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, 2020

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	**35-2145715**
(State or other jurisdiction of incorporation or organization)	**(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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 22, 2020, 252,116,097 shares of the Registrant's Common Stock were outstanding.

Anthem, Inc.

Quarterly Report on Form 10-Q
For the Period Ended March 31, 2020

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Anthem, Inc.
Consolidated Balance Sheets

(In millions, except share data)	March 31, 2020 (Unaudited)	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 5,345	$ 4,937
Fixed maturity securities (amortized cost of $20,211 and $19,021; allowance for credit losses of $51 and $0)	19,881	19,676
Equity securities	570	1,009
Premium receivables	5,786	5,014
Self-funded receivables	2,613	2,570
Other receivables	2,926	2,807
Other current assets	4,135	3,020
Total current assets	41,256	39,033
Long-term investments:		
Fixed maturity securities (amortized cost of $489 and $487; allowance for credit losses of $0 and $0)	505	505
Other invested assets	4,181	4,258
Property and equipment, net	3,350	3,133
Goodwill	21,661	20,500
Other intangible assets	9,613	8,674
Other noncurrent assets	1,833	1,350
Total assets	$ 82,399	$ 77,453
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Medical claims payable	$ 9,902	$ 8,842
Other policyholder liabilities	3,252	3,050
Unearned income	947	1,017
Accounts payable and accrued expenses	5,058	4,198
Short-term borrowings	1,075	700
Current portion of long-term debt	1,603	1,598
Other current liabilities	5,202	4,127
Total current liabilities	27,039	23,532
Long-term debt, less current portion	19,005	17,787
Reserves for future policy benefits	754	759
Deferred tax liabilities, net	2,213	2,227
Other noncurrent liabilities	1,695	1,420
Total liabilities	50,706	45,725
Commitment and contingencies – Note 11		
Shareholders' equity		
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 – 252,020,028 and 252,922,161	3	3
Additional paid-in capital	9,338	9,448
Retained earnings	23,360	22,573
Accumulated other comprehensive loss	(1,008)	(296)
Total shareholders' equity	31,693	31,728
Total liabilities and shareholders' equity	$ 82,399	$ 77,453

See accompanying notes.

Anthem, Inc.
Consolidated Statements of Income
(Unaudited)

(In millions, except per share data)	Three Months Ended March 31 2020	2019
Revenues		
Premiums	$ 25,517	$ 22,843
Product revenue	2,344	—
Administrative fees and other revenue	1,587	1,545
Total operating revenue	29,448	24,388
Net investment income	254	210
Net realized (losses) gains on financial instruments	(24)	78
Impairment losses on investments:		
Total impairment losses on investments	(101)	(13)
Portion of impairment losses recognized in other comprehensive income	44	3
Impairment losses recognized in income	(57)	(10)
Total revenues	29,621	24,666
Expenses		
Benefit expense	21,489	19,282
Cost of products sold	1,984	—
Selling, general and administrative expense	3,781	3,166
Interest expense	194	187
Amortization of other intangible assets	83	87
Loss (gain) on extinguishment of debt	1	(1)
Total expenses	27,532	22,721
Income before income tax expense	2,089	1,945
Income tax expense	566	394
Net income	$ 1,523	$ 1,551
Net income per share		
Basic	$ 6.03	$ 6.03
Diluted	$ 5.94	$ 5.91
Dividends per share	$ 0.95	$ 0.80

See accompanying notes.

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

(In millions)	Three Months Ended March 31	
	2020	**2019**
Net income	$ 1,523	$ 1,551
Other comprehensive (loss) income, net of tax:		
Change in net unrealized losses/gains on investments	(689)	357
Change in non-credit component of impairment losses on investments	(32)	—
Change in net unrealized gains/losses on cash flow hedges	3	3
Change in net periodic pension and postretirement costs	7	3
Foreign currency translation adjustments	(1)	—
Other comprehensive (loss) income	(712)	363
Total comprehensive income	$ 811	$ 1,914

See accompanying notes.

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

(In millions)	Three Months Ended March 31 2020	2019
Operating activities		
Net income	$ 1,523	$ 1,551
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized losses (gains) on financial instruments	24	(78)
Depreciation and amortization	270	289
Deferred income taxes	57	55
Share-based compensation	67	70
Changes in operating assets and liabilities:		
Receivables, net	(639)	(753)
Other invested assets	63	(21)
Other assets	(525)	(125)
Policy liabilities	692	791
Unearned income	(109)	96
Accounts payable and other liabilities	588	(354)
Income taxes	491	115
Other, net	13	(6)
Net cash provided by operating activities	2,515	1,630
Investing activities		
Purchases of investments	(3,896)	(6,069)
Proceeds from sale of investments	2,728	5,236
Maturities, calls and redemptions from investments	597	393
Purchases of subsidiaries, net of cash acquired	(1,908)	—
Purchases of property and equipment	(204)	(234)
Other, net	(101)	22
Net cash used in investing activities	(2,784)	(652)
Financing activities		
Net proceeds from commercial paper borrowings	905	178
Proceeds from long-term borrowings	300	2
Repayments of long-term borrowings	(52)	(63)
Proceeds from short-term borrowings	1,075	2,710
Repayments of short-term borrowings	(700)	(2,760)
Repurchase and retirement of common stock	(529)	(294)
Cash dividends	(240)	(206)
Proceeds from issuance of common stock under employee stock plans	44	76
Taxes paid through withholding of common stock under employee stock plans	(107)	(78)
Other, net	(17)	6
Net cash provided by (used in) financing activities	679	(429)
Effect of foreign exchange rates on cash and cash equivalents	(2)	(1)
Change in cash and cash equivalents	408	548
Cash and cash equivalents at beginning of period	4,937	3,934
Cash and cash equivalents at end of period	$ 5,345	$ 4,482

See accompanying notes.

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

(In millions)	Common Stock Number of Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
December 31, 2019 (audited)	252.9	$ 3	$ 9,448	$ 22,573	$ (296)	$ 31,728
Adoption of Accounting Standards Update No. 2016-13 (Note 2)	—	—	—	(35)	—	(35)
January 1, 2020	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)
March 31, 2020	252.0	$ 3	$ 9,338	$ 23,360	(1,008)	$ 31,693
December 31, 2018 (audited)	257.4	$ 3	$ 9,536	$ 19,988	$ (986)	$ 28,541
Adoption of Accounting Standards Update No. 2016-02 (Note 2)	—	—	—	26	—	26
January 1, 2019	257.4	3	9,536	20,014	(986)	28,567
Net income	—	—	—	1,551	—	1,551
Other comprehensive income	—	—	—	—	363	363
Repurchase and retirement of common stock	(1.1)	—	(71)	(223)	—	(294)
Dividends and dividend equivalents	—	—	—	(206)	—	(206)
Issuance of common stock under employee stock plans, net of related tax benefits	1.1	—	69	—	—	69
Convertible debenture repurchases and conversions	—	—	(52)	—	—	(52)
March 31, 2019	257.4	$ 3	$ 9,482	$ 21,136	$ (623)	$ 29,998

See accompanying notes.

(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 approximately 42 million medical members through our affiliated health plans as of March 31, 2020 . We offer a broad spectrum of network-based managed care plans to Large Group, Small Group, Individual, Medicaid and Medicare markets. Our managed care plans include: Preferred Provider Organizations, or PPOs; Health Maintenance Organizations, or 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 self-funded 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, or 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, or FEHB, Program.

We are an independent licensee of the Blue Cross and Blue Shield Association, or 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, or 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 Health, CareMore, Freedom Health, HealthLink, HealthSun, Optimum HealthCare, Simply Healthcare, and/or Unicare. Also, in the second quarter of 2019, we began providing PBM services through our 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, or 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 2019 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. For additional information on prior year reclassifications, see Note 15, “Segment Information.” 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, 2020 and 2019 have been recorded. The results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2020 , 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, 2019 included in our 2019 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, or 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 $221 and $215 at March 31, 2020 and December 31, 2019 , respectively, and are included in the cash and cash equivalents line on our consolidated balance sheets.

Investments: Prior to 2020, our fixed maturities were evaluated for other-than-temporary impairment where credit related impairments were presented within the other-than-temporary impairment losses recognized in our consolidated statements of income with an adjustment to the security’s amortized cost basis. Effective January 1, 2020, 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.

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.

In accordance with the Financial Accounting Standards Board, or FASB guidance, 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 enables 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. Under FASB guidance related to accounting for transfers and servicing of financial assets and extinguishments of liabilities, 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 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. Secondarily, 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: 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 $234 and $237 at March 31, 2020 and December 31, 2019, respectively. 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 $55 and $46 at March 31, 2020 and 2019, respectively. The allowance for doubtful accounts is based on historical collection trends, future forecasts and our judgment regarding the ability to collect specific accounts.

Other receivables include pharmacy rebates, provider advances, claims recoveries, reinsurance receivables, proceeds due from brokers on investment trades, other government receivables and other miscellaneous amounts due to us. These receivables are reported net of an allowance for doubtful accounts of $282 and $242 at March 31, 2020 and December 31, 2019, respectively, which is based on historical collection trends, future forecasts and our judgment regarding the ability to collect specific accounts.

Revenue Recognition: For our non-fully-insured contracts, we had no material contract assets, contract liabilities or deferred contract costs recorded on our consolidated balance sheet at March 31, 2020 . For the three months ended March 31, 2020 , 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 November 2019, the FASB issued Accounting Standards Update No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses* . In May 2019, the FASB issued Accounting Standards Update No. 2019-05, *Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief* . In April 2019, the FASB issued Accounting Standards Update No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* . In November 2018, the FASB issued Accounting Standards Update No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses* . These updates provide an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost and provide additional clarification and implementation guidance on certain aspects of the previously issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, or ASU 2016-13, and have the same effective date and transition requirements as ASU 2016-13. ASU 2016-13 introduces a current expected credit loss model for measuring expected credit losses for certain types of financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. ASU 2016-13 replaces the current incurred loss model for measuring expected credit losses, requires expected losses on available-for-sale debt securities to be recognized through an allowance for credit losses rather than as reductions in the amortized cost of the securities and provides for additional disclosure requirements. ASU 2016-13 requires a cumulative-effect adjustment to the opening balance of retained earnings on the statement of financial position at the date of adoption and a prospective transition approach for debt securities for which an other-than-temporary impairment had been recognized before the adoption date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the date of adoption. We adopted ASU 2016-13 on January 1, 2020, and

recognized a cumulative-effect adjustment of $35 to our opening retained earnings for credit related allowances on receivables. The adoption did not have an impact on our consolidated statements of income or cash flows.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* , or ASU 2018-15. The amendments in ASU 2018-15 require implementation costs incurred by customers in cloud computing arrangements to be deferred and recognized over the term of the arrangement, if those costs would be capitalized by the customer in a software licensing arrangement under the internal-use software guidance. The amendments also require an entity to disclose the nature of its hosting arrangements and adhere to certain presentation requirements in its balance sheet, income statement and statement of cash flows. We adopted ASU 2018-15 on January 1, 2020 using a prospective approach for all implementation costs incurred after the date of adoption, and the adoption did not have an impact on our consolidated financial position, results of operations or cash flows.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement,* or ASU 2018-13. The amendments in ASU 2018-13 eliminate, add, and modify certain disclosure requirements for fair value measurements. The amendments are effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted for either the entirety of ASU 2018-13 or only the provisions that eliminate or modify disclosure requirements. We early adopted the provisions that eliminate and modify disclosure requirements, on a retrospective basis, effective in our 2018 Annual Report on Form 10-K. We adopted the new disclosure requirements on January 1, 2020, on a prospective basis.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* , or ASU 2017-04. This update removes Step 2 of the goodwill impairment test under current guidance, which required a hypothetical purchase price allocation. The new guidance requires an impairment charge to be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. We adopted ASU 2017-04 on January 1, 2020, 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 March 2020, the FASB issued Accounting Standards Update No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* , or ASU 2020-04. ASU 2020-04 provides 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, or 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. The provisions within ASU 2020-04 are available until December 31, 2022, when the reference rate replacement activity is expected to have been completed. We are currently evaluating the provisions within ASU 2020-04.

In December 2019, the FASB issued Accounting Standards Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, or ASU 2019-12. The amendments in ASU 2019-12 remove certain exceptions to the general principles in ASC Topic 740. The amendments also clarify and amend existing guidance to improve consistent application. The amendments are effective for our annual reporting periods beginning after December 15, 2020, with early adoption permitted. 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 are currently evaluating the effects the adoption of ASU 2019-12 will have on our consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-14, *Compensation—Retirement Benefits - Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* , or ASU 2018-14. The amendments in ASU 2018-14 eliminate, add, and modify certain disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments are effective for our annual reporting periods beginning after December 15, 2020, with early adoption permitted. The guidance is to be applied on a retrospective basis to all periods presented. We are currently evaluating the effects the adoption of ASU 2018-14 will have on our disclosures.

In August 2018, the FASB issued Accounting Standards Update No. 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, or ASU 2018-12. 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 in ASU 2018-12 will be effective for our interim and annual reporting periods beginning after December 15, 2021. 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 2018-12 will have on our consolidated financial position, results of operations, cash flows, and related disclosures.

There were no other new accounting pronouncements that were issued or became effective since the issuance of our 2019 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 Acquisition

Beacon Health Options, Inc.

On February 28, 2020, we completed our acquisition of Beacon Health Options, Inc., or 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 aligns 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 preliminary fair value of Beacon’s assets acquired and liabilities assumed, including identifiable intangible assets. The excess of the consideration transferred over the preliminary fair value of net assets acquired resulted in preliminary goodwill of $ 1,049 at March 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. Any additional payments or receipts of cash resulting from contractual purchase price adjustments or any subsequent adjustments made to the assets acquired or liabilities assumed during the measurement period will be recorded as an adjustment to goodwill.

The preliminary fair value of the net assets acquired from Beacon includes $752 of other intangible assets at March 31, 2020, which primarily consist of finite-lived customer relationships with amortization periods ranging from 9 to 21 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. Investments

Fixed Maturity Securities

We evaluate our available-for-sale fixed maturity securities for declines based on qualitative and quantitative factors. Our fixed maturity securities have been negatively impacted by the significant market volatility that began in March 2020 due to the COVID-19 global health pandemic, or COVID-19 pandemic, and other market related changes. Declines in fair value have increased the potential for material credit losses. 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, 2020 and December 31, 2019 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			
March 31, 2020							
Fixed maturity securities:							
United States Government securities	$ 450	$ 24	$ —	$ —	$ —	$ 474	$ —
Government sponsored securities	369	5	(48)	—	—	326	—
States, municipalities and political subdivisions	4,768	233	(14)	—	—	4,987	—
Corporate securities	9,609	148	(450)	(44)	(51)	9,212	(44)
Residential mortgage-backed securities	3,731	93	(95)	(7)	—	3,722	—
Commercial mortgage-backed securities	81	1	(3)	(1)	—	78	—
Other securities	1,692	6	(97)	(14)	—	1,587	—
Total fixed maturity securities	$ 20,700	$ 510	$ (707)	$ (66)	$ (51)	$ 20,386	$ (44)
December 31, 2019							
Fixed maturity securities:							
United States Government securities	$ 524	$ 4	$ (3)	$ —	$ —	$ 525	$ —
Government sponsored securities	136	5	—	—	—	141	—
States, municipalities and political subdivisions	4,592	262	(3)	—	—	4,851	—
Corporate securities	8,870	339	(9)	(15)	—	9,185	(3)
Residential mortgage-backed securities	3,654	87	(6)	(3)	—	3,732	—
Commercial mortgage-backed securities	84	2	—	—	—	86	—
Other securities	1,648	21	(3)	(5)	—	1,661	—
Total fixed maturity securities	$ 19,508	$ 720	$ (24)	$ (23)	$ —	$ 20,181	$ (3)

For fixed maturity securities in an unrealized loss position at March 31, 2020 and December 31, 2019 , 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:

	Less than 12 Months			12 Months or Greater		
(Securities are whole amounts)	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss
March 31, 2020						
Fixed maturity securities:						
United States Government securities	1	$ —	$ —	—	$ —	$ —
Government sponsored securities	278	224	(48)	1	—	—
States, municipalities and political subdivisions	239	509	(14)	3	4	—
Corporate securities	2,773	5,003	(450)	170	176	(44)
Residential mortgage-backed securities	603	1,182	(95)	63	57	(7)
Commercial mortgage-backed securities	14	29	(3)	3	6	(1)
Other securities	520	1,175	(97)	58	142	(14)
Total fixed maturity securities	4,428	$ 8,122	$ (707)	298	$ 385	$ (66)
December 31, 2019						
Fixed maturity securities:						
United States Government securities	27	$ 250	$ (3)	2	$ 1	$ —
Government sponsored securities	14	12	—	3	1	—
States, municipalities and political subdivisions	114	306	(3)	14	11	—
Corporate securities	386	558	(9)	224	286	(15)
Residential mortgage-backed securities	321	635	(6)	189	237	(3)
Commercial mortgage-backed securities	1	3	—	4	8	—
Other securities	166	415	(3)	113	358	(5)
Total fixed maturity securities	1,029	$ 2,179	$ (24)	549	$ 902	$ (23)

Below are discussions by security type for unrealized losses as of March 31, 2020:

United States Government securities: Unrealized losses on government sponsored securities have not been recognized into income because management does not intend to sell and it is likely that management will not be required to sell these securities 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 the credit ratings of the securities and have determined that no allowance is necessary. The fair value is expected to recover as the securities approach maturity.

Government sponsored securities: There were no material unrealized losses on investments in government sponsored securities. We have no intent to sell these investments, and it is more likely than not that we will not be required to sell the investments before recovery of their amortized cost bases.

States, municipalities and political subdivisions: Unrealized losses on securities of states, municipalities and political subdivisions have not been recognized into income because management does not intend to sell, and it is likely that management will not be required to sell these securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. We have evaluated the credit ratings of the securities and have determined that no allowance is necessary. The fair value is expected to recover as the securities approach maturity.

Corporate securities: An allowance for credit losses on certain energy-related fixed maturity corporate securities has been determined based on qualitative and quantitative factors including credit rating, default, industry condition and known information of the issuer 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. No allowance for credit loss was required for the remaining corporate fixed maturity securities at March 31, 2020. Unrealized losses on the remaining corporate securities have not been recognized into income because management does not intend to sell, and it is likely that management will not be required to sell these securities prior to their anticipated recovery, and the decline in fair value is largely due to current market conditions relating to the COVID-19 pandemic and tensions within the energy sector. We have evaluated each corporate security's credit rating as well as industry risk factors associated with the securities. At this time, no allowance has been deemed necessary. The issuers continue to make timely principal and interest payments on the bonds. The fair value of these securities is expected to recover as they approach maturity.

Residential mortgage-backed securities: Unrealized losses on residential mortgage-backed securities have not been recognized into income because management does not intend to sell, and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. We have evaluated the 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.

Commercial mortgage-backed securities: There were no material unrealized losses on investments in commercial mortgage-backed securities. We have no intent to sell these investments, and it is more likely than not that we will not be required to sell the investments before recovery of their amortized cost bases.

Other securities: Unrealized losses on other securities have not been recognized into income because management does not intend to sell, and it is likely that management will not be required to sell these securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. Other securities largely consists of asset-backed securities. 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, 2020:

	Corporate Securities
Allowance for credit losses:	
Beginning balance	$ —
Additions for securities for which no previous expected credit losses were recognized	51
Total allowance for credit losses	$ 51

The amortized cost and fair value of fixed maturity securities at March 31, 2020 , 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	$ 520	$ 511
Due after one year through five years	5,730	5,583
Due after five years through ten years	6,035	5,882
Due after ten years	4,603	4,610
Mortgage-backed securities	3,812	3,800
Total fixed maturity securities	$ 20,700	$ 20,386

Proceeds from sales, maturities, calls or redemptions of fixed maturity securities and the related gross realized gains and gross realized losses for the three months ended March 31, 2020 and 2019 are as follows:

	Three Months Ended March 31	
	2020	2019
Proceeds	$ 1,931	$ 1,468
Gross realized gains	43	18
Gross realized losses	(20)	(17)

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, 2020 and December 31, 2019 is as follows:

	March 31, 2020	December 31, 2019
Equity securities:		
Exchange traded funds	$ 245	$ 44
Fixed maturity mutual funds	211	643
Common equity securities	32	237
Private equity securities	82	85
Total	$ 570	$ 1,009

The gains and losses related to equity securities for the three months ended March 31, 2020 and 2019 are as follows:

	Three Months Ended March 31	
	2020	2019
Net realized (losses) gains recognized on equity securities	$ (50)	$ 79
Less: Net realized gains recognized on equity securities sold during the period	(18)	(21)
Unrealized (losses) gains recognized on equity securities still held at March 31	$ (68)	$ 58

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. Given the recent market volatility, there is a risk that the value of some of these investments may decline in future periods.

Investment Income

At March 31, 2020 and December 31, 2019, accrued investment income totaled $166 and $173 , 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 $427 and $351 at March 31, 2020 and December 31, 2019 , respectively. The value of the collateral represented 103% of the market value of the securities on loan at each of March 31, 2020 and December 31, 2019 . 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, 2020 is as follows:

	Overnight and Continuous
Securities lending transactions	
Cash	$ 354
United States Government securities	69
Other securities	4
Total	$ 427

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. Secondarily, the minimum 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.

5. 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 sheet.

Prior to 2020, we 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 anticipated future financings. The unrecognized loss for all expired and terminated cash flow hedges included in accumulated other comprehensive loss, net of tax, was $259 and $ 262 at March 31, 2020 and December 31, 2019 , respectively.

For additional information relating to the fair value of our derivative assets and liabilities, see Note 6, “Fair Value,” of this Form 10-Q.

6. 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:

Level Input	Input Definition
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 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, 2020 and December 31, 2019 is as follows:

	Level I	Level II	Level III	Total
March 31, 2020				
Assets:				
Cash equivalents	$ 2,363	$ —	$ —	$ 2,363
Fixed maturity securities, available-for-sale:				
United States Government securities	—	474	—	474
Government sponsored securities	—	326	—	326
States, municipalities and political subdivisions, tax-exempt	—	4,987	—	4,987
Corporate securities	—	8,896	316	9,212
Residential mortgage-backed securities	—	3,720	2	3,722
Commercial mortgage-backed securities	—	78	—	78
Other securities	—	1,582	5	1,587
Total fixed maturity securities, available-for-sale	—	20,063	323	20,386
Equity securities:				
Exchange traded funds	245	—	—	245
Fixed maturity mutual funds	—	211	—	211
Common equity securities	2	30	—	32
Private equity securities	—	—	82	82
Total equity securities	247	241	82	570
Securities lending collateral	—	426	—	426
Derivatives	—	49	—	49
Total assets	$ 2,610	$ 20,779	$ 405	$ 23,794
Liabilities:				
Derivatives	$ —	$ (5)	$ —	$ (5)
Total liabilities	$ —	$ (5)	$ —	$ (5)
December 31, 2019				
Assets:				
Cash equivalents	$ 2,015	$ —	$ —	$ 2,015
Fixed maturity securities, available-for-sale:				
United States Government securities	—	525	—	525
Government sponsored securities	—	141	—	141
States, municipalities and political subdivisions, tax-exempt	—	4,851	—	4,851
Corporate securities	—	8,882	303	9,185
Residential mortgage-backed securities	—	3,730	2	3,732
Commercial mortgage-backed securities	—	86	—	86
Other securities	—	1,654	7	1,661
Total fixed maturity securities, available-for-sale	—	19,869	312	20,181
Equity securities:				
Exchange traded funds	44	—	—	44
Fixed maturity mutual funds	—	643	—	643
Common equity securities	206	31	—	237
Private equity securities	—	—	85	85
Total equity securities	250	674	85	1,009
Securities lending collateral	—	353	—	353
Derivatives	—	23	—	23
Total assets	$ 2,265	$ 20,919	$ 397	$ 23,581
Liabilities:				
Derivatives	$ —	$ (1)	$ —	$ (1)
Total liabilities	$ —	$ (1)	$ —	$ (1)

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, 2020 and 2019 is as follows:

	Corporate Securities	Residential Mortgage-backed Securities	Other Securities	Equity Securities	Total
Three Months Ended March 31, 2020					
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	$ 316	$ 2	$ 5	$ 82	$ 405
Change in unrealized losses included in net income related to assets still held at March 31, 2020	$ —	$ —	$ —	$ (7)	$ (7)
Three Months Ended March 31, 2019					
Beginning balance at January 1, 2019	$ 287	$ 6	$ 17	$ 313	$ 623
Total (losses) gains:					
Recognized in net income	(1)	—	—	(2)	(3)
Recognized in accumulated other comprehensive loss	2	—	—	—	2
Purchases	33	—	2	7	42
Sales	(1)	—	—	(21)	(22)
Settlements	(21)	—	(1)	—	(22)
Transfers into Level III	—	—	3	—	3
Transfers out of Level III	(2)	—	(7)	—	(9)
Ending balance at March 31, 2019	$ 297	$ 6	$ 14	$ 297	$ 614
Change in unrealized gains included in net income related to assets still held at March 31, 2019	$ —	$ —	$ —	$ (2)	$ (2)

There were no individually material transfers into or out of Level III during the three months ended March 31, 2020 or 2019 .

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 preliminary values of 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 preliminary 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, 2020 or 2019 .

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, 2020 or 2019 .

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 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, accrued investment income, premium receivables, self-funded receivables, other receivables, income taxes receivable/payable, unearned income, accounts payable and accrued expenses, security trades pending payable, securities lending payable 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 – senior revolving credit facility: The carrying amount for the senior revolving credit facility approximates fair value, and is based 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, 2020 and December 31, 2019 is as follows:

	Carrying Value	Estimated Fair Value			
		Level I	Level II	Level III	Total
March 31, 2020					
Assets:					
Other invested assets	$ 4,181	$ —	$ —	$ 4,181	$ 4,181
Liabilities:					
Debt:					
Short-term borrowings	1,075	—	1,075	—	1,075
Senior revolving credit facility	300	—	300	—	300
Commercial paper	1,305	—	1,305	—	1,305
Notes	18,867	—	20,343	—	20,343
Convertible debentures	136	—	680	—	680
December 31, 2019					
Assets:					
Other invested assets	$ 4,258	$ —	$ —	$ 4,258	$ 4,258
Liabilities:					
Debt:					
Short-term borrowings	700	—	700	—	700
Commercial paper	400	—	400	—	400
Notes	18,840	—	20,470	—	20,470
Convertible debentures	145	—	904	—	904

7. Income Taxes

During the three months ended March 31, 2020 and 2019 , we recognized income tax expense of $566 and $394 , respectively, which represent effective tax rates of 27.1% and 20.3% , respectively. The increase in our effective income tax rate was primarily due to the reinstatement of the non-tax deductible Health Insurance Provider Fee, or HIP Fee, for 2020.

Income taxes payable totaled $159 at March 31, 2020. Income taxes receivable totaled $335 at December 31, 2019 . 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.

8. Retirement Benefits

The components of net periodic benefit credit included in our consolidated statements of income for the three months ended March 31, 2020 and 2019 are as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended March 31		Three Months Ended March 31	
	2020	2019	2020	2019
Interest cost	$ 12	$ 16	$ 3	$ 4
Expected return on assets	(40)	(34)	(6)	(5)
Recognized actuarial loss	6	4	—	—
Settlement loss	5	2	—	—
Amortization of prior service credit	—	—	(2)	(3)
Net periodic benefit credit	$ (17)	$ (12)	$ (5)	$ (4)

For the year ending December 31, 2020 , no material contributions are expected to be necessary to meet the Employee Retirement Income Security Act of 1974, as amended, or ERISA, required funding levels; however, we may elect to make discretionary contributions up to the maximum amount deductible for income tax purposes. No contributions were made to our retirement benefit plans during the three months ended March 31, 2020 and 2019 .

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, 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

Activity in the Other segment resulted from our acquisition of Beacon.

At March 31, 2020 , the total of net incurred but not reported liabilities plus expected development on reported claims for the Commercial & Specialty Business was $94 , $763 and $2,182 for the claim years 2018 and prior, 2019 and 2020, respectively.

At March 31, 2020 , the total of net incurred but not reported liabilities plus expected development on reported claims for the Government Business was $63 , $885 and $5,453 for the claim years 2018 and prior, 2019 and 2020, respectively.

At March 31, 2020, the total of net incurred but not reported liabilities plus expected development on reported claims for Other was $0 , $0 and $190 for the claim years 2018 and prior, 2019 and 2020, 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, 2019 is as follows:

	Commercial & Specialty Business	Government Business	Other	Total
Gross medical claims payable, beginning of period	$ 2,586	$ 4,680	$ —	$ 7,266
Ceded medical claims payable, beginning of period	(10)	(24)	—	(34)
Net medical claims payable, beginning of period	2,576	4,656	—	7,232
Net incurred medical claims:				
Current period	6,053	12,741	—	18,794
Prior periods redundancies	(197)	(258)	—	(455)
Total net incurred medical claims	5,856	12,483	—	18,339
Net payments attributable to:				
Current period medical claims	3,898	8,265	—	12,163
Prior periods medical claims	1,766	3,648	—	5,414
Total net payments	5,664	11,913	—	17,577
Net medical claims payable, end of period	2,768	5,226	—	7,994
Ceded medical claims payable, end of period	8	26	—	34
Gross medical claims payable, end of period	$ 2,776	$ 5,252	$ —	$ 8,028

The reconciliation of net incurred medical claims to benefit expense included in our consolidated statements of income for periods in 2020 are as follows:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net incurred medical claims:		
Commercial & Specialty Business	$ 5,797	$ 5,856
Government Business	14,603	12,483
Other	130	—
Total net incurred medical claims	20,530	18,339
Quality improvement and other claims expense	959	943
Benefit expense	$ 21,489	$ 19,282

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, 2020 , is as follows:

	Commercial & Specialty Business	Government Business	Other	Total
Net medical claims payable, end of period	$ 3,039	$ 6,401	$ 190	$ 9,630
Ceded medical claims payable, end of period	37	23	—	60
Insurance lines other than short duration	—	212	—	212
Gross medical claims payable, end of period	$ 3,076	$ 6,636	$ 190	$ 9,902

10. Debt

We generally issue senior unsecured notes for long-term borrowing purposes. At March 31, 2020 and December 31, 2019 , we had $18,842 and $18,815 , respectively, outstanding under these notes.

We have an unsecured surplus note with an outstanding principal balance of $25 at both March 31, 2020 and December 31, 2019 .

We have a senior revolving credit facility, or 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, or 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 2020. 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, 2020, our debt-to-capital ratio, as defined and calculated under the credit facilities, was 40.6%. 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, 2020, 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, 2020 or the year ended December 31, 2019 . At March 31, 2020 and December 31, 2019, $300 and $0 , respectively, were outstanding under our 5-Year Facility. We repaid the $300 outstanding on the 5-Year Facility on April 23, 2020.

Through certain subsidiaries, we have entered into multiple 364-day lines of credit, or the Subsidiary Credit Facilities, with separate lenders for general corporate purposes. The Subsidiary Credit Facilities provide combined credit of up to $500 . At March 31, 2020 and December 31, 2019 , $300 and $50 , respectively, were 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, 2020 and December 31, 2019 , we had $1,305 and $400 , respectively, outstanding under this program.

We have outstanding senior unsecured convertible debentures due 2042, or the Debentures, which are governed by an indenture between us and The Bank of New York Mellon Trust Company, N.A., as trustee, or the indenture. 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. During the three months ended March 31, 2020 , $13 aggregate principal amount of the Debentures were surrendered for conversion by certain holders in accordance with the terms and provisions of the indenture. We elected to settle the excess of the principal amount of the conversions with cash for total payments of $52 . We recognized a loss of $1 on the extinguishment of debt related to the Debentures, based on the fair values of the debt on the conversion settlement dates.

The following table summarizes at March 31, 2020 the related balances, conversion rate and conversion price of the Debentures:

Outstanding principal amount	$	202
Unamortized debt discount	$	64
Net debt carrying amount	$	136
Equity component carrying amount	$	73
Conversion rate (shares of common stock per $1,000 of principal amount)		13.9862
Effective conversion price (per $1,000 of principal amount)	$	71.4990

We are a member, through certain subsidiaries, of the Federal Home Loan Bank of Indianapolis, the Federal Home Loan Bank of Cincinnati and the Federal Home Loan Bank of Atlanta, or collectively, the FHLBs. As a member, we have the ability to obtain short-term cash advances, subject to certain minimum collateral requirements. We had $775 and $650 in outstanding short-term borrowings from the FHLBs at March 31, 2020 and December 31, 2019 , respectively, with fixed interest rates of 0.679% and 1.664% , respectively.

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 $800 at March 31, 2020 . 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, or Blue plans, across the country. The cases 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, or 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 and National Accounts programs and other arrangements in violation of the Sherman Antitrust Act, or Sherman Act, and related state laws. The cases were brought by two putative nationwide classes of plaintiffs, health plan subscribers and providers, and actions filed in twenty-eight states have been consolidated into the multi-district proceeding.

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 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 defendants operate as a single entity with regard to the enforcement of the Blue Cross Blue Shield trademarks. No dates have been set for either the final pretrial conferences or trials in these actions. In March 2019, the Court issued a Fourth Amended Scheduling Order requiring that briefing on motions for class certification and related expert reports, merits and damages expert reports, and certain dispositive motions occur in 2019. In April 2019, plaintiffs filed their motions for class certification in conjunction with their supporting expert reports. Defendants filed their motions to exclude plaintiffs' experts, as well as their opposition to plaintiffs' motions for class certification, in July 2019. The case has been stayed by the court until further notice.

We intend to vigorously defend these suits; however, their 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), or BCC, was named as a defendant in a California taxpayer action filed in Los Angeles County 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, or HCSP, 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, or GPT, calculated as 2.35% on gross premiums. As a licensed HCSP, BCC has paid the California Corporate Franchise Tax, or 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.

In March 2018, the Superior Court denied BCC's motion for judgment on the pleadings and similar motions brought by other entities. We filed a writ of mandate in the California Court of Appeal. Although the California Court of Appeal initially accepted our writ, it later indicated that it would not hear the issues raised by our writ until the case concludes in the Superior Court. The Superior Court postponed the March 2020 trial date to July 2020. The parties are currently engaged in discovery. Because 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. BCC intends to vigorously defend this suit; however, its ultimate outcome cannot be presently determined.

Express Scripts, Inc. Pharmacy Benefit Management Litigation

In March 2016, we filed a lawsuit against Express Scripts, Inc., or 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, or the ESI PBM Agreement, over $158 in damages related to operational breaches, as well as various declarations under the ESI PBM Agreement between the parties, 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. The period of time for completing discovery has been extended to August 2020 due to the recent outbreak of COVID-19. 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 and (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, which was heard in October 2018 but has not yet been decided. 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, or Cigna, announced that we entered into the Cigna Agreement and Plan of Merger, or Cigna Merger Agreement, pursuant to which we would acquire all outstanding shares of Cigna. In July 2016, the U.S. Department of Justice, or DOJ, along with certain state attorneys general, filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia, or 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, or 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 argument in November 2019 and took the matter under consideration. In February 2020, the Delaware Court requested supplemental briefing which has been submitted. We believe Cigna's allegations are without merit and we intend to vigorously pursue our claims and defend against Cigna's allegations; however, the ultimate outcome of our 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

Beginning in December 2016, the DOJ issued civil investigative demands to us to discover information about our retrospective chart review and risk adjustment programs under Parts C and D of the Medicare program. We understand the DOJ is investigating the programs of other Medicare Advantage health plans, along with providers and vendors. In March 2020, the DOJ filed a civil lawsuit against Anthem, Inc. in 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, or 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. We have until the end of May 2020 to respond. We intend 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 (unrelated to our retrospective chart review program) at CareMore Health Plans, Inc., or CareMore one of our California subsidiaries and HealthSun Health Plans, Inc., or 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 investigations to CMS, and the Criminal Division of the DOJ, which then initiated an investigation. We are cooperating with that investigation. We have also asserted indemnity claims for escrowed funds under the HealthSun purchase agreement for, among other things, breach of healthcare representation provisions, based on the conduct discovered during our investigation. We are in active litigation with one group of sellers regarding part of the escrowed funds in a case captioned *LPPAS Representative, LLC v. ATH Holding Company, LLC* in the Delaware Court.

Cyber Attack Regulatory Proceedings and Litigation

In February 2015, we reported that we were the target of a sophisticated external cyber attack during which the attackers gained unauthorized access to certain of our information technology systems and obtained personal information related to many individuals and employees. To date, there is no evidence that credit card or medical information was accessed or obtained. Upon discovery of the cyber attack, we took immediate action to remediate the security vulnerability and have continued to implement security enhancements since this incident.

Federal and state agencies are investigating, or have investigated, events related to the cyber attack, including how it occurred, its consequences and our responses. The investigations have all been resolved with the exception of an ongoing investigation by a multi-state group of attorneys general, which remains outstanding. Although we are cooperating in this investigation, we may be subject to additional fines or other obligations. We intend to vigorously defend the remaining regulatory investigation; however, its ultimate outcome cannot be presently determined.

We have contingency plans and insurance coverage for certain expenses and potential liabilities of this nature and will pursue coverage for all applicable losses; however, the ultimate outcome of our pursuit of insurance coverage cannot be presently determined.

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 services and includes provisions for additional services not provided under those agreements. Our aggregate commitment under this agreement is approximately $1,700 . We will have the ability to terminate the agreement upon the occurrence of certain events, subject to early termination fees.

In the second quarter of 2019, we began using our new pharmacy benefits manager named IngenioRx, Inc., or IngenioRx, to market and offer PBM services to fully-insured and self-funded Anthem health plan customers throughout the country, 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. Also in the second quarter of 2019, IngenioRx began delegating 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. From December 2009 through December 2019, we delegated certain PBM functions and administrative services to Express Scripts pursuant to the ESI PBM Agreement. In January 2019, we exercised our contractual right to terminate the ESI PBM Agreement earlier than the original expiration date of December 31, 2019, due to the acquisition of Express Scripts by Cigna. We began transitioning existing members from Express Scripts to IngenioRx in the second quarter of 2019, and completed the transition of all of our members by January 1, 2020. Prior to the termination of the ESI PBM Agreement, Express Scripts managed the network of pharmacy providers, operated mail order pharmacies and processed prescription drug claims on our behalf, while we sold and supported the product for our members, made formulary decisions, sold drug benefit design strategy and provided front line member support. Express Scripts continues to provide certain audit and run out transition services related to our PBM business. 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, refer to the *Litigation and Regulatory Proceedings–Express Scripts, Inc. Pharmacy Benefit Management Litigation* section above. We believe we have appropriately recognized all rights and obligations under the ESI PBM Agreement as of March 31, 2020.

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 the cash dividend activity for the three months ended March 31, 2020 and 2019 is as follows:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total
Three Months Ended March 31, 2020				
January 28, 2020	March 16, 2020	March 27, 2020	$0.95	$ 240
Three Months Ended March 31, 2019				
January 29, 2019	March 18, 2019	March 29, 2019	$0.80	$ 206

On April 28, 2020, our Audit Committee declared a second quarter 2020 dividend to shareholders of $0.95 per share, payable on June 25, 2020 to shareholders of record at the close of business on June 10, 2020 .

Under our Board of Directors' authorization, we maintain a common stock repurchase program. On December 7, 2017, 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. We have temporarily suspended our share repurchase program given the market volatility.

A summary of common stock repurchases for the three months ended March 31, 2020 and 2019 is as follows:

	Three Months Ended March 31	
	2020	2019
Shares repurchased	1.9	1.1
Average price per share	$ 275.38	$ 275.23
Aggregate cost	$ 529	$ 294
Authorization remaining at the end of the period	$ 3,263	$ 5,199

For additional information regarding the use of capital for debt security repurchases, see Note 10, "Debt" of this Form 10-Q and Note 12, "Debt," to our audited consolidated financial statements as of and for the year ended December 31, 2019 included in our 2019 Annual Report on Form 10-K.

***Stock Incentive Plan* s**

A summary of stock option activity for the three months ended March 31, 2020 is as follows:

	Number of Shares	Weighted-Average Option Price per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2020	3.1	$ 190.31		
Granted	1.0	271.27		
Exercised	(0.3)	107.46		
Forfeited or expired	—	256.05		
Outstanding at March 31, 2020	3.8	216.40	7.15	$ 139
Exercisable at March 31, 2020	2.2	171.44	5.57	$ 139

A summary of the nonvested restricted stock activity, including restricted stock units, for the three months ended March 31, 2020 is as follows:

	Restricted Stock Shares and Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at January 1, 2020	1.4	$ 242.47
Granted	1.2	272.03
Vested	(1.1)	193.23
Forfeited	(0.1)	264.40
Nonvested at March 31, 2020	1.4	271.00

During the three months ended March 31, 2020 , we granted approximately 0.2 restricted stock units that are contingent upon us achieving earnings targets over the three year period from 2020 to 2022. These grants have been included in the activity shown above, but will be subject to adjustment at the end of 2022 based on results in the three year period.

During the three months ended March 31, 2020, we granted an additional 0.6 restricted stock units associated with our 2017 grants that were earned as a result of satisfactory completion of performance measures between 2017 and 2019. 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 14, “Capital Stock,” to our audited consolidated financial statements as of and for the year ended December 31, 2019 included in our 2019 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, 2020 and 2019 :

	Three Months Ended March 31	
	2020	2019
Risk-free interest rate	1.30%	2.69%
Volatility factor	26.00%	25.00%
Quarterly dividend yield	0.350%	0.260%
Weighted-average expected life (years)	4.30	4.40

The following weighted-average fair values per option or share were determined for the three months ended March 31, 2020 and 2019 :

	Three Months Ended March 31	
	2020	2019
Options granted during the period	$ 54.03	$ 68.92
Restricted stock awards granted during the period	272.03	307.59

13. Accumulated Other Comprehensive Loss

A reconciliation of the components of accumulated other comprehensive loss at March 31, 2020 and 2019 is as follows:

	March 31	
	2020	2019
Investments:		
Gross unrealized gains	$ 510	$ 379
Gross unrealized losses	(729)	(121)
Net pre-tax unrealized (losses) gains	(219)	258
Deferred tax asset (liability)	51	(61)
Net unrealized (losses) gains on investments	(168)	197
Non-credit components of impairments on investments:		
Unrealized losses	(44)	(3)
Deferred tax asset	10	1
Net unrealized non-credit component of impairments on investments	(34)	(2)
Cash flow hedges:		
Gross unrealized losses	(327)	(308)
Deferred tax asset	68	65
Net unrealized losses on cash flow hedges	(259)	(243)
Defined benefit pension plans:		
Deferred net actuarial loss	(724)	(744)
Deferred prior service credits	—	(1)
Deferred tax asset	185	191
Net unrecognized periodic benefit costs for defined benefit pension plans	(539)	(554)
Postretirement benefit plans:		
Deferred net actuarial loss	(25)	(57)
Deferred prior service costs	18	31
Deferred tax asset	2	7
Net unrecognized periodic benefit costs for postretirement benefit plans	(5)	(19)
Foreign currency translation adjustments:		
Gross unrealized losses	(4)	(3)
Deferred tax asset	1	1
Net unrealized losses on foreign currency translation adjustments	(3)	(2)
Accumulated other comprehensive loss	$ (1,008)	$ (623)

Other comprehensive income (loss) reclassification adjustments for the three months ended March 31, 2020 and 2019 are as follows:

	Three Months Ended March 31	
	2020	2019
Investments:		
Net holding (loss) gain on investment securities arising during the period, net of tax benefit (expense) of $213 and $(98), respectively	$ (716)	$ 350
Reclassification adjustment for net realized gains on investment securities, net of tax benefit of $7 and $2, respectively	27	7
Total reclassification adjustment on investments	(689)	357
Non-credit component of impairments on investments:		
Non-credit component of impairments on investments, net of tax benefit of $9	(32)	—
Cash flow hedges:		
Holding gain, net of tax expense of ($1) and ($0), respectively	3	3
Other:		
Net change in unrecognized periodic benefit costs for defined benefit pension and postretirement benefit plans, net of tax expense of ($3) and ($1), respectively	7	3
Foreign currency translation adjustment, net of tax expense of ($0) and ($0), respectively	(1)	—
Net (loss) gain recognized in other comprehensive income, net of tax benefit (expense) of $211 and $(101), respectively	$ (712)	$ 363

14. Earnings per Share

The denominator for basic and diluted earnings per share for the three months ended March 31, 2020 and 2019 is as follows:

	Three Months Ended March 31	
	2020	2019
Denominator for basic earnings per share – weighted-average shares	252.4	257.1
Effect of dilutive securities – employee stock options, nonvested restricted stock awards and convertible debentures	4.0	5.2
Denominator for diluted earnings per share	256.4	262.3

During the three months ended March 31, 2020 and 2019 , weighted-average shares related to certain stock options of 0.9 and 0.2 , 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, 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. During the three months ended March 31, 2019 , we issued approximately 0.5 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 2019 through 2021. 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

Beginning in 2020, IngenioRx meets the quantitative thresholds for a reportable segment based on the FASB guidance. The results of our operations are now described through four reportable segments: Commercial & Specialty Business, Government Business, IngenioRx and Other.

Our Commercial & Specialty Business segment includes our Local Group, National Accounts, Individual and Specialty businesses. Business units in the Commercial & Specialty Business segment offer fully-insured health products; provide a broad array of managed care services to self-funded 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 provide 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, or 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. 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, amended, 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. 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 fully-insured and self-funded Anthem health plan customers, as well as to external customers outside of the health plans we own. IngenioRx has a comprehensive prescription benefits management 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, or DBG, which is our integrated health services business, certain eliminations and corporate expenses not allocated to our other reportable segments. We reclassified DBG from our Government Business segment to the Other segment during the second quarter of 2019 to reflect changes in how our segments are being managed. Amounts for the three months ended March 31, 2019 have been reclassified to conform to the current year presentation for comparability. Also, beginning on February 28, 2020, DBG includes Beacon.

For our 2019 segment reporting, operating gains (losses) generated from IngenioRx and DBG affiliated activity were included in our Commercial & Specialty Business and Government Business segments based upon their utilization of services from IngenioRx and DBG, which aligns with the method by which we assessed the 2019 operating performance of our reportable segments. Beginning January 1, 2020, we are managing the operating performance of each of our segments on a standalone basis.

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, 2020 and 2019 is as follows:

	Commercial & Specialty Business	Government Business	IngenioRx	Other	Eliminations	Total
Three Months Ended March 31, 2020						
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
Three Months Ended March 31, 2019						
Operating revenue - unaffiliated	$ 9,392	$ 14,925	$ —	$ 71	$ —	$ 24,388
Operating revenue - affiliated	—	—	—	477	(477)	—
Operating gain (loss)	1,598	374	—	(32)	—	1,940

The major product revenues for each of the reportable segments for the three months ended March 31, 2020 and 2019 are as follows:

	Three Months Ended March 31	
	2020	2019
Commercial & Specialty Business		
Managed care products	$ 7,569	$ 7,618
Managed care services	1,381	1,366
Dental/Vision products and services	315	323
Other	96	85
Total Commercial & Specialty Business	9,361	9,392
Government Business		
Managed care products	17,375	14,821
Managed care services	91	104
Total Government Business	17,466	14,925
IngenioRx		
Pharmacy products and services	5,197	—
Total IngenioRx	5,197	—
Other		
Other	1,027	548
Eliminations		
Eliminations	(3,603)	(477)
Total product revenues	$ 29,448	$ 24,388

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, 2020 and 2019 is as follows:

	Three Months Ended March 31	
	2020	2019
Reportable segments' operating revenue	$ 29,448	$ 24,388
Net investment income	254	210
Net realized (losses) gains on financial instruments	(24)	78
Impairment losses recognized in income	(57)	(10)
Total revenues	$ 29,621	$ 24,666

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, 2020 and 2019 is as follows:

	Three Months Ended March 31	
	2020	2019
Reportable segments' operating gain	$ 2,194	$ 1,940
Net investment income	254	210
Net realized (losses) gains on financial instruments	(24)	78
Impairment losses recognized in income	(57)	(10)
Interest expense	(194)	(187)
Amortization of other intangible assets	(83)	(87)
(Loss) gain on extinguishment of debt	(1)	1
Income before income tax expense	$ 2,089	$ 1,945

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 15 years.

The information related to our leases is as follows:

	Balance Sheet Location	March 31, 2020	December 31, 2019
Operating Leases			
Right-of-use assets	Other noncurrent assets	$ 915	$ 575
Lease liabilities, current	Other current liabilities	195	158
Lease liabilities, noncurrent	Other noncurrent liabilities	801	482

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Lease Expense		
Operating lease expense	$ 47	$ 45
Short-term lease expense	13	12
Sublease income	(3)	(4)
Total lease expense	$ 57	$ 53
Other information		
Operating cash paid for amounts included in the measurement of lease liabilities, operating leases	$ 44	$ 44
Right-of-use assets obtained in exchange for new lease liabilities, operating leases	$ 323	$ —
Weighted average remaining lease term, operating leases	7.2 years	6.5 years
Weighted average discount rate, operating leases	3.57%	3.97%

At March 31, 2020 , future lease payments for noncancellable operating leases with initial or remaining terms of one year or more are as follows:

2020 (excluding the three months ended March 31, 2020)	$ 140
2021	178
2022	161
2023	140
2024	110
Thereafter	288
Total future minimum payments	1,017
Less imputed interest	(21)
Total lease liabilities	$ 996

As of March 31, 2020 , 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 2020 and 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 $226 .

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, or 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, 2019 and the MD&A included in our 2019 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, 2020 are not necessarily indicative of the results and trends that may be expected for the full year ending December 31, 2020 , or any other period.

Overview

We are one of the largest health benefits companies in the United States in terms of medical membership, serving approximately 42 million medical members through our affiliated health plans as of March 31, 2020 . We serve our members as the Blue Cross licensee for California and as the Blue Cross and Blue Shield, or 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 Health, CareMore, Freedom Health, HealthLink, HealthSun, Optimum HealthCare, Simply Healthcare, and/or Unicare. Also, in the second quarter of 2019, we began providing prescription benefits management, or PBM, services 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 2019 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, or COVID-19, a global health pandemic and recommended containment and mitigation measures worldwide. Since then, the COVID-19 outbreak has also been declared a national health emergency in the United States and continues to spread domestically and in other countries globally. To prevent the spread of this virus, most states have issued shelter-in-place or stay-at-home orders, which generally require businesses not considered essential to close their physical offices. The virus and efforts to prevent its spread have also drastically impacted the global economy, causing market instability and increasing unemployment in the United States.

In response to the COVID-19 pandemic, federal and state legislation has been, and we expect will continue to be, enacted that will impact our business. For additional information on existing legislation related to the impact of the COVID-19 pandemic on our business, see "Regulatory Trends and Uncertainties" in this MD&A.

To better serve our members, we have introduced new resources and taken proactive steps that can help provide increased access to care for our members. We have launched an online COVID-19 symptom assessment tool and enhanced the digital capabilities of Sydney Care, our mobile app, to include a symptom checker feature, as well as virtual text visit and video visit features. The symptom checker feature guides users through the resulting action plan depending upon the results of the user's assessment, and the virtual text feature connects users to certified physicians who can provide medical care

including prescribing medication and ordering lab work during consults as necessary. We are providing virtual visits through our LiveHealth Online service, including visits for mental health, and waiving cost share until June 14, 2020 for telehealth visits for our members in fully-insured employer plans, Individual plans, Medicare plans and Medicaid plans, where permissible. Further, we have relaxed early prescription refill policies for maintenance and specialty medications and are encouraging the use of home delivery services to ensure access to necessary medications.

We have also made other changes to our membership benefits and business operations and may make additional changes in the future. We suspended select prior authorization requirements to allow care providers to focus on caring for our members diagnosed with COVID-19. While not mandated, on April 1, 2020, to meet the needs of those directly impacted by the COVID-19 disease, we expanded coverage for certain members in our affiliated health plans undergoing treatment related to a COVID-19 diagnosis. The expansion waives cost sharing for COVID-19 treatment received through May 31, 2020, and we will reimburse health care providers at in-network rates or Medicare rates, as applicable, for our affiliated health plan fully insured employer, Individual, Medicaid and Medicare Advantage members. In addition, government action required us to provide full coverage for COVID-19 testing to our members, and future governmental action could require us to provide additional coverage related to COVID-19 treatments. We are in frequent communication with our employer groups in an effort to support them in these unprecedented times and we serve as a resource for employers looking for health coverage options.

The safety, health and wellbeing of our employees remains a top priority as we face these challenges together, and continue our work in support of those we serve. To protect our employees and mitigate the spread of COVID-19, we have imposed travel limitations and directed our employees to work remotely whenever possible, with nearly all of our employees working remote. We have expanded our employee benefits to provide additional support, including up to 80 hours of paid emergency leave if employees are experiencing symptoms of COVID-19 or carrying for young children whose schools have been closed. We are also expanding the use of sick time to include caregiving related to COVID-19. Furthermore, we have taken additional precautions with regard to workspace modifications and sanitation of our facilities.

The COVID-19 pandemic, including the changes we made in response to and any further steps taken to expand or otherwise modify the services delivered to our members, could have a material adverse impact on our business, cash flows, financial condition and results of operations. These impacts include, but are not limited to, the following:

- Our covered medical expenses may rise;
- Our membership may decline;
- Our membership mix may change to less profitable lines of business;
- Premium receipts from our Commercial and Government customers may be delayed or uncollectable;
- Reimbursements for benefit payments made on behalf of our self-insured customers may be delayed or uncollectable;
- Our suppliers' operations may be interrupted;
- Our operations may be interrupted;
- Our access to credit to meet liquidity may become limited and our credit rating may be negatively impacted; and
- Our investment returns may be reduced and investment values may become impaired.

We are focused on navigating these challenges and have taken certain measures to address the impacts of the COVID-19 pandemic. In particular, we are taking several actions to preserve our liquidity and financial flexibility. Such measures include, but are not limited to, borrowing under our senior revolving credit facility, delaying certain tax payments as permitted by the Internal Revenue Service and the Coronavirus Aid, Relief, and Economic Security, or CARES, Act, increasing our borrowings from existing or new Federal Home Loan Bank memberships, reducing our discretionary spending and temporarily suspending our share repurchase activity.

We continue to closely monitor the COVID-19 pandemic as well as resulting legislative and regulatory changes that may impact our business. For additional discussion regarding our risk factors, see Part I, Item 1A, "Risk Factors" included in our 2019 Annual Report on Form 10-K and Part II, Item 1A, "Risk Factors" of this Form 10-Q.

Business Trends

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, as amended, or 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, or the 2018 ACA Decision, which judgment has been stayed pending appeal, could significantly disrupt our business. During 2019, we modestly expanded our participation in the Individual ACA-compliant market. 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 91 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.

In the second quarter of 2019, we began using IngenioRx to market and offer PBM services to fully-insured and self-funded Anthem health plan customers throughout the country, as well as to external customers outside of the health plans we own. The comprehensive PBM services portfolio includes services such as formulary management, pharmacy networks, prescription drug database, member services and mail order capabilities. In July 2019, we announced our first contract win with a third-party health insurer, Blue Cross of Idaho, and IngenioRx began providing PBM services under that contract on January 1, 2020. Also in the second quarter of 2019, IngenioRx began delegating 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. From December 2009 through December 2019, we delegated certain PBM functions and administrative services to Express Scripts Inc., or Express Scripts, pursuant to our PBM agreement with Express Scripts, or the ESI PBM Agreement. We began transitioning existing members from Express Scripts to IngenioRx in the second quarter of 2019, and completed the transition of all of our members by January 1, 2020. We expect IngenioRx to provide our members with more cost-effective solutions and improve our ability to integrate pharmacy benefits within our medical and specialty platform.

Pricing Trends: We strive to price our healthcare benefit products consistent with anticipated underlying medical cost trends. 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, or HIP Fee, on health insurers that write certain types of health insurance on U.S. risks. We price our affected products to cover the impact of the HIP Fee, when applicable. The HIP Fee was suspended for 2019, has resumed for 2020 and has been permanently eliminated 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. Our underlying Local Group medical cost trends reflect the “allowed amount,” or contractual rate, paid to providers. The COVID-19 pandemic has caused, and may continue to cause, deferral of non-emergent or elective health services, which could decrease our claim costs in the short-term and increase our claim costs in the long-term and affect our medical cost trends. Further, the amount and frequency of covered services related to the COVID-19 disease could have a material adverse effect on our claim costs. In response to the current crisis, we expanded coverage for certain members in our affiliated health plans undergoing treatment related to a COVID-19 diagnosis. The expansion waives cost sharing for COVID-19 treatment received through May 31, 2020. Governmental action has required us to provide full coverage for COVID-19 testing to our members, and future governmental action could require us to provide additional coverage. We continue to closely monitor the COVID-19 pandemic and its impacts to our business, financial condition, results of operations and medical cost trend.

For additional discussion regarding business trends, see Part I, Item 1, “Business” included in our 2019 Annual Report on Form 10-K.

Regulatory Trends and Uncertainties

Federal and state legislation has been enacted, and is likely to continue to be enacted, in response to the COVID-19 pandemic that have had, and we expect will continue to have, a significant impact on all of our lines of business, including mandates to waive cost-sharing on COVID-19 testing and related services. As of April 21, 2020, the federal government has enacted the following four pieces of legislation addressing the COVID-19 pandemic, among others:

- Signed into law on March 6, 2020, the Coronavirus Preparedness and Response Supplemental Appropriations Act provided supplemental appropriations for the Department of Health and Human Services, the State Department, and the Small Business Administration to respond to the COVID-19 pandemic, as well as certain reforms, including waiving Medicare originating site restrictions for qualified providers providing telehealth services.
- Signed into law on March 19, 2020, the Families and Workers First Act enacted a prohibition on prior authorization and cost-sharing for certain items and services related to COVID-19 tests.
- Signed into law on March 27, 2020, the CARES Act provided financial support to health care providers, including expansion of the Medicare accelerated payment program to all providers receiving Medicare payments. The CARES Act also provided a broad lending program for small businesses to help keep their workers employed and healthcare benefits covered in the group market.
- Signed into law on April 24, 2020, the Paycheck Protection Program and Health Care Enhancement Act allocated additional funds to replenish and administer small business loan programs and increased financial support to providers and bolstered COVID-19 testing.

In addition, these legislative reforms and the Internal Revenue Service Notice 2020-23, or IRS Notice 2020-23, issued in April 2020 in response to the COVID-19 pandemic included tax deferrals and other beneficial provisions, including delay of certain payroll and federal income tax payments, which we expect to have a positive impact on our 2020 cash flows. For more information on measures we have taken to increase our cash on hand, see “Future Sources and Uses of Liquidity” in this MD&A.

Regulatory changes have also been enacted, and are likely to continue to be enacted, at the state and federal level in response to the COVID-19 pandemic. Those changes, which could have a significant impact on health benefits, consumer eligibility for public programs, and cash flows, include mandated expansion of premium payment terms including the time period for which claims can be denied for lack of payment, mandates related to prior authorizations and payment levels to providers, additional consumer enrollment windows, and increased ability to provide services through telehealth. We have begun providing extensions to premium payment terms in certain situations and continue to work closely with state regulators that are mandating or requesting such relief.

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, including the 2018 ACA Decision, which judgment has been stayed pending appeal, continue to contribute to this uncertainty. In a separate development, in April 2020, the U.S. Supreme Court ruled that the federal government is required to pay health insurance companies for amounts owed, as calculated under the risk corridor program of the ACA. We will review this ruling and recognize the impact, if any, in a future reporting period. We will continue to evaluate the impact of the ACA as any further developments or judicial rulings occur.

The annual HIP Fee is 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. We record our estimated liability for the HIP Fee in full at the beginning of the year with a corresponding deferred asset that is amortized on a straight-line basis to selling, general and administrative expense. The final calculation and payment of the annual HIP Fee is due by September 30 th of each fee year. The HIP Fee is non-deductible for federal income tax purposes. Our affected products are priced to cover the increased selling, general and administrative and income tax expenses associated with the HIP Fee. The total amount due from allocations to all health insurers is $15,523 for 2020. For the three months ended March 31, 2020, we estimated our portion

of the HIP Fee to be $417 , which was recognized as general and administrative expense. There was no corresponding expense for 2019 due to the suspension of the HIP Fee for 2019.

For additional discussion regarding regulatory trends and uncertainties and risk factors, see Part I, Item 1, “Business - Regulation” and 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 2019 Annual Report on Form 10-K and Part II, Item 1A, “Risk Factors” of this Form 10-Q.

Other Significant Items

On February 28, 2020, we completed our acquisition of Beacon Health Options, Inc., or 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 aligns 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.

In January 2019, we exercised our contractual right to terminate the ESI PBM Agreement, and we completed the transition of our members from Express Scripts to IngenioRx on 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.

In May 2017, we announced that we were terminating the Agreement and Plan of Merger, or Cigna Merger Agreement, between us and Cigna Corporation. For additional information about ongoing litigation related to the Cigna Merger Agreement, 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.

Selected Operating Performance

For the twelve months ended March 31, 2020 , total medical membership increased 1.3 , or 3.2% . Our medical membership grew in both Government Business and Commercial & Specialty Business segments. The increase in medical membership in our Government Business segment was primarily due to fully-insured membership growth in our Medicaid and Medicare businesses. The increase in medical membership in our Commercial & Specialty Business segment was primarily driven by growth in our self-funded business, partially offset by declines in our fully-insured membership.

Operating revenue for the three months ended March 31, 2020 was $29,448 , an increase of $5,060 , or 20.7% , from the three months ended March 31, 2019 . The increase was driven by pharmacy product revenue related to the launch of IngenioRx. The increase was further attributable to higher premium revenue from rate increases across our businesses designed to cover overall cost trends and the impact of the HIP Fee reinstatement for 2020, and membership growth in our Government Business segment.

Net income for the three months ended March 31, 2020 was $1,523 , a decrease of $28 , or 1.8% , from the three months ended March 31, 2019 . The decrease in net income was primarily due to lower operating results in our Commercial & Specialty Business segment, higher income tax expense due to the HIP Fee reinstatement for 2020 and net realized losses on financial instruments compared to net realized gains on financial instruments in the three months ended March 31, 2019. The decrease in net income was partially offset by favorable operating results in our IngenioRx segment and higher operating results in our Other and Government Business segments.

Our diluted earnings per share, or EPS, was $5.94 for the three months ended March 31, 2020 , which represented a 0.5% increase from EPS of $5.91 for the three months ended March 31, 2019 . This increase resulted from the impact of a lower number of shares outstanding in 2020, partially offset by the decrease in net income.

Operating cash flow for the three months ended March 31, 2020 and 2019 was $2,515 and $1,630 , respectively. This increase was primarily attributable to higher premium receipts as a result of the HIP Fee reinstatement in 2020 as well as other changes in working capital.

Membership

The following table presents our medical membership by customer type, funding arrangement and reportable segment as of March 31, 2020 and 2019 . Also included below is other membership by product. At this time, the following table does not include membership resulting from our acquisition of Beacon. 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. For a more detailed description of our medical membership, see the "Membership" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2019 Annual Report on Form 10-K.

	March 31			
(In thousands)	**2020**	**2019**	**Change**	**% Change**
Medical Membership				
Customer Type				
Local Group	15,848	15,697	151	1.0 %
Individual	717	773	(56)	(7.2)%
National:				
National Accounts	7,898	7,757	141	1.8 %
BlueCard ®	6,197	5,981	216	3.6 %
Total National	14,095	13,738	357	2.6 %
Medicare:				
Medicare Advantage	1,341	1,144	197	17.2 %
Medicare Supplement	914	867	47	5.4 %
Total Medicare	2,255	2,011	244	12.1 %
Medicaid	7,615	7,033	582	8.3 %
Federal Employees Health Benefits	1,614	1,591	23	1.4 %
Total Medical Membership by Customer Type	42,144	40,843	1,301	3.2 %
Funding Arrangement				
Self-Funded	26,120	25,495	625	2.5 %
Fully-Insured	16,024	15,348	676	4.4 %
Total Medical Membership by Funding Arrangement	42,144	40,843	1,301	3.2 %
Reportable Segment				
Commercial & Specialty Business	30,660	30,208	452	1.5 %
Government Business	11,484	10,635	849	8.0 %
Total Medical Membership by Reportable Segment	42,144	40,843	1,301	3.2 %
Other Membership				
Life and Disability Members	5,158	4,849	309	6.4 %
Dental Members	6,172	5,955	217	3.6 %
Dental Administration Members	1,311	5,491	(4,180)	(76.1)%
Vision Members	7,510	7,169	341	4.8 %
Medicare Part D Standalone Members	383	289	94	32.5 %

Medical Membership

Total medical membership grew in both Government Business and Commercial & Specialty Business segments as well as by funding arrangement. Fully-insured membership increased primarily due to growth in our Medicaid and Medicare businesses, partially offset by the membership decreases in our fully-insured Local Group business resulting from lapses and in-group change exceeding sales and in our Individual business resulting from attrition in our non-ACA-compliant off-exchange product offerings. Self-funded medical membership increased primarily as a result of higher BlueCard ® activity at other Blue Cross Blue Shield Association, or BCBSA, plans whose members reside in or travel to our licensed areas. The increase in self-funded membership was further attributable to membership increases in our National Accounts business resulting from our acquisition of a third-party administrator, or TPA, and in our Local Group self-funded business resulting from in-group change. Medicaid membership increased primarily due to our acquisition of Medicaid plans in Missouri and Nebraska and organic growth in existing markets. Medicare membership increased primarily due to higher sales during open enrollment exceeding lapses. Local Group membership increased due to our TPA acquisition, new sales and favorable in-group change exceeding lapses. National Accounts membership increased primarily due to our TPA acquisition.

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. We have experienced growth in our life and disability and dental memberships primarily due to higher sales in our Local Group business. Dental administration membership decreased due to the lapse of a large dental administration services contract. Vision membership increased due to higher sales in our Medicare and Local Group businesses.

Consolidated Results of Operations

Our consolidated summarized results of operations and other financial information for the three months ended March 31, 2020 and 2019 are as follows:

	Three Months Ended March 31			
	2020	2019	$ Change	% Change
Total operating revenue	$ 29,448	$ 24,388	$ 5,060	20.7 %
Net investment income	254	210	44	21.0 %
Net realized (losses) gains on financial instruments	(24)	78	(102)	(130.8)%
Impairment losses recognized in income	(57)	(10)	(47)	470.0 %
Total revenues	29,621	24,666	4,955	20.1 %
Benefit expense	21,489	19,282	2,207	11.4 %
Cost of products sold	1,984	—	1,984	NM
Selling, general and administrative expense	3,781	3,166	615	19.4 %
Other expense [1]	278	273	5	1.8 %
Total expenses	27,532	22,721	4,811	21.2 %
Income before income tax expense	2,089	1,945	144	7.4 %
Income tax expense	566	394	172	43.7 %
Net income	$ 1,523	$ 1,551	$ (28)	(1.8)%
Average diluted shares outstanding	256.4	262.3	(5.9)	(2.2)%
Diluted net income per share	$ 5.94	$ 5.91	$ 0.03	0.5 %
Effective tax rate	27.1%	20.3%		680bp [3]
Benefit expense ratio [2]	84.2%	84.4%		(20)bp [3]
Selling, general and administrative expense ratio [4]	12.8%	13.0%		(20)bp [3]
Income before income tax expense as a percentage of total revenues	7.1%	7.9%		(80)bp [3]
Net income as a percentage of total revenues	5.1%	6.3%		(120)bp [3]

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 (gain) 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, 2020 and 2019 were $25,517 and $22,843 , respectively. Premiums are included in total operating revenue presented above.
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, 2020 Compared to the Three Months Ended March 31, 2019

The increase in total operating revenue was primarily due to product revenue and higher premiums. Product revenue represents services performed by our IngenioRx pharmacy benefit manager for unaffiliated PBM customers as well as ingredient costs (net of any rebates or discounts), including co-payments made by or on behalf of the customer, and administrative fees. There was no product revenue recognized in the three months ended March 31, 2019, as IngenioRx began its operations during the second quarter of 2019. The higher premiums were due to rate increases across our businesses designed to cover overall cost trends and the impact of the HIP Fee reinstatement for 2020, and membership growth in our Government Business segment.

We recognized net realized losses on financial instruments in the first quarter of 2020 compared to net realized gains on financial instruments in the first quarter of 2019. This change was primarily due to a decrease in net realized gains on equity securities reflecting the changes in their fair values during the three months ended March 31, 2020.

Benefit expense increased primarily due to increased costs as a result of growth in our Medicare and Medicaid membership and overall cost trends across our businesses.

Our benefit expense ratio decreased largely due to the impact of the HIP Fee reinstatement for 2020. This decrease was partially offset by the leap year impact of an extra day of claims in the three months ended March 31, 2020 as associated premiums are recognized ratably throughout the year, and margin normalization in our Individual business.

Cost of products sold reflects the cost of pharmaceuticals dispensed by IngenioRx. There was no cost of products sold recognized in the three months ended March 31, 2019, as IngenioRx began its operations during the second quarter of 2019.

Our selling, general and administrative expense increased primarily due to the reinstatement of the HIP Fee for 2020, and to a lesser extent, increased spend to support growth in our businesses.

Our selling, general and administrative expense ratio decreased due to the growth in operating revenue. This decrease was partially offset by the reinstatement of the HIP Fee for 2020 and increased spend to support growth in our businesses.

Our effective income tax rate increased primarily due to the reinstatement of the non-tax deductible HIP Fee for 2020, which resulted in additional income tax expense of $87.

Our net income as a percentage of total revenue decreased during the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 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, or 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) gains on financial instruments, impairment losses recognized in income, interest expense, amortization of other intangible assets, loss (gain) 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, 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.

Beginning in 2020, IngenioRx meets the quantitative thresholds for a reportable segment and the results of our operations are now 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, 2020 and 2019 :

	Three Months Ended March 31			
	2020	2019 [1]	$ Change	% Change
Operating Revenue				
Commercial & Specialty Business	$ 9,361	$ 9,392	$ (31)	(0.3)%
Government Business	17,466	14,925	2,541	17.0 %
IngenioRx	5,197	—	5,197	NM
Other	1,027	548	479	87.4 %
Eliminations	(3,603)	(477)	(3,126)	NM
Total operating revenue	$ 29,448	$ 24,388	$ 5,060	20.7 %
Operating Gain (Loss)				
Commercial & Specialty Business	$ 1,420	$ 1,598	$ (178)	(11.1)%
Government Business	411	374	37	9.9 %
IngenioRx	349	—	349	NM
Other	14	(32)	46	NM
Operating Margin				
Commercial & Specialty Business	15.2%	17.0%		(180)bp
Government Business	2.4%	2.5%		(10)bp
IngenioRx	6.7%	—%		NM

1 During the second quarter of 2019, we reclassified DBG from our Government Business segment to our Other segment to reflect changes in how our segments are being managed. Accordingly, certain amounts for the three months ended March 31, 2019 have been reclassified to conform to the current year presentation for comparability.

Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019

Commercial & Specialty Business

Operating revenue decreased due to membership declines in our Individual and Local group fully-insured businesses and the absence of pharmacy administrative fee revenue that is now recognized within the IngenioRx segment. These decreases were partially offset by the rate increases designed to cover overall cost trends and the impact of the HIP Fee reinstatement for 2020.

The decrease in operating gain was primarily driven by margin normalization in our Individual business and the shift of pharmacy earnings to our IngenioRx segment. The decrease was further due to the leap year impact of an extra day of claims in the three months ended March 31, 2020. These decreases were partially offset by growth in our value-added services.

Government Business

Operating revenue increased primarily due to higher premium revenue as a result of organic growth, acquisitions and new expansions in our Medicaid business and membership growth in our Medicare business. The increase in premium revenue was further attributable to rate increases designed to cover overall cost trends and the HIP Fee reinstatement for 2020.

The increase in operating gain was primarily driven by premium rate adjustments and membership growth in our Medicaid business, as well as the impact of the HIP Fee reinstatement for 2020. These increases in operating gain were partially offset by an increase in selling, general and administrative spend to support growth in our businesses and the leap year impact of an extra day of claims in the three months ended March 31, 2020.

IngenioRx

Operating revenue and operating gain increased as a result of IngenioRx commencing operations during the second quarter of 2019. Operating revenue represents product revenues from services performed for our fully-insured Anthem health plans and self-funded customers and external customers outside of the health plans we own. Product revenues and cost of goods sold for Anthem health plans are eliminated in consolidation. Operating gain represents operating revenue less cost of products sold and selling, general and administrative expenses.

Other

Operating revenue increased primarily due to higher administrative fees and other revenue from services performed by DBG in certain markets and our acquisition of Beacon in February 2020.

The increase in operating gain was due to growth in value-added services performed by DBG for our other segments.

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 2019 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, 2019 , 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, 2020 , our critical accounting policies and estimates have not changed from those described in our 2019 Annual Report on Form 10-K, except for the policies related to investments and receivables, which changed as a result of the adoption of a new accounting pronouncement.

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, 2020 , our critical accounting policies and estimates related to medical claims payable have not changed from those described in our 2019 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, 2020 and 2019 , 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, 2020 and 2019 , 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.

	Favorable Developments by Changes in Key Assumptions	
	Three Months Ended March 31	
	2020	2019
Assumed trend factors	$ 510	$ 345
Assumed completion factors	190	110
Total	$ 700	$ 455

The favorable development recognized in the three months ended March 31, 2020 and 2019 resulted primarily from trend factors in late 2019 and late 2018 , respectively, developing more favorably than originally expected. Favorable

development in the completion factors resulting from the latter parts of 2019 and 2018 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 64.7% for both the three months ended March 31, 2020 and 2019 . This ratio serves as an indicator of claims processing speed whereby claims were processed at approximately the same speed during the three months ended March 31, 2020 and 2019.

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, 2020 , this metric was 8.8% , largely driven by favorable trend factor development at the end of 2019 as well as favorable completion factor development from 2019. For the three months ended March 31, 2019 , this metric was 6.7% , largely driven by favorable trend factor development at the end of 2018 as well as favorable completion factor development from 2018.

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, 2020 , this metric was 0.9% , which was calculated using the redundancy of $700 . For the three months ended March 31, 2019 , the comparable metric was 0.7% , which was calculated using the redundancy of $455 . We believe these metrics demonstrate a generally consistent level of reserve conservatism.

Investments

On January 1, 2020, we adopted Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, or ASU 2016-13. The amendments in ASU 2016-13 replaced the incurred loss model for measuring expected credit losses and require expected losses on available-for-sale fixed maturity securities to be recognized through an allowance for credit losses rather than as reductions in the amortized cost of the securities. There were no other changes to our accounting policy for investments, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019. For additional information, see Note 4, “Investments” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

The COVID-19 pandemic and efforts to prevent its spread have drastically impacted the global economy, causing market instability and significantly decreasing the worldwide demand for energy. We regularly evaluate our fixed maturity securities for declines and impairment, as well as industry risk, and as a result of our evaluation, we recognized a $49 credit loss allowance for our energy sector fixed maturity securities for the three months ended March 31, 2020. At March 31, 2020, we held $888 of these securities, which have the potential to be further impaired if oil and natural gas prices stay at current levels or further decline. At March 31, 2020, we also held $249 of equity investments in certain energy sector joint ventures, for which the fair value is estimated based on each security’s current condition and future cash flow projections. Given the uncertainty of changes in market conditions, there is a risk that declines in fair value of these investments may occur in the near future and further impairment losses may need to be recorded.

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. Given the recent market volatility, there is a risk that the value of some of these investments may decline in future periods.

Additional discussion regarding the impact of COVID-19 on our business, cash flows, financial condition and results of operations can be found elsewhere in this MD&A.

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, 2020 , 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 drastically impacted the economy, causing market instability and increasing unemployment in the United States. While the full impact of COVID-19 on our business is currently uncertain, it could have a material adverse effect on our claim payments, collection of our premiums, product or administrative fee revenues, investments and our ability to access credit. Additional discussion regarding the impact of COVID-19 can be found elsewhere in this MD&A.

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 2019 Annual Report on Form 10-K.

For additional information regarding our sources and uses of capital during the three months ended March 31, 2020 , see Note 5, "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, 2020 and 2019 is as follows:

	Three Months Ended March 31		2020 vs. 2019
	2020	2019	Change
Sources of Cash:			
Net cash provided by operating activities	$ 2,515	$ 1,630	$ 885
Issuances of commercial paper and short- and long-term debt, net of repayments	1,528	67	1,461
Proceeds from issuance of common stock under employee stock plans	44	76	(32)
Other sources of cash, net	—	28	(28)
Total sources of cash	4,087	1,801	2,286
Uses of Cash:			
Purchases of investments, net of proceeds from sales, maturities, calls and redemptions	(571)	(440)	(131)
Purchases of subsidiaries, net of cash acquired	(1,908)	—	(1,908)
Repurchase and retirement of common stock	(529)	(294)	(235)
Purchases of property and equipment	(204)	(234)	30
Cash dividends	(240)	(206)	(34)
Other uses of cash, net	(225)	(78)	(147)
Total uses of cash	(3,677)	(1,252)	(2,425)
Effect of foreign exchange rates on cash and cash equivalents	(2)	(1)	(1)
Net increase in cash and cash equivalents	$ 408	$ 548	$ (140)

The increase in cash provided by operating activities was primarily attributable to higher premium receipts as a result of the HIP Fee reinstatement in 2020 as well as other changes in working capital.

Other significant changes in sources or uses of cash year-over-year included increases in cash paid for acquisitions, cash paid for repurchase and retirement of common stock and receipt of net proceeds from the issuances of commercial paper and short- and long-term debt.

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 $26,301 at March 31, 2020 . Since December 31, 2019 , total cash, cash equivalents and investments in fixed maturity and equity securities increased by $174 , primarily due to cash generated from operations and net proceeds from borrowings. These increases were partially offset by cash paid for acquisitions, common stock repurchases, cash dividends paid to shareholders and purchases of property and equipment.

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, 2020 , we held $1,689 of cash, cash equivalents and investments at the parent company, which are available for general corporate use, including investment in our businesses, 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, or 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 41.7% and 39.5% as of March 31, 2020 and December 31, 2019 , respectively.

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

The COVID-19 pandemic and efforts to prevent its spread have drastically 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 have taken several recent actions to preserve our liquidity and financial flexibility. As a precautionary measure, we borrowed $300 on our senior revolving credit facility in March 2020. This $300 was repaid in April 2020. 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. In addition, in the second quarter of 2020, we expect to extend the term of our 364-day senior revolving credit facility to expire in June 2021.

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.

Other measures we have taken include reducing our discretionary spending and temporarily suspending our share repurchase activity. To increase our cash on hand, we are delaying our quarterly estimated federal income tax payments normally due during the second quarter of 2020 until July 15, 2020, as provided for by IRS Notice 2020-23. We are also delaying certain payroll tax payments as permitted by the CARES Act. We may take additional actions going forward to maximize our liquidity, including increasing our borrowings from existing or new Federal Home Loan Bank memberships and other available borrowings. We will continue to monitor the market conditions and act in a prudent manner. Additional discussion regarding the impact of COVID-19 can be found elsewhere in this MD&A.

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 and the financing of possible acquisitions or business expansions.

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, 2020 , see Note 4, “Investments,” Note 5, “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, or RBC, requirements for health and other insurance companies and health maintenance organizations largely based on the National Association of Insurance Commissioners, or NAIC, 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, 2019 , 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 21, “Statutory Information,” in our audited consolidated financial statements as of and for the year ended December 31, 2019 included in our 2019 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 2019 Annual Report on Form 10-K other than our entry into a vendor agreement for information technology infrastructure and related management and support services and an increase in our borrowings. For additional information regarding our estimated contractual obligations and commitments, see Note 5, “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, or 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, or CMS, 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, government investigations, audits or reviews; the ultimate outcome of litigation between Cigna Corporation and us related to the merger agreement between the parties and the potential for such litigation to cause us to incur substantial additional costs, including potential settlement and judgment costs; risks and uncertainties related to our pharmacy benefit management, or 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; 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; changes in U.S. tax laws; 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 2019 Annual Report on Form 10-K. There have been no material changes to any of these risks since December 31, 2019 .

ITEM 4. CONTROLS AND PROCEDURES

We carried out an evaluation as of March 31, 2020 , 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, or 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.

During the three months ended March 31, 2020, we implemented certain additional controls associated with our IngenioRx PBM business. Other than these new controls, there have been no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2020 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, 2020 , 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.

ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes to the risk factors disclosed in our 2019 Annual Report on Form 10-K.

The following risk factor has been added:

The outbreak of the COVID-19 pandemic and measures taken to prevent its spread are adversely affecting our business in a number of ways, and we are unable to predict the full extent of those impacts on our business, cash flows, financial condition and results of operations, but the impact could be material.

The ongoing COVID-19 pandemic has caused illness, deaths, quarantines, business and school shutdowns, reductions in business activity, travel and financial transactions, unemployment, labor shortages, supply chain interruptions and overall economic and financial market instability, and it underscores and may heighten certain risks we face in our business, including those discussed in our 2019 Annual Report on Form 10-K.

We are closely monitoring developments related to the COVID-19 pandemic to assess its ongoing impact on our business. While we expect the impacts of COVID-19, and the actions taken to contain its spread or address its impacts, to have an adverse effect on our business, cash flows, financial condition and results of operations, the extent of those impacts will depend on future developments, which are highly uncertain and cannot be predicted at this time, including, but not limited to, the transmission rate, duration and spread of the outbreak, its severity, the extent and effectiveness of the actions taken to contain the spread of the virus and address its impacts, and how quickly and to what extent normal economic and operating conditions can resume. Factors that could negatively

impact our ability to operate successfully during or following the COVID-19 pandemic, or that could otherwise significantly adversely impact and disrupt our business, cash flows, financial condition and results of operations include, but are not limited to, the following:

- Increased healthcare costs due to higher utilization rates of medical facilities and services, medical expenses and other increases in associated hospital and pharmaceutical costs. We have begun to offer our members expanded benefit coverage, such as providing full coverage for COVID-19 testing and treatment, and governmental action has required, and may continue to require, us to provide additional coverage.
- A reduction in enrollment in our health benefits and pharmacy benefit management products and services, or a change in membership mix to less profitable lines of business, as a result of reductions in workforce by existing customers and other impacts of an economic downturn.
- Cash flow volatility or shortfalls caused by an increase in delayed, delinquent or non-collectable payments from customers and government payers.
- Reductions in our operating effectiveness as our employees work from home or otherwise are impacted by COVID-19. We have transitioned nearly all of our employee population to a remote work environment in an effort to mitigate the spread of COVID-19, which may exacerbate certain risks to our business, including an increased demand for information technology resources, increased risk of phishing and other cybersecurity attacks, and increased risk of unauthorized dissemination of sensitive personal information or proprietary or confidential information about us, our members or other third parties.
- Disruptions in our normal business operations due to disruptions in public and private infrastructure, including communications, financial services and supply chains.
- Loss of functionality due to the disruption of services provided to us by third-party vendors, including as a result of financial difficulties experienced by such vendors and the impact of vendor employees working from home or otherwise being impacted by COVID-19.
- Increased cost of capital and limited ability to access the capital markets due to disruption and volatility in global financial markets or a downgrade in our credit rating.
- A further decrease in the value of our investments, which may result in additional losses charged to income.
- An increase in our effective income tax rate due to the impacts of COVID-19 on our income and other factors described above and the non-tax deductibility of the HIP Fee.

For more information on how these and other risks may further affect our business, please see Part I, Item 1A, “Risk Factors” in our 2019 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:

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs [2]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
(in millions, except share and per share data)				
January 1, 2020 to January 31, 2020	509,949	$ 298.71	509,300	$ 3,640
February 1, 2020 to February 29, 2020	671,852	278.76	670,900	3,453
March 1, 2020 to March 31, 2020	1,135,798	261.46	740,058	3,263
	2,317,599		1,920,258	

1 Total number of shares purchased includes 397,341 shares delivered to or withheld by us in connection with employee payroll tax withholding upon 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, 2020 , we repurchased 1,920,258 shares at a cost of $529 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 Board of Director's most recent authorized increase to the program was $5,000 on December 7, 2017. 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

Exhibit Number			Exhibit
3.1			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.
3.2			Bylaws of the Company, as amended effective April 8, 2020, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 8, 2020.
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.
4.8			Description of the Company's Securities Registered Pursuant to Section 12 of the Exchange Act.
10.2	*	(l)	Form of Incentive Compensation Plan Nonqualified Stock Option Award Agreement for 2020.
	*	(m)	Form of Incentive Compensation Plan Restricted Stock Unit Award Agreement for 2020.
	*	(n)	Form of Incentive Compensation Plan Performance Stock Unit Award Agreement for 2020.
31.1			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.
31.2			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.
32.1			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.
32.2			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.
101			The following material from Anthem, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ANTHEM, INC.
Registrant

Date: April 29, 2020 By: /s/ JOHN E. GALLINA

John E. Gallina
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Date: April 29, 2020 By: /s/ RONALD W. PENCZEK

Ronald W. Penczek
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 4.8

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The common stock of Anthem, Inc. ("Anthem," "we," "our," or "us") is the only class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended.

The following is a summary of the general terms and provisions of our common stock. This summary does not purport to be complete and is subject to and qualified by reference to our amended and restated articles of incorporation, as amended (our "articles of incorporation") and our bylaws, as amended (our "bylaws"), both of which are filed as exhibits to our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"). For additional information, please read our articles of incorporation, our bylaws and the applicable provisions of the Indiana Business Corporation Law, as amended (the "IBCL").

General

We are authorized to issue up to 900,000,000 shares of common stock, par value $0.01 per share, as well as up to 100,000,000 shares of preferred stock, without par value. We have no shares of preferred stock issued or outstanding.

Each holder of our common stock is entitled to one vote per share of record on all matters to be voted upon by the shareholders. Holders do not have cumulative voting rights in the election of directors or any other matter.

Subject to the preferential rights of the holders of any preferred stock that may at the time be outstanding, each share of common stock will entitle the holder of that share to an equal and ratable right to receive dividends or other distributions (other than purchases, redemptions or other acquisitions of shares by us) if declared from time to time by our board of directors and if there are sufficient funds to legally pay a dividend.

In the event of our liquidation, dissolution or winding up, whether voluntary or involuntary, the holders of common stock will be entitled to share ratably in all assets remaining after payments to creditors and after satisfaction of the liquidation preference, if any, of the holders of any preferred stock that may at the time be outstanding.

Holders of common stock have no preemptive or redemption rights and will not be subject to further calls or assessments by us.

Our common stock trades on the New York Stock Exchange under the symbol "ANTM." Computershare Trust Company, N.A. is the registrar, transfer agent, conversion agent and dividend disbursing agent for the common stock.

Authorized But Unissued Shares

Indiana law does not require shareholder approval for any issuance of authorized shares. Authorized but unissued shares may be used for a variety of corporate purposes, including future public or private offerings to raise additional capital or to facilitate corporate acquisitions. One of the effects of the existence of authorized but unissued shares may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of current management and possibly deprive the shareholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices. In addition, depending on the rights prescribed for any series of preferred stock that may be issued, the issuance of preferred stock could have an adverse effect on the voting power of the holders of common stock or could impose restrictions upon the payment of dividends and other distributions to the holders of common stock.

Limitations on Ownership of Our Common Stock in Articles of Incorporation

As required under our licenses with the Blue Cross and Blue Shield Association ("BCBSA"), our articles of incorporation contain certain limitations on the ownership of our common stock. Our articles of incorporation provide that no person may beneficially own shares of voting capital stock in excess of specified ownership limits, except with the prior approval of a majority of the "continuing directors." The ownership limits, which may not be exceeded without the prior approval of the BCBSA, are the following:

- for any institutional investor (as defined in our articles of incorporation), one share less than 10% of our outstanding voting securities;

- for any non-institutional investor (as defined in our articles of incorporation), one share less than 5% of our outstanding voting securities; and
- for any person, one share less than the number of shares of our common stock or other equity securities (or a combination thereof) representing a 20% ownership interest in us.

Any transfer of stock that would result in any person beneficially owning shares of capital stock in excess of any ownership limit will result in the intended transferee acquiring no rights in the shares exceeding such ownership limit (with certain exceptions) and the person's excess shares will be deemed transferred to an escrow agent to be held until the shares are transferred to a person whose ownership of the shares will not violate the ownership limit.

Certain Other Provisions of Our Articles of Incorporation and Bylaws

Certain other provisions of our articles of incorporation and bylaws may delay or make more difficult unsolicited acquisitions or changes of control of us. These provisions could have the effect of discouraging third parties from making proposals involving an unsolicited acquisition or change in control of us, although these proposals, if made, might be considered desirable by a majority of our shareholders. These provisions may also have the effect of making it more difficult for third parties to cause the replacement of the current management without the concurrence of the board of directors. These provisions include:

- the division of the board of directors into three classes serving staggered terms of office of three years;
- provisions limiting the maximum number of directors to 19;
- provisions requiring that, except in certain limited circumstances, the filling of any vacancy on the board of directors must be approved by a majority of continuing directors; and
- requirements for advance notice for raising business or making nominations at shareholders' meetings.

Our bylaws establish an advance notice procedure with regard to business to be brought before an annual or special meeting of shareholders and advance notice and proxy access procedures with regard to the nomination of candidates for election as directors, other than by or at the direction of the board of directors. Although our bylaws do not give the board of directors any power to approve or disapprove shareholder nominations for the election of directors or proposals for action, they may have the effect of precluding a contest for the election of directors or the consideration of shareholder proposals if the established procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its proposal without regard to whether consideration of those nominees or proposals might be harmful or beneficial to us and our shareholders.

In addition, our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim for breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or certain specified constituents of ours, (c) any action asserting a claim arising pursuant to any provision of the IBCL or our articles of incorporation or bylaws, or (d) any action asserting a claim governed by the internal affairs doctrine, will be, to the fullest extent permitted by law, the Marion Superior Court in Marion County, Indiana or, if the Marion Superior Court lacks jurisdiction, the United States District Court for the Southern District of Indiana.

Amendment and Repeal of Bylaws

Our articles of incorporation and bylaws provide that the bylaws may be altered, amended or repealed by either (1) the affirmative vote of a majority of the entire number of directors, or (2) except for certain provisions of the bylaws, the affirmative vote, at a shareholder meeting, of at least a majority of the votes entitled to be cast by the holders of the outstanding shares of all classes of our stock entitled to vote generally in the election of directors, considered for this purpose as a single voting group.

Certain Provisions of the Indiana Business Corporation Law

As an Indiana corporation, we are governed by the IBCL. The following are some of the more significant provisions of the IBCL that may delay, prevent or make more difficult certain unsolicited acquisitions or changes of control of us. These provisions also may have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions which shareholders may otherwise deem to be in their best interest.

Control Share Acquisitions. Under Chapter 42 of the IBCL, an acquiring person or group who acquires, directly or indirectly, ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding "control shares" in an "issuing public corporation" may not exercise voting rights on any control shares unless these voting rights are conferred by a majority vote of the disinterested shareholders of the issuing public corporation at a special meeting of those shareholders held upon the request and at the expense of the acquiring person. If the acquiring person has acquired control shares with a majority of the voting power and the control shares are accorded full voting rights by the disinterested shareholders, the disinterested shareholders of the issuing public corporation have dissenters' rights to receive the fair value of their shares pursuant to Chapter 44 of the IBCL. We are an "issuing public corporation" as defined under Chapter 42.

Under Chapter 42, "control shares" means shares acquired by a person that, when added to all other shares of the issuing public corporation owned by that person or in respect to which that person may exercise or direct the exercise of voting power, would otherwise entitle that person to exercise voting power of the issuing public corporation in the election of directors within any of the following ranges: (i) one-fifth or more but less than one-third; (ii) one-third or more but less than a majority; or (iii) a majority or more.

Chapter 42 does not apply if, before a control share acquisition is made, the corporation's articles of incorporation or bylaws, including a bylaw adopted by the corporation's board of directors, provide that they do not apply. Our bylaws provide that we are not subject to Chapter 42; however, our board of directors could amend our bylaws to rescind our election to opt out of Chapter 42.

Certain Business Combinations. Chapter 43 of the IBCL restricts the ability of an Indiana corporation that has 100 or more shareholders to engage in any combinations with an "interested shareholder" for five years after the date the shareholder became an "interested shareholder" (such date, the "share acquisition date"), unless the combination or the purchase of shares by the interested shareholder on the interested shareholder's share acquisition date is approved by the board of directors of the corporation before the share acquisition date. If such prior approval is not obtained, the interested shareholder may effect a combination after the five-year period only if that shareholder receives approval from a majority of the disinterested shareholders or the offer meets specified fair price criteria.

For purposes of Chapter 43, "interested shareholder" means any person, other than the corporation or its subsidiaries, who is (1) the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the corporation or (2) an affiliate or associate of the corporation, which at any time within the five-year period immediately before the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding shares of the corporation.

Chapter 43 does not apply to corporations that elect not to be subject to Chapter 43 in an amendment to their articles of incorporation approved by a majority of the disinterested shareholders. That amendment, however, cannot become effective until 18 months after its passage and would apply only to share acquisitions occurring after its effective date. Our articles of incorporation do not exclude us from Chapter 43.

Mandatory Classified Board of Directors . Under Chapter 33 of the IBCL, a corporation with a class of voting shares registered with the SEC under Section 12 of the Exchange Act must have a classified board of directors unless the corporation adopts a bylaw expressly electing not to be governed by this provision. Although our articles of incorporation and bylaws provide for a classified board of directors so long as we are required to do so under our licenses with the BCBSA, we adopted an amendment to our bylaws electing not to be subject to this mandatory requirement effective July 29, 2009.

Unanimous Written Consent of Shareholders . Under Chapter 29 of the IBCL, as well as our articles of incorporation and our bylaws, any action required or permitted to be taken by the holders of common stock may be effected only at an annual meeting or special meeting of such holders, and shareholders may act in lieu of such meetings only by unanimous written consent.

EXHIBIT 10.2(l)

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 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. [1]

(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 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.

[1] This retirement provision is deleted in non-annual retention grants.

(c) *Termination without Cause.* 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.* 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.

(a) 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.

(b) 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).

(c) 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:

(a) 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.

(b) 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.

(c) 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.

(d) 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 .

(a) 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.

(b) 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.

(c) 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: Lewis Hay III
Its: Chair, Compensation Committee of the Board of Directors

EXHIBIT 10.2(m)

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. [1]

(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.* 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.

(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 or Retirement, then all Restricted Stock

[1] This retirement provision is deleted in non-annual retention grants.

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 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.

(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 .

(a) 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.

(b) 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).

(c) 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:

(a) 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.

(b) 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.

(c) 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.

(d) 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 .

(a) 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.

(b) 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.

(c) 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: Lewis Hay III
Its: Chair, Compensation 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 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 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. [1]

(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* . 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.

(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 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.

[1] This retirement provision is deleted in non-annual retention grants.

(e) *Termination after Change of Control*. 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 unvested 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 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.

(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 .

(a) 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.

(b) 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).

(c) 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:

(a) 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.

(b) 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.

(c) 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.

(d) 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 .

(a) 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.

(b) 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.

(c) 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: Lewis Hay III
Its: Chair, Compensation Committee
of the Board of Directors

Exhibit 31.1

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 29, 2020

/s/ GAIL K. BOUDREAUX

President and Chief Executive Officer

Exhibit 31.2

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 29, 2020

/s/ JOHN E. GALLINA

Executive Vice President and
Chief Financial Officer

Exhibit 32.1

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, 2020 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 29, 2020

Exhibit 32.2

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, 2020 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

John E. Gallina

Executive Vice President and Chief Financial Officer

April 29, 2020