the Company or its affiliates, to the extent that such claims may relate to the period of the Participant's employment with the Company (or any predecessor); provided, that with respect to periods after the termination of the Participant's employment, the Company shall reimburse the Participant for any out-of-pocket expenses incurred in providing such assistance and if the Participant is required to provide more than ten (10) hours of assistance per week after his termination of employment then the Company shall pay the Participant a reasonable amount of money for his services at a rate agreed to between the Company and the Participant; and provided further that after the Participant's termination of employment with the Company such assistance shall not unreasonably interfere with the Participant's business or personal obligations. The Participant agrees to promptly inform the Company if the Participant becomes aware of any lawsuits involving such claims that may be filed or threatened against the Company or its affiliates. The Participant also agrees to promptly inform the Company (to the extent the Participant is legally permitted to do so) if the Participant is asked to assist in any investigation of the Company or its affiliates (or their actions), regardless of whether a lawsuit or other proceeding has then been filed against the Company or its affiliates with respect to such investigation, and shall not do so unless legally required. Provided, however, the Participant is not required to inform the Company of any investigation by a governmental agency or entity resulting from the reporting of possible violations of federal securities law or regulation to any governmental agency or entity, and the Participant may participate in such investigation, without informing the Company.

12. No Rights as a Shareholder. The Participant shall have no rights of a shareholder (including, without limitation, dividend and voting rights) with respect to the Performance Stock Units, for record dates occurring on or after the Grant Date and prior to the date any such Performance Stock Units vest in accordance with this Agreement.

13. No Right to Continued Employment. Neither the Performance Stock Units nor any terms contained in this Agreement shall confer upon the Participant any express or implied right to be retained in the employment or service of the Company or any Affiliate for any period, nor restrict in any way the right of the Company, which right is hereby expressly reserved, to terminate the Participant's employment or service at any time for any reason. The Participant acknowledges and agrees that any right to have restrictions on the Performance

Stock Units lapse is earned only by continuing as an employee of the Company or an Affiliate at the will of the Company or such Affiliate, or satisfaction of any other applicable terms and conditions contained in the Plan and this Agreement, and not through the act of being hired, being granted the Performance Stock Units or acquiring Shares hereunder.

14. The Plan. This Agreement is subject to all the terms, provisions and conditions of the Plan, which are incorporated herein by reference, and to such regulations as may from time to time be adopted by the Committee. Unless defined herein, capitalized terms are as defined in the Plan. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Plan and the prospectus describing the Plan can be found on the Company's HR intranet. A paper copy of the Plan and the prospectus shall be provided to the Participant upon the Participant's written request to the Company at Anthem, Inc., 220 Virginia Avenue, Indianapolis, Indiana 46204, Attention: Corporate Secretary, Shareholder Services Department.

15. Compliance with Laws and Regulations.

xii. The Performance Stock Units and the obligation of the Company to deliver Shares hereunder shall be subject in all respects to (i) all applicable Federal and state laws, rules and regulations and (ii) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its discretion, determine to be necessary or applicable. Moreover, the Company shall not deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement if doing so would be contrary to applicable law. If at any time the Company determines, in its discretion, that the listing, registration or qualification of Shares upon any national securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable, the Company shall not be required to deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement unless and until such listing, registration, qualification, consent or approval has been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Company.

xiii. The Shares received upon the expiration of the applicable portion of the Performance Period shall have been registered under the Securities Act of 1933 ("Securities Act"). If the Participant is an "affiliate" of the Company, as that term is defined in Rule 144 under the Securities Act ("Rule 144"), the Participant may not sell the Shares received except in compliance with Rule 144. Certificates representing Shares issued to an "affiliate" of the Company may bear a legend setting forth such restrictions on the disposition or transfer of the Shares as the Company deems appropriate to comply with Federal and state securities laws.

xiv. If, at any time, the Shares are not registered under the Securities Act, and/or there is no current prospectus in effect under the Securities Act with respect to the Shares, the Participant shall execute, prior to the delivery of any Shares to the Participant by the Company pursuant to this Agreement, an agreement (in such form as the Company may specify) in which the Participant represents and warrants that the Participant is purchasing or acquiring the shares acquired under this Agreement for the Participant's own account, for investment only and not with a view to the resale or distribution thereof, and represents and agrees that any subsequent offer for sale or distribution of any kind of such Shares shall be made only pursuant to either (i) a registration statement on an appropriate form under the Securities Act, which registration statement has become effective and is current with regard to the Shares being offered or sold, or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the Participant shall, prior to any offer for sale of such Shares, obtain a prior favorable written opinion, in form and substance satisfactory to the Company, from counsel for or approved by the Company, as to the applicability of such exemption thereto.

16. Code Section 409A Compliance. Except with respect to Participants who are Retirement eligible or become Retirement eligible before the calendar year containing the Vesting Date as shown on the Grant Notice, it is intended that this Agreement meet the short-term deferral exception from Code Section 409A. This Agreement and the Plan shall be administered in a manner consistent with this intent and any provision that would cause the Agreement or Plan to fail to satisfy this exception shall have no force and effect. Notwithstanding anything contained herein to the contrary, Shares in respect of any Performance Stock Units that (a) constitute "nonqualified deferred compensation" as defined in Code Section 409A and (b) vest as a consequence of the Participant's Termination shall not be delivered until the date that the Participant incurs a "separation from service" within the meaning of Code Section 409A (or, if the Participant is a "specified employee" within the meaning of

Code Section 409A and the regulations promulgated thereunder, the date that is six months following the date of such "separation from service" (or death, if earlier). In addition, each amount to be paid or benefit to be provided to the Participant pursuant to this Agreement that constitutes deferred compensation subject to Code Section 409A, shall be construed as a separate identified payment for purposes of Code Section 409A.

17. Notices. All notices by the Participant or the Participant's assignees shall be addressed to Anthem, Inc., 220 Virginia Avenue, Indianapolis, Indiana 46204, Attention: Stock Administration, or such other address as the Company may from time to time specify. All notices to the Participant shall be addressed to the Participant at the Participant's address in the Company's records.

18. Other Plans. The Participant acknowledges that any income derived from the Performance Stock Units shall not affect the Participant's participation in, or benefits under, any other benefit plan or other contract or arrangement maintained by the Company or any Affiliate.

19. Recoupment Policy for Incentive Compensation. The Company's Recoupment Policy for Incentive Compensation, as may be amended from time to time, shall apply to the Performance Stock Units, any Shares delivered hereunder and any profits realized on the sale of such Shares to the extent that the Participant is covered by such policy. If the Participant is covered by such policy, the policy may apply to recoup Performance Stock Units awarded, any Shares delivered hereunder or profits realized on the sale of such Shares either before, on or after the date on which the Participant becomes subject to such policy.

ANTHEM, INC.

By:

\_\_\_\_\_  
Printed: Ramiro G. Peru

Its: Chair, Compensation and Talent Committee  
of the Board of Directors

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) AND RULE 15d-14(a) OF THE EXCHANGE ACT RULES,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gail K. Boudreaux, certify that:

1. I have reviewed this report on Form 10-Q of Anthem, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 21, 2021

/s/ GAIL K. BOUDREAUX

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President and Chief Executive Officer

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) AND RULE 15d-14(a) OF THE EXCHANGE ACT RULES,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John E. Gallina, certify that:

1. I have reviewed this report on Form 10-Q of Anthem, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 21, 2021

/s/ JOHN E. GALLINA

\_\_\_\_\_  
Executive Vice President and  
Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Anthem, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gail K. Boudreaux, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GAIL K. BOUDREAUX

Gail K. Boudreaux  
President and Chief Executive Officer  
April 21, 2021

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Anthem, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John E. Gallina, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ JOHN E. GALLINA*

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John E. Gallina  
Executive Vice President and Chief Financial Officer  
April 21, 2021