Good morning to everyone on the line, and thank you for joining us today. I'm Steve Tanal, Anthem's new Vice President of Investor Relations, and I couldn't be more excited to address you from this side of the table. It has been 4 weeks since I joined Anthem and less than 7, since I was a Wall Street analyst covering payers and providers. Before I joined, I saw an organization that had transformed its culture, modernized its business, delivered stellar results, but still had so much opportunity in front of it to leverage it's unique, deep-rooted benefits businesses and increasingly vertically integrated structure to make a positive difference in people’s health and people’s lives, all while growing shareholder value.

I was drawn to Anthem’s balanced set of diverse businesses that lend resilience in any macroeconomic backdrop, and I was inspired by the company’s purpose, improving the health of humanity. I felt compelled to help build something unique and truly special. What clinched my decision to uproot my family from New York and move to Indianapolis was ultimately the people. I feel privileged to be working alongside what I believe to be one
of the strongest, most genuine group of talented and hard-working leaders here at Anthem. I hope that you'll find today's content as compelling as I do, and I look forward to interacting with you going forward as Anthem's new Head of Investor Relations.

Before I turn the floor over to Gail, I will remind you that during our presentations today, we will make forward-looking statements. Listeners are cautioned that these statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of Anthem. These risks and uncertainties can cause actual results to differ materially from our current expectations.

We advise listeners to carefully review the risk factors discussed in our SEC filings.

We will also reference certain non-GAAP measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are available on our website, antheminc.com.

Now it's my pleasure to introduce Anthem's President and CEO, Gail Boudreaux.

Gail Koziara Boudreaux - Anthem, Inc. - President, CEO & Director

Welcome, everyone, and thank you for joining us. We're looking forward to an engaging morning. At our last Investor Day, we invited you to meet Anthem with its new leadership team, strategy, and vision. Fast forward to 2021, and the traditional insurance company that we were has given way to the digitally enabled platform for health we are becoming. Today, we may well need to introduce you to Anthem again.

The strategy that we laid out 2 years ago was to deliver operational excellence while driving strong top and bottom line growth. On both fronts, we've delivered. We've integrated our back office systems, modernized our business, built an integrated PBM and have been rapidly scaling a diversified portfolio of health services focused on complex and chronic care. The Anthem of today has the most balanced and resilient health benefits portfolio in the market and a modern approach to doing business with strategic and synergistic health services that serve Anthem and external customers.

Over the past 2 years, we've led the industry in organic membership growth, adding nearly 3 million new consumers, increased operating revenue by 32% and delivered a 19% increase in annualized adjusted EPS. We're pleased with this growth, but what excites us most is the opportunity to extend our role from a partner in health benefits to a lifetime trusted partner in health. We will continue to serve consumers at all stages of their lives across both our Commercial and Government Business segments.

Over the next 5 years, we see a meaningful double-digit growth opportunity in Medicare Advantage by increasing share in our Blue branded markets, to levels comparable to our leading Commercial and Medicaid businesses. We also see significant opportunities to grow our share of the special needs and the dually eligible populations through leveraging our whole health and complex care management capabilities. To drive this growth, we will leverage our unique market depth and history as a partner across the health ecosystem in the 32 states in which we offer health benefits, and across all 50 states in which we offer health services.

We will also continue to grow our partnerships and alliances nationally, with more than 600 national employers and over 1.1 million care providers, the Blue system, alliance partners and our government and Commercial customers, offering the digital analytics and care delivery solutions of our consumers and our customers' needs. Finally, we will drive health beyond health care, integrating and empowering our assets through a continued expansion of our digital platform.

This platform strategy is grounded in data and deploys predictive analytics, artificial intelligence, machine learning and collaboration across the value chain to produce proactive, personalized solutions for our consumers, care providers, employers and communities. By leveraging these digital capabilities, we will build upon our broad Anthem portfolio of pharmacy, behavioral, clinical and complex care assets and algorithms to deliver integrated whole person health solutions. Not only will our digital platform and diversified assets support and accelerate the growth of Anthem internally, but also increasingly look to meet the growing needs of our external customers and partners. Let me share with you what this looks like across our businesses. Our Medicare Advantage business continues to deliver impressive results. Membership ended the year of nearly 18% compared to 2019, and we expect another year of double-digit growth, once again outperforming the industry average growth rate.
While we're pleased to have grown our Medicare Advantage business to the fourth largest nationally, we have significant room to deepen our market penetration even further. In our 14 Blue states, our Medicare Advantage market share has increased from 8.4% to 10.2%, demonstrating the trust that seniors place in the brand, the power of our Anthem for lifetime value proposition, supporting consumers as they age into Medicare and the strength of our care provider relationships and deep local partnerships.

Each 1% share increase in Medicare Advantage in our 14 Blue states is worth $1.5 billion in additional revenue. Special needs populations also represent a key growth opportunity for our Government Business that we are uniquely well positioned to address. Given the capabilities within our diversified business group as well as those that roll up into our IngenioRx and Government Business divisions.

The Medicaid business has been a steady for us, helping our members and state partners navigate COVID-19. We've expanded our reach by 2.1 million consumers through a Top 3 bid win rate and the build-out of our Blue Alliance platform to collaborate with 8 other Blue Cross Blue Shield plans and a number of provider alliance partners.

The business is set up to perform for our existing relationships and deliver against an $82 billion opportunity pipeline over the next 5 years. Our Commercial business has shown great resilience and solid growth amidst the pandemic and economic downturn of 2020. We've strengthened our product mix and improved sales tools and execution, resulting in consistently strong sales and retention activity in our risk-based and specialty businesses.

Looking forward, we're focused on reducing the risk to fee-based earnings contribution from 5:1 to 3:1, which would increase the earnings contribution of our fee-based business by more than 60% over time. Since its launch in 2019, IngenioRx is now a $20 billion-plus modern pharmacy management business, delivering an integrated medical and pharmacy care experience for health plans and consumers.

The IngenioRx model is differentiated from a stand-alone PBM in that it's tightly aligned with Anthem's health plans and other health plan partners. This enables IngenioRx to work in partnership with Anthem's medical and behavioral assets to offer a streamlined consumer experience and more effectively manage the total cost of care. Having successfully migrated over 16 million Anthem lives to IngenioRx, we now have the opportunity to expand the IngenioRx footprint and are focused on increasing the pharmacy penetration rate within our fee-based business to greater than 30% over the next 5 years.

Our diversified business group delivered approximately $6 billion in revenue in 2020. In addition to serving Anthem, DBG expects to serve 29 Blue plans as clients by the end of 2021, up from 19 plans since the last Investor Day. This is in addition to our nearly 60 and growing regional and national insurer clients. DBG is aligned around the core pillars of behavioral health, advanced analytics and chronic and complex care to drive meaningful growth, both inside and outside of the company as part of the more than $225 billion market nationally. To support this growth within DBG as well as across all of our businesses, we're delivering on our balanced capital deployment strategy. Our focus is on building our capabilities to support and grow our integrated platform for health as well as expanding our lives and footprint to enable us to serve all individuals across their lifetimes. We're particularly excited about our most recent acquisition, MMM of Puerto Rico, the ninth largest Medicare Advantage plan in the United States, which is now pending. We look forward to serving their 267,000 Medicare Advantage and 305,000 Medicaid constituents, growing our total Anthem membership to an expected 45 million consumers by the end of 2021.

Our strategy for growth combined with the strong results we've delivered since our last Investor Day, gives us great confidence in our ability to maintain our momentum. As a result, we are reaffirming our commitment to annualized adjusted EPS growth of 12% to 15% over the next 5 years. Our vision for the future and strategy for growth are at their core, fueled by a passion for making a positive difference. This is exemplified in our bold new purpose, improving the health of humanity. All of the work across our organization to deliver on our strategy supports this purpose. While improving the health of humanity may sound like an ambitious and lofty goal. In reality, it's the core of what we do. It's about simplifying every single step of the health care journey to make it more affordable, accessible and equitable. Our data and digital innovation teams are instrumental in this effort. We have one of the country's largest integrated health care databases. It links claims data from over 70 million lives, clinical data from over 13 million lives and lab data from over 15 million individuals. This immense data foundation is doubling roughly every 70 to 80 days, and it's the heartbeat of our digital platform. From our dedicated artificial intelligence center in Palo Alto and our digital innovation center in Atlanta, we're translating data into insights, insights into actions and solutions to power our platform and help us improve at every turn with every consumer, broker and care provider interaction.
Together, we expect our employer solution, client information insights, our consumer app, Sydney Health, and our next-generation provider collaboration platform, Health OS, to reach more than 120,000 employer groups, 20 million consumers and 1 million providers by 2023. This digital platform strengthens and connects Anthem’s pharmacy, behavioral, clinical and complex care assets, exponentially expanding our market opportunities.

5 years ago, less than 1% of our consumer interactions were digital. Today, that number is more than 65%. And in 3 years, we expect that to grow to over 90%. Investing in our back-office operations is also critical to our strategic growth plans. Our ambitious goal by 2024 is to automate more than 50% of the work that drives our cost structure. This means moving more than 800 million annual claims to touchless processes, which will free up our associates to focus on value-added work, like alerting our customers about gaps in care and connecting them to programs to drive better health.

Today, Anthem is able to interact with and serve individuals across their entire health journey rather than at a single touch point. Through the expanding diversified assets, including our digital tools, IngenioRx, Beacon's Behavioral Health Care services and CareMore and Aspire assets to support chronic and complex care, we’re able to address our consumers’ full range of needs, medical, behavioral, pharmaceutical and social, all in an integrated fashion.

At our last Investor Day, we shared our goal to align 11 million patients with value-based care providers by 2023. We’re pleased with the progress we’ve made and have already surpassed that mark with more than 12.2 million consumers now covered through value-based programs. Anthem will continue to expand its value-based care relationships with providers, with a goal of achieving approximately 74% of our medical spend in value-based care by 2025.

To support the success of our value-based care partners, we’re using our data and analytical power to generate and share more than 4,000 whole health predictions on a regular and often daily basis. Insights like which consumers are most likely to develop a chronic condition, be at risk for falling or suffer an adverse reaction to a drug, just to name a few. We then take the next step, helping to translate these insights into proactive consumer interventions, like early referrals to case management, working hand-in-hand with care providers towards better patient health.

Driving better health extends beyond medical. Our acquisition of Beacon in 2020 expanded our strategic footprint in the behavioral health space, creating one of the most comprehensive behavioral health networks and care models in the country. As part of our integration strategy, Beacon now serves Anthem as a client, providing care to 45 million consumers, of which approximately 10 million are Anthem consumers.

Pharmacy also plays an important role in driving better health. I’m inspired by the immense opportunities through IngenioRx and our Zipdrug acquisition, now serving more than 16 million Anthem consumers. We are reimagining our consumers’ retail pharmacy experience and looking forward to further growth in this area. We know that no single entity, including Anthem, can truly deliver whole health. It requires tremendous collaboration with care providers, our Blue system, state and local partners, community-based organizations, employers, and, of course, our customers. Anthem is uniquely positioned to foster and provide the connective tissue across this continuum.

For more than 75 years, Anthem has been grounded in our local communities. It’s not only our legacy, it’s our future. Today, we are more committed and more connected to our consumers than ever before. 1 in 10 births in this country is welcomed into the Anthem family, and almost 1 out of every 3 Americans is served by a Blue plan, with Anthem being the largest. These strong local routes help us deeply understand our community’s health, social and environmental needs, putting us in the unique position to significantly impact, not only the health of our consumers, but the health of our communities. And we are using this position to take action, leveraging our business assets to make a real difference in the health of our communities. This includes our value-added Medicare benefits and new, more affordable commercial product offerings. This also includes programs that support healthy mothers and babies, our partnership with Lyft to support access to the COVID-19 vaccine, and the innovative programs for our own associates to address key social health drivers.

Looking ahead, we’ll continue to scale and measure these initiatives to drive greater positive outcomes for our own associates, our consumers and the communities where we live and work.
In closing, we’re a very different company from who we were just 2 years ago. You’ll hear further proof of this today from our leadership team, who, with their own diverse teams, bring a wide range of skills and experiences to driving Anthem’s success. I wish the current state of the world allowed us to introduce more of our leadership to you today as our work to enhance our depth and breadth of our talent has been foundational to our strategy and success.

Over the past 2 years, we’ve attracted exceptional leaders from inside and outside of our industry, with 67% of our executives new to their roles and 40% joining from outside of Anthem. We focused our hiring to attract the talent that a health organization, not just a health benefits company, needs, hiring over 600 associates from top innovative tech companies into our digital organization in the past 2 years, and we’ve remained relentlessly focused on diversity, with 88% of our associates, either women or people of color. We commit to further growing our diversity at all levels of our leadership to reflect the consumers and communities we serve.

I want to leave you with 5 key takeaways this morning. We are a growth company that has delivered, both membership and EPS growth, above that of the market through a diverse and balanced portfolio of businesses. We are confident that our strategy is realistic, achievable and will drive our positive trajectory as we reaffirm our commitment to long-term earnings growth between 12% and 15% over the next 5 years. Our deep local roots and strong brand as the insurer of 1 in 8 Americans allows us to positively influence community health in a way that distinguishes us from other health companies. Our investments in our digital platform for health, and our integrated pharmacy, behavioral health, analytic and complex care capabilities are helping us pioneer tomorrow’s health care experience for all stakeholders, while driving significant top and bottom line growth for our company. We have a strong, deep and diverse leadership team that will successfully guide Anthem in delivering measurable impact on our business and communities.

Most importantly, I hope you will walk away from today feeling inspired as I am by the deeply committed and talented associates who reflect our strong culture and values, and who work each day to live our mission and fulfill our purpose to improve the health of humanity.

I joined Anthem because of the incredible opportunity to do something unique and distinctive. What fueled my decision then has only ignited greater confidence now in what is possible for this organization, and most importantly, all those we are honored to serve. Thank you for the interest you’ve shown in our journey at Anthem and for being here today. And now I’m pleased to introduce Rajeev Ronanki, Anthem’s Chief Digital Officer, to share more about our digital transformation.

Rajeev Ronanki - Anthem, Inc. - Senior VP & Chief Digital Officer

Well, thank you, Gail, for the introduction. While I wish we could have been together for this event, I can't be too upset about a digital alternative.

I'm here today to talk about how technology enables Anthem to be a digital business, a business that innovates faster than the speed of the market. First, let’s start by defining what we mean by digital. For us at Anthem, it means the application of data, insights, analytics and exponential technologies like artificial intelligence and blockchain to transform every part of our business.

Let me give you a few examples of this transformation in action today. You'll see from these examples, the far-reaching impact of digital and how it drives growth across core and new products, optimizes cost of care, improves health outcomes, delivers exceptional experiences, creates exponential efficiencies and enables new sources of value. But beyond the capabilities and solutions, digital is about a new mindset and a culture of innovation and experimentation. Digital is now embedded in our DNA.

Let me give you 5 examples of how digital is transforming our business today. Let’s dive in. First, we're using digital to drive top line revenue and accelerate growth. We're doing this in our core business as well as in new adjacent areas.

Here is how digital drives growth across our segments and P&Ls. It starts with trust and transparency, with our consumers enabling choice, flexibility and affordability. We work with our ecosystem of partners like Blue plans and customers like Verizon to co-create with us and deliver personalized solutions for all of our stakeholders, consumers, providers, employers, states and the community.
When the solutions and the stakeholders are connected via a common platform, it creates a virtuous cycle of growth. And we’re already seeing ample evidence of this across all of our businesses. For consumers, Sydney is our engagement solution. Our consumers use this app or using the web or voice, based on their preferences. With over 10 million registered users today and expected to double by 2023, Sydney is the one-stop shop for all things care and service for our consumers. For providers, Health OS is our collaboration operating system. It enables us to integrate our data and clinical insights bi-directionally, delivering better insights to our providers and making administrative processes like claim submission and utilization management, much, much more efficient.

Felicia is going to touch on this a little bit later. For our employer and state partners, we provide a flight traffic control view of health of their employees and the effectiveness of their benefit designs and programs. Using solutions like client information and insight, CII, employers and Anthem are able to partner together to keep employees healthy and productive. And for the community, we have always had deep physical roots in our communities. We are now augmenting the physical presence with digital capabilities and resources, connecting programs such as transportation to those that need it. Second, we’re using artificial intelligence and machine learning capabilities to improve the quality and optimize our cost of care. Our predictive capabilities enable us to identify adverse health conditions in advance of them causing an acute health issue. By doing this, we improve health outcomes for our consumers, and we drive down cost of care.

We have over 4,000 such predictions today. And Gail mentioned in her opening remarks that we have one of the largest data platforms. Our data doubles every 70 to 80 days, and as this happens, the number of predictions that we’re able to generate increases exponentially, enabling us to predict and proactively prevent many health issues.

Now take a look at this video. One of our AI engineers, [Bo Najeaux], explains how we’re applying this for diabetes.

(presentation)

Asthma is another such disease, it affects 9 million adults in the U.S. and 7 million children. However, unlike diabetes, it’s not often managed with the help of objectives, measures like A1c or blood pressure readings. As a result, it’s too often poorly treated or managed, and we are using digital to address this problem. We’re partnering with Apple to develop a digital biomarker that could detect asthma determination well in advance of an ER visit.

Third, digital is being used to create exceptional experiences for our stakeholders. As Gail mentioned, less than 1% of our interactions with our stakeholders were digital 5 years ago. Today, over 65% of our interactions are digital. And in the next 3 years, we expect 90% of our interactions to be digital. The reason this is so important is that while the cost of the call is around $8 to $10, the cost of the digital interaction is close to $0. Think about that. In 3 years, 90% of our interactions could cost us nothing. But more importantly, every digital interaction generates data. As we use this data to learn from each interaction and make the subsequent even better. This creates a cycle where more data leads to better insights, better insight lead to more personalization and more personalization leads to higher customer satisfaction, and, ultimately, better retention and growth.

Today, our customer satisfaction, as measured by Net Promoter Score, or NPS, is at 77%, driven by Sydney, while the industry average is 55%. This gap will continue to widen. And Sydney doesn’t exist in a vacuum. It’s connected to our providers via Health OS, enabling providers to communicate with our consumers. It is also connected to employers and our state partners, enabling them to create incentives and benefit design to optimize employee health and wellness. Lastly, Sydney is the digital foundation to improve the health of our communities. Here’s a video of one of our members’ digital interaction with Care. She ordinarily would have gone to an emergency room or an urgent care facility. Have a look at how Anthem solutions delivered a far better experience.

(presentation)

Fourth, the use of AI, blockchain and other exponential technologies are creating efficiencies at scale that were unimaginable just a few years ago. At our Investor Day 2 years ago, you heard John Gallina, our CFO, talk about the consolidation of our core claims platforms. Well, today, over 95% of our business is on our target platforms.
In addition, we’re creating the industry’s largest digital platform that integrates our data and enables us to use our global talent ecosystems to create solutions that reimagine all of the non-value add and cumbersome processes that drive our cost structure. In the next 3 years, we expect to automate 50% of our work. While this may sound ambitious, it’s grounded in capabilities that are in production today. We use AI to automate the adjudication of claims. We use AI to underwrite. We use AI for utilization management. We use AI for Care management, benefit design, billing, payments and many other things like customer service. Each of these applications generates efficiencies across a variety of complex processes.

The important thing to note about AI applications is that they continually get better with every decision. We are developing hundreds of such applications that will reshape our cost structure, and enable more of our workforce to spend their time being advocates for our consumers’ health and staying true to our purpose.

Now let’s hear a brief clip from Dr. Daniel Kraft. He’s an oncologist and a part of our digital advisory board. He’ll explain how care delivery and curing disease itself can be more efficient with the use of data and AI. Imagine the implications for our consumers’ health and, ultimately, to Anthem’s cost of care.

(presentation)

Lastly and most importantly, our digital platform is creating new sources of value. This spring, we’re launching several digital-first health care offerings that radically reshape the very notion of insurance. Much like streaming reshaped the music industry, these new offerings will create and enable members to put together their own playlist of health care services. We’re expanding the range of affordable and high-quality options. Imagine having access to digital and virtual primary care for as low as $10 a month. With these price points, we will address the underinsured and uninsured markets, where there are more than 40 million consumers that fall in this category. You’ll hear more about this from Pete Haytaian later on today.

All the examples I cited are built on Anthem’s digital platform. This is the industry’s largest platform, integrating our immense data assets and proprietary AI and machine learning algorithms. Now 7 of the 10 most valuable companies in the world today are platform businesses. And they’ve effectively digitized supply and demand, but none of these companies are health care companies. With our platform, we’re able to digitize knowledge and connect it to our supply of physicians and hospitals. We’ve virtualized the delivery of care without needing to acquire expensive bricks-and-mortar care delivery infrastructure. We’re able to predict demand for care and connect the right care at the right time to our consumers, seamlessly blending digital, virtual and physical care.

Further, we’re able to continuously optimize supply and demand using our AI and machine learning capabilities to unlock exponential growth like all leading platform companies do today.

While a lot of my focus today has been around technology and how it enables Anthem’s objectives, the primary goal is to elevate the human experience and to improve the health of our communities.

Now I’d like to introduce Bryony Winn, Anthem’s Chief Strategy Officer, who will moderate a discussion on Anthem’s community Health strategy.

Bryony Winn

My name is Bryony Winn, and I was thrilled to join Anthem 9 months ago as our Chief Strategy Officer. Earlier today, Gail spoke to you about our transition from a health insurance company to a digitally enabled platform for health. Our customers expect more from us. Commercial clients and state partners want product options that support physical, mental and social needs of their members and bend the cost curve. They need digital tools to broaden access, and they look to us to help build connections to the right community partners and resources to address their population’s diverse needs.

I am honored to be joined today by Felicia Norwood, President of our Government business; and Dr. Shantanu Agrawal, our Chief Health Officer. We’ll talk more to you today about improving the health of humanity and how we put that into action. Thanks to you both for being here.
Felicia Farr Norwood - Anthem, Inc. - Executive VP & President of Government Business Division

Thanks, Bryony. I'm happy to talk with you about how this critical work is important to us. Investing in health beyond health care, the health of our members, our communities and our associates is incredibly inspiring work, and it's important for us to do.

Bryony Winn

Felicia, I totally agree. Shantanu, you're pretty new to Anthem. But as an ER doctor and your -- at your previous roles at CMS and the NQS, you've long led on the movement from health care to health. Talk to us a little bit more about what that means here.

Shantanu Agrawal - Anthem, Inc. - Chief Health Officer

Yes. Thanks, Bryony. I'm really honored to be here today. I've been at Anthem only a month, but I have to tell you, I'm really inspired by the strength of our purpose and the talents of our people. Anyone who's worked clinically knows from their very first day through the entirety of their clinical career what kind of impact social context has on people's lives. It's really inescapable in the emergency department. What does it mean to prescribe an antibiotic to a patient if he or she doesn't have insurance or even a home, or to continuously prescribe asthma medication to a child who is surrounded by cigarette smoke, pollution or other allergens. These are the kinds of issues that we see all the time in the emergency department. And I think it's time for us to ask how we can partner with community health workers to understand what's really happening in a person's life.

A person's home and life context can have far-reaching implications that many of us don't consider when looking at a member's or patient's profile at a superficial level. And I'll tell you a story from when I was in residency, I would go with EMS crews like my other residents to respond to 911 calls. This was -- and one of the first times that I did this was one of the first times in my career that I'd actually been directly in a patient's home. I'll never forget one call. We went to the house of a patient that I had seen many times in the ER for congestive heart failure. The treatment in the ER was always the same, diuretics, labs, admission. And we would wonder why she could not get her CHF under control. Her home actually told the story. It was a hot Philadelphia day, well over 100 degrees, and she was sitting on a chair in front of a fan. She didn't have air conditioning. I started to sweat just walking into her home. There was no way she could cook a meal or even move to take her medications. She didn't want to be unhealthy. She didn't lack resolve, what she really lacked was air conditioning, and we arrive to take her back to the ER.

That's why I joined Anthem because we have the opportunity and the commitment to harness our extraordinary assets to address the real drivers of health outcomes and costs for our members.

Bryony Winn

It is an issue we need to address. And as I reflect on 2020, the COVID-19 pandemic and the health economic, social and racial inequities that it laid there, it's clear to me that COVID didn't create but rather exposed the vulnerabilities in our country and in our system.

In Anthem's own data, Black Americans and Latinos are almost twice as likely than as white people to be infected by COVID-19 but up to 30% more likely to be hospitalized due to complications.

Felicia Farr Norwood - Anthem, Inc. - Executive VP & President of Government Business Division

Bryony, that's exactly right. While COVID created a global imperative to invest in health and address in equities, Anthem's journey began well before and will endure long after COVID. Our commitment to social justice is inseparable from our core business. And it's vital that addressing drivers of health be continuous with business operations in clinical care.
We are embedding a renewed purpose, health across the fabric of our culture and our organization. This means systematically aligning all of our assets around this issue, our product offerings, our data, our analytics power, our digital capabilities, our provider contracting, our role as an employer and our philanthropic dollars.

It means making the right diversified investments, like we have with Beacon and IngenioRx to ensure that we can truly manage health care holistically. It means using the full breadth of our member data, physical, behavioral and social to design digital products that integrate rather than fragment care. And of course, it all starts in the businesses.

Shantanu Agrawal - Anthem, Inc. - Chief Health Officer

Yes, I couldn’t agree more, Felicia. As just one example, behavioral health is an area you know very well that has been deeply affected by the COVID epidemic and, of course, another area that we at Anthem, and particularly our Beacon colleagues, have known requires greater attention for a long time.

Unlike many of our populations who, since the pandemic have started, have used less health care, our members with behavioral health conditions have needed more. We’re immensely proud of our Beacon colleagues who have stepped up during this time, developing new creative methods to identify and contact high-risk members and support their transition to telehealth to maintain care continuity.

Looking forward, as Felicia said, we will continue to innovate and bring the full power of Anthem, our physical health assets, our pharmacy assets, our diversified business assets and more to bring whole person care to this population.

Bryony Winn

I think this is what truly makes us different, is the harnessing the power of all of our assets. But Felicia at Anthem, we know that health starts with our own associates, too. Could you share more about our commitment to our associates and how this spurs innovation in this area of the company?

Felicia Farr Norwood - Anthem, Inc. - Executive VP & President of Government Business Division

Absolutely. I’m happy to do that. Our work at Anthem impacts the health of millions of people daily. And for us, this starts right here at home with our own 70,000 associates. So this is where our commitment to grounding our work in data and creating a culture of innovation begins. It’s important for us to get this right. We know that we can’t talk about whole health for our members without doing the same thing for our associates. Long before COVID-19 resulted in historic food and security and housing instability in communities across this country, we decided to ask our own associates if they had concerns about having enough food or paying for housing for themselves or for their families.

Our associates sent us nearly 10,000 thoughtful comments. By asking this question, we learned that we have some work to do for our associates and for our broader business. Like so many Americans, a number of our associates needed more than just access to great health insurance and medical care. They needed better offerings around the social drivers of health as well.

Bryony Winn

This became a real opportunity for us to turn words into action within our own walls.

Felicia Farr Norwood - Anthem, Inc. - Executive VP & President of Government Business Division

Exactly, after lots of listening and learning, this past fall, we launched a health plan for our own associates that not only offers lower premiums and lower out-of-pocket costs, but also includes what we call a life essentials kit to support social drivers of health, better nutrition, better transportation and child care.
As one example, about 90% of those who enrolled in the plan signed up for the nutrition benefit, meaning it will now be easier for them to provide healthy food for themselves and their families. From my perspective, this exemplifies what it means to make smart economic choices while doing the right thing.

Bryony Winn

So how are we applying these learnings to the broader population of people we serve? What kind of impact do you see this making?

Felicia Farr Norwood  -  Anthem, Inc. - Executive VP & President of Government Business Division

That’s a great question. We’re leveraging the expertise of HealthCore, which is our analytics offering, to study the impact of the life essentials kit on our associates health care, their outcomes, their costs and their experiences. We’re also looking at the impact that this will have on improving racial disparities, employee recruitment, retention of our employees and their productivity.

Bryony Winn

Right.

Shantanu Agrawal  -  Anthem, Inc. - Chief Health Officer

I think it’s worth pointing out that this hands-on direct approach, focusing on our associates is a real differentiator for us, especially as we strive to achieve our goal to improve the health of communities.

Felicia Farr Norwood  -  Anthem, Inc. - Executive VP & President of Government Business Division

Exactly. By candidly looking at ourselves as an employer and making sure we are addressing our own associates’ health and social needs, we’ll not only impact their lives, but we’ll be able to better serve our national accounts customers, many of whom have employees who are facing very similar concerns.

We’ve already had a lot of interest from several national accounts partners on evolving their product offerings in this direction.

Bryony Winn

Felicia, that’s really interesting, and I can see the applicability on the national accounts side. Tell us a little bit more about how Anthem’s commitment to invest in health is brought to bear in your business? What does that mean for Anthem members in the government business?

Felicia Farr Norwood  -  Anthem, Inc. - Executive VP & President of Government Business Division

Absolutely. Throughout the pandemic, we’ve been focused on connecting with our high-risk members to screen for key factors around housing, food and transportation as well as ensuring that they have access to basic safety necessities like face masks, hand sanitizers and cleaning supplies.

Bryony Winn

How are we doing so far?
Felicia Farr Norwood - Anthem, Inc. - Executive VP & President of Government Business Division

Well, so far, we’ve reached over 80% of our high-risk Medicare and Medicaid members. We partner with Aunt Bertha, the online social services network, to arm our care providers and our members with a technology platform that helps them find free and reduced cost programs in their communities to assist with food, transportation, job training and more in every ZIP code across the country.

In April, we launched the social drivers of health provider incentive program for 4 of our Medicaid markets. The program rewards providers for screening our members for drivers of health, billing for social drivers of health codes and referring individuals to local community resources through Aunt Bertha.

Looking ahead, our 2021 offerings reflect our industry-leading Medicare supplemental benefits to address health drivers like food insecurity and transportation. These are just a few of the examples of what it means to leverage all of our assets to invest in health.

Bryony Winn

Yes. And beyond that, on the commercial side, we’re developing innovative low-cost products and new benefit options to address affordability issues, which is another social driver of health.

Shantanu, to make a true impact on community health within our businesses, we must step outside our role as traditional insurer. And Gail mentioned that this morning. Speak more about what that means and the range of assets we’re bringing to the table.

Shantanu Agrawal - Anthem, Inc. - Chief Health Officer

Yes, I’m happy to. So first and foremost, Bryony, we are a community connector and partner. We cannot successfully reduce health care costs and improve the health of our members and their communities unless we partner with them and other organizations like providers, clinicians and community-based organizations to address the reality of people’s lives.

One tangible way that we do this is by putting our digital tools to work. For example, Anthem members who use our Sydney Health engagement app can access a community resource finder tool that uses their ZIP code to identify local resources like food pantries, community groups and transportation services.

Felicia Farr Norwood - Anthem, Inc. - Executive VP & President of Government Business Division

Exactly, we’re harnessing the power of digital to create practical, local solutions that really make a difference. But our members can’t connect with the resources they need to be healthy if those resources don’t exist in their communities, and we have to play a role there as well.

Shantanu Agrawal - Anthem, Inc. - Chief Health Officer

Yes, that is exactly right. Our role is much broader. In many cases, we must help to not only connect our members with the right resources but incentivize our provider partners to do so or develop and offer those resources and benefits ourselves. For example, we know that our own associates who live in food deserts have higher rates of diabetes, hypertension and obesity. So we’ve committed to making strategic philanthropic investments in those communities, targeting their specific needs like access to healthy food, transportation and COVID vaccinations.

In 2019, we partnered with Feeding America to launch Food is Medicine, a program that brings together food banks and health care providers to help clinical staff conduct food and security screenings and interventions like access to classes and food pantries. The program launched in 7 states, and we’re working to add food banks and providers in an additional 8 states. Since January 2020, more than 91,000 people were screened through...
the program, and 70% of the patients who experienced food and security and were referred to receive food from the on-site food pantry at no cost were people of color.

Another example, we’re working to ensure safe access to COVID-19 vaccinations within our communities. We launched a nationwide partnership with Lyft to support universal access to the vaccine and are combining our local market strength, provider relationships and data assets with Lyft’s on-demand transportation network to serve at-risk communities who are disproportionately affected by COVID-19.

Bryony Winn
That makes a real difference in access.

Shantanu Agrawal - Anthem, Inc. - Chief Health Officer
Yes, we certainly hope so. Our goal with the partners involved in this initiative is to provide 60 million free rides to and from vaccination sites for low-income, uninsured and at-risk communities.

I’d like to come back to our earlier point about measuring impact. We’ve all seen how social needs play a critical role in total health. Our differentiator is that we are committed to proving and addressing that. In the coming months, we will develop a whole health index that brings together global health and social justice measures and traditional clinical quality measures to give us a deeper understanding of how our work across care and social drivers leads to real impact.

Bryony Winn
I am very excited about Anthem’s commitment to this end to the whole health index measurement part of it, too. Felicia, Shantanu, this work continues to inspire me personally, and I know it makes an enormous impact on our associates, our businesses and our ability to achieve our purpose. Thank you so much.

Felicia Farr Norwood - Anthem, Inc. - Executive VP & President of Government Business Division
Thanks, Bryony and Shantanu, for a great discussion. I want to echo Shantanu’s point about how social drivers impact health. We are working across Anthem to address these issues and develop value-added solutions. And I’m happy to be able to share more detail about what we’re doing in the government business to achieve our purpose, improving the health of humanity.

And now before discussing our business performance, I would be remiss not to acknowledge, on behalf of my team, that one of the accomplishments that we’re proudest of has been supporting members and provider partners through COVID by activating solutions to ensure needed care was available and delivered in the most effective and efficient manner possible.

I am energized to work for a company that is built on a foundation of strong culture and values, local market depth, trusted community relationships and a commitment to deliver every day for those we are privileged to serve. Our government business remains well positioned for persistent growth as we focus on Medicare market dynamics and beneficiary needs, Medicaid state partner priorities, complex population management and delivering locally informed solutions.

Medicare is a great example of the path ahead as we work towards a top 3 market share position in key Anthem states where, collectively, each 1% of market share represents a $1.5 billion revenue opportunity.
Since our last Investor Day, I’m pleased to say that we’re delivering on our targets. We have grown government revenue by 29% to approximately $71 billion, having added 2.7 million members and delivered consistent operating margins by building the business with a focus on the fundamentals and sustainability. The Medicare business has been a major driver of our performance, delivering an above-market membership growth CAGR, up 13% from 2018 to 2020, surpassing 2.3 million members at year-end. We expanded our reach by adding over 300 counties and building new Medicare alliance relationships with Blue Cross Blue Shield of North Carolina and Louisiana for dual eligible special needs plans and Independence Blue Cross for group retiree.

We also launched our joint venture with our provider partner, MaineHealth, to provide Medicare Advantage plans in Maine. We transitioned 115,000 members onto our D-SNP platform to provide a more integrated experience with solutions to support complex physical and behavioral health needs.

As Shantanu and I each touched on earlier, in recognition and support of how social drivers impact health, we have established a leading portfolio of value added benefits, including offerings for nutrition, transportation and in-home support. While these efforts were being executed, we remain vigilant in scanning the market for acquisitions offering high-quality operations and outcomes, consistent with our focus on creating value for consumers.

As announced last month, we found a highly allowing partner and are pleased to welcome MMM Healthcare to the Anthem family of companies. This business, which will add 267,000 Medicare Advantage and 305,000 Medicaid members to Anthem’s portfolio, brings an impressive track record of growth, experience managing complex population, strong primary care-focused solutions and extremely high-quality results as reflected by their ownership of the only 4.5-star contract in Puerto Rico. And we’re not done.

While we have accomplished a great deal in the Medicare business, the exciting reality is we have significant opportunity for continued growth. Overall, the number of Medicare eligible consumers will continue to grow, and we expect the preference for Medicare Advantage products to expand as retirees look for simple, affordable integrated health plans and highly personalized experiences.

Anthem has additional growth opportunities in key geographies where we can leverage our brand strength, enterprise market share, deep community commitment and national scale, which creates a competitive position that can’t easily be replicated. We thoroughly evaluated each market, particularly our Blue Cross and Blue Shield states and those with strong commercial performance to develop sound organic growth plans, including targeted expansion into select counties we don’t currently serve. We plan to grow Medicare Advantage membership above industry average growth rates through 2025.

Our local market initiatives will continue to focus on improving the quality of both the care our consumers receive and the products and services we deliver. We are confident that these improvements will result in higher levels of member satisfaction and engagement, improved STAR scores and diagnostic coding accuracy, all of which are foundational to our realization of our goal of profitable above average growth.

Additionally, we will continue to explore ways to ensure consumers receive the full breadth of support to meet their needs, including those currently enrolled in Medicare or Medicaid plans that qualify for dual or integrated special needs plans. This represents a $25 billion opportunity in our Blue markets alone.

We also provide pathways for those looking to move from Medicare supplement and Part D into fully integrated Medicare Advantage products with HMO and PPO offerings or new direct contracting models. I must emphasize the importance of our inherent pipeline of existing members that Anthem currently covers.

Few other plans have both the commercial and Medicare scale to support members as they age into products, whether through individual or group retiree solutions. On an annual basis, approximately 200,000 existing Anthem commercial members become Medicare eligible. These are members we already serve today, and we understand their needs. Therefore, we’re best positioned to deliver high-quality, uninterrupted continuity of care. We also have grown our group retiree business to serve nearly 200,000 members, almost 3x the membership we had in 2018 and continue to see the opportunity to grow this business well into the future.
Although COVID slowed group decisions in 2020, we, in partnership with our commercial team see encouraging signs in the pipeline, including through the Independence Blue Cross alliance partnership that we launched this year.

Care providers also play an integral role in everything we do, and our priority is ensuring consumers are aligned to the best fit, highest performing provider partners that drive measurable outcomes. The term provider partnership isn’t taken lightly as we prioritize creating incremental value for our consumers. We are focused on developing programs that truly incentivize better outcomes.

To that end, we are partnering with providers to streamline the exchange of information and create more efficient effective engagements to improve member experiences and deliver timely, high-quality care.

Ultimately, empowering providers with the engagement tools and data needed to support their shift to value is one of the biggest priorities in 2021. We also maintain a broad portfolio of solutions in our diversified business group with assets like CareMore, Beacon and Aspire that give us the flexibility to tailor and integrate solutions across a variety of complex needs, while capturing more of our members’ total health care spend inside of Anthem.

This past year, COVID taught us a great deal and heavily influenced Medicare consumer buying behavior. We remain focused on enabling convenience and choice by effectively participating in all distribution channels, including digital, broker, direct and telesales. And as preferences change, so will our approach to ensure we meet the evolving needs of our existing and prospective members.

COVID also influence member utilization of services and the associated risk code capture that impacts our ability to identify health needs and rapidly engage with our population health solutions. In response, we advanced our digital and data assets and developed more personalized options to empower our members to create meaningful, simplified experiences. This includes solutions like our care guide onboarding model and suite of predictive analytics tools developed to inform engagement in areas such as customer service, HEDIS gap closures and member communications. Each are in place to equip members with information and guidance to support their health care journey across multiple mediums to meet individual preferences. These capabilities combined with strong provider partnerships, allow us to support members well into the future with timely access to the necessary care pathways required for their health care needs.

Ultimately, all of these elements help us to deliver incremental value and influence our ability to drive higher STAR scores, which creates even more growth opportunity as we continue investing in innovative solutions. As it stands, pushing our performance to 80% of members and 4-plus stars plans creates a $300 million plus upside potential, supporting new product benefits, which create attractive options to retain and grow membership. I am motivated as much by the growth opportunity as knowing that the capabilities we are developing will make a meaningful difference in the health and well-being of our members.

In that spirit, I will now focus on what we are doing to support our Medicaid population. In our Medicaid business, we’ve increased membership by 2.1 million members since 2018, through market share gains, our joint venture in Minnesota, the acquisition of Missouri and Nebraska and the impacts of the pandemic. We maintained an industry bid win rate in the top 3 and enhanced the Blue alliance platform with partnerships in Missouri and Nebraska, along with preparations for the North Carolina launch later this year.

As COVID was emerging, we rapidly activated our data science capabilities to identify Medicaid members at risk and made over 300,000 outreach calls to help connect our members with local resources for transportation, food, telehealth education and solutions to limit social isolation. This outreach informed our Sydney Health digital platform rollout for Medicaid, which will bring together education, guidance and support resources on a single, easy-to-use tool. Sydney leverages learning from across Anthem to deliver a go-to resource for health and social needs, which ultimately improves member experience and supports greater engagement.

Our Medicaid business is focused on delivering a market-leading win rate against the approximately $82 billion RFP pipeline we see over the next 5 years by leveraging our proven experience managing the full spectrum of programs, including solutions for those with the most complex physical and behavioral health needs. In parallel, we will continue to look opportunistically at tuck-in acquisitions such as our recent announcement to acquire MMM Healthcare, as one example.
We believe there is still a great opportunity to serve the duals population. We maintain a proven coordinated model between our Medicare and Medicaid businesses, powered by our diversified business group assets, IngenioRx, and health care management teams that synchronize actions to successfully drive physical and mental health outcomes.

Our Blue alliance platform has been and remains a source of growth with Blue partners looking to diversify their portfolio. With the launch of North Carolina later this year, the platform will serve 8 Blue plans and cover more than 1.5 million members. We are committed to delivering on the expectations of our existing partners and prepared with capabilities at scale to develop future alliance partnerships.

We maintain deep connections and a thorough understanding of local community health needs to tailor approaches in high-value areas. Our business is positioned to advance existing capabilities and create new solutions informed by local market priorities. In the end, our focus remains on collaborating with states to develop sustainable, high-quality programs that improve population health and outcomes for Medicaid beneficiaries.

In summary, we know that we are well positioned to continue to best serve and meet the needs of America's most vulnerable populations, creating better health care quality at more affordable prices and outcomes for our state and federal partners.

And Anthem will remain forward-thinking, solutions-oriented and leading government businesses by growing Medicare membership above market using our brand strength, product innovation, distribution partnerships and deep commercial relationships; advancing STAR's performance by simplifying member and provider experiences and collaborating with provider partners to enable maximum focus on improving health outcomes; capturing the Medicaid pipeline by developing sustainable solutions informed by local community expertise to solve complex health challenges; expanding Blue alliance relationships with existing and new partners to develop programs that are aligned with state priorities using our proven, scaled platform; leveraging the power of data science to enhance predictive capabilities that create personalized, proactive and meaningful member engagement; and developing targeted highly integrated offerings using our assets like CareMore, Aspire and Beacon that create a cohesive outcomes-focused care model.

Before I turn it over to Pete Haytaian to talk about our commercial business, let's hear a bit more about how Anthem serves as a valued partner across the health ecosystem.

(presentation)

Peter David Haytaian - Anthem, Inc. - Executive VP and President of Commercial & Specialty Business Division

Thanks, Felicia. The video we just saw is a good example of how Anthem is uniquely positioned to serve as a local partner, offering a wide variety of digital, analytics and chronic and complex care solutions to consumers and customers. Our brand and local community presence set us apart from the rest of the industry. In our commercial and specialty businesses, it's clear the actions we've taken, the focus on the consumer and their unique needs are garnering a strong market response.

2 years ago, the commercial and specialty business committed to mid- to upper single-digit revenue growth and 10.5% to 11.5% operating margins. To get there, we laid out a plan that reimagines how we deliver better health capabilities by growing our membership, recognizing that each 1% improvement in market share translates into $2 billion of incremental revenue; improving our fee-based earnings contribution from increased penetration of ancillary biops and services. We are focused on reducing the insurer to fee-based earning contributions from 5:1 to 3:1, which would increase the earnings contribution of our fee-based business by more than 60% over time; expanding our specialty and differentiated services offerings and leveraging our deep employer relationships to capture group retiree and release. We then grounded our strategic focus around 4 main principles: affordability, choice, advocacy and ease of doing business.

I'm pleased to say, over the last 2 years, despite the challenging environment created by the COVID pandemic, we've made tremendous progress across these growth areas. Specifically, we've grown alternate funded earnings through improved pharmacy competitiveness, higher uptake and improved execution in our shared value programs and increasing the specialty penetration rate of our dental and vision products.
Additionally, our large group risk-based business has seen sales exceed lapses 7 of the last 8 quarters, while our small group business continued to gain momentum in the last half of 2020. Both areas are well positioned to continue delivering growth in 2021 and beyond. We expect to grow our group insured membership by 5% to 10% over the next 5 years.

Our success has been driven by upgrading our sales, product and strategy talent, realigning the business for growth, and accelerating the expansion and deployment of affordable, quality-focused products in our markets.

Specifically, we developed our new alternative products in our local markets. We brought in top talent and developed new go-to-market tools to improve sales effectiveness. This includes an enhanced customer relationship platform to proactively identify and manage top opportunity targets and serve as the front end of an automated enrollment process. We’ve improved our product offerings and market engagement for targeted subsegments such as professional employer organizations or PEOs, student, labor and third-party administrator markets.

To highlight just the PEO growth opportunity, we’ve been able to grow membership by 15% to 20% annually in 2019 and 2020, improving our market share to over 25%. Over the next 5 years, we expect to achieve a 35% to 40% market share, even as the overall market size in our 14 markets is projected to grow in the mid-single digits annually to approximately 600,000 lives. And our national accounts team has never been better positioned to capitalize on the momentum with the largest, most sophisticated employers, consultants and brokers, a key testament to the strength of our relationships, our medical cost position and the ancillary services we bring into the market.

The success of our national account sales has been driven by a few key strategic areas of focus. First, we’ve been able to leverage the asset of Blue nationally to deliver a market-leading unit cost position which has amplified our forward-leaning medical cost management. Our curated high-value networks are rewarding the most progressive providers. We’re improving health care quality and lowering cost trends.

Second, our focus on advocacy and total population health is delivering meaningful value. Our Total Health, Total You solution is another terrific example of how our focus on addressing care and social drivers of health is embedded in everything that we do. We focus on advocating for consumers, promoting engagement, identifying risk and managing that risk in the most impactful and cost-effective way. Our primary objective is to simplify health care for consumers in their time of need and provide timely and personalized health information to support their journey to better health, all while delivering meaningful value for our customers.

And lastly, our sales teams. They are a group of the most talented people in the industry. Through our direct engagement with employers and our consultant partners, bid activity in 2019 and 2020 selling seasons was the highest we’ve seen over the last 5 years. And our close and retention ratios improved. This confirms that our value messaging and our focus on innovation is indeed resonating in the market.

I’ve given you a sense of how we are performing. And now let’s talk a bit about how we are transforming the Commercial business. The next 5 years are going to be defined by how we adjust products across our markets to achieve a transformational goal, reducing medical cost trends to CPI.

The health care system is a complicated, locally driven market with many competing priorities that ultimately lead to higher costs. We play an important role in helping control costs across the system. And while progress has been made, transitioning care providers and members to value-based care models that deliver better outcomes and financial savings across the system is critical.

We’re updating our products to embed the digital solutions you heard about from Rajeev, which will help drive growth and simplify our processes to deliver a best-in-class end-to-end experience. We recognize the power of our digital platform to reach more of our stakeholders, particularly as part of our community health efforts.

Sydney Health is personalizing care for consumers, helping to bridge gaps in care and improve health outcomes. In fact, Sydney Health recently received several awards, including the Corporate Insights Gold Metal for Virtual Care, recognizing our ability to give consumers more options on how to engage with care providers, whether it be via chat, e-mail, phone or video.

Our personalized, integrated and differentiated consumer experience will help our consumers navigate the complex health care landscape and direct them towards high-quality providers, which is an area of significant disparity across the community today. Over time, new digital solutions
will be embedded in all aspects of the quote to claims process, including using artificial intelligence to simplify or automate our underwriting, member enrollment and claims management processes to enable real-time claims processing.

In partnership with other Blue Cross Blue Shield plans, we’re currently deploying the next generation of high-quality, low-cost networks that leverage our evolving value-based care partnerships and improved medical cost discount position. By January 1 of 2022, Anthem and other Blue Cross Blue Shield plans will have deployed more than 60 new high-performing networks, covering more than 70 MSAs and approximately 60% of our served populations.

We are integrating capabilities from IngenioRx and our diversified business group to deliver a seamless medical, prescription, behavioral and specialty experience that will lower costs through the power of integration. This includes the newly acquired Beacon Health Options business within our diversified business group.

We recognize the critical importance of behavioral health services and supporting the health and well-being of those we serve and community health overall. Especially now, these services are paramount to our customers and members as the need for behavioral health care has increased during the pandemic. We’ve been transitioning the management of behavioral health for commercial members to Beacon as part of the integration.

After completing the expected integration, we expect to be able to provide access to Anthem’s commercial members that is approximately 10% larger than Anthem’s current provider network and will generate 6% total cost of care savings, the behavioral health benefit expense. Additionally, Beacon continues to develop new solutions for employers that will leverage Beacon’s industry-leading medical management capabilities for launch later this year.

These new products will take Beacon’s capabilities to the next level and will further differentiate Anthem as a leader in addressing behavioral health and improving lives in our communities. Finally, we continue to advance our clinical programs by leveraging artificial intelligence to improve identification of members in need of personalized guidance. Our multipronged approach to continuously improve the products we put into the market and lower costs will continue to enhance our best-in-class cost position to deliver consistent profitable growth across our business and Anthem.

In the individual market, we’re expanding the footprint of our low-cost operating model, which combines a dedicated cost of care approach with new low-cost value-based network arrangements. This allows us to reenter the market in a sensible manner. In 2021, we entered 115 counties and now have products offered in 76% of the counties across our 14 markets. We expect to accelerate our thoughtful approach and further expand participation over the next few years. In the small group, we will continue to expand our alternative product strategy with a focus on affordability and choice in addition to our ACA product offerings.

Regardless of the regulatory environment and changes that may occur, we are confident in our ability to navigate these areas and continue to offer a wide variety of affordable product options to meet employers’ needs. In addition, we developed a specific subsegment strategy targeting markets that we’ve historically underpenetrated, such as professional employer organizations. These new relationships enable us to diversify and add more choices to our portfolio while delivering results.

Overall, the small group business is positioned to deliver membership growth in the low single digits over the next 5 years. In the large group, over the past 2 years, our risk-based business has delivered industry-leading sales lapse activity, and we expect to continue to outperform the competition in our core product offerings and improve market share.

Specifically, we’ve improved execution and are expanding our go-to-market strategies in our student, labor and third-party administration subsegments, including through our recently acquired AmeriBen business. Historically, we’ve targeted these opportunities on a market-by-market basis with varying degrees of success. Since these populations have specific needs that require a tailored product and service model to manage effectively, but through a deeper collaboration between the local markets and our segment teams, we adjusted our products, service model and medical management processes to improve the competitiveness of our bids. Our improved strategy has also led to new partnerships with other Blue Cross Blue Shield plans as some of them have faced similar issues in serving these populations.
To highlight the differences we are making in our collaborative, local and segment go-to-market strategies, I’d like to talk briefly about a recent Marquee student account win. In Indiana, the Anthem student advantage and local market teams identified a key opportunity to serve the student population at one of our largest existing university accounts where we had already served the faculty and the administrative employees for many years.

Since the decision-maker at the university responsible for employee healthcare coverage was also responsible for student benefit coverage, we were able to leverage our strong relationships to quickly set up a demonstration and submit a proposal, showcasing Anthem’s unique student capabilities.

We were able to highlight the Blue Cross Blue Shield brand, offer a whole health solution that included dental and vision benefits. Highlight new capabilities in our digital engagement tools and emphasize our strong partnerships with the university to integrate behavioral health care with medical, which is critical for the student population.

The win is a great example of how student and local teams are delivering growth by improving and communicating the value proposition that Anthem delivers for these historically underpenetrated populations. And Indiana isn’t alone, we’ve seen similar successes in many other markets with a strong growth opportunity ahead of us across multiple subsegments.

To put the opportunity in perspective, there are a little more than 1 million student members in our 14 markets. And our current market share is over 15%, which we are targeting to double over the next 5 years.

Shifting to our fee-based business. We’ve made meaningful progress in improving the profitability of our fee-based member, and are well on our way towards the goal of improving the per member per month dollar contribution margin from an average mid-single digits, we’re simply processing the traditional medical benefit, towards the double digits after penetrating with our ancillary product offerings and value-added services.

To date, our improvement reflects meaningful incremental revenue generated in our aligned incentive programs and higher specialty product penetration, both of which have continued opportunity for growth. Additionally, we’ve built a stop-loss solution focused on capturing both integrated and stand-alone membership.

Our standalone stop-loss business has grown from virtually nothing 3 years ago to nearly 400,000 members at the end of 2020 and is positioned for another strong year of growth in 2021. A significant opportunity for future earnings growth comes from increasing the penetration rate of our pharmacy product offerings, which reside in our IngenioRx business. Today, the percentage of fee-based members who receive the pharmacy benefits through IngenioRx is nearly 20%, and we expect to be able to improve penetration to greater than 30% over the next 5 years.

We also continue to develop new innovative solutions for our customers that will create significant value. We expect to offer these solutions in payment structures that align incentives and enable us to capture a small portion of that value. As a result, while COVID set us back, we are confident in our ability to meet the goal of reducing the operating gain ratio of the number of fee-based members it takes to equal a fully insured member from 5:1 to 3:1.

And with further innovative product strategies and partnering with our fee-based clients to an aligned integrated value proposition, we are focused on how to surpass the 3:1 ratio in the next 5 years. To sum up the future of the Commercial & Specialty business, we will perform while we transform how health is delivered for our employers and our members. We are confident in being able to achieve our long-term growth rate goals and be the innovative change aided in the industry to improve access, quality and affordability by reducing cost towards CPI.

As you would expect, achieving trend consistent with CPI requires a multifaceted strategy. As Rajeev and I noted, we must deliver on our promise to transition our product portfolio so Anthem becomes the digital front door to health. And that must be coupled with best-in-class cost of care management through value-based provider partnerships.

For example, we must effectively manage the most chronically ill, and tackle the growing needs to drive a differentiated experience for patients accessing specialty drugs.
Next up, I'd like to introduce Jeff Alter, who is going to discuss in more detail how Anthem will tackle the affordability challenge. He'll focus on the evolution of value-based care partnerships and how we are leveraging our assets like IngenioRx to deliver integrated solutions to the market.

Jeffrey Donald Alter - Anthem, Inc. - EVP of IngenioRx & Anthem Health Solutions

Thanks, Pete. At Anthem, we are committed to improving the total health of our members, bringing the best of Anthem to them, when, where and how they choose. We have one mission, one vision and one voice that drives our integrated approach and our deep understanding of our members’ whole person health needs.

The U.S. health system is fragmented. But today, we will show you how Anthem’s advantages, our size and breadth of our portfolio makes us best positioned to integrate and scale our offerings, which are powered by deep, actionable insights that allow us to predict and intervene, making health care more personal.

We drive impactful programs and solutions that meet the individual needs of our employer groups and members through our range of solutions, like IngenioRx and Beacon, and our relationships with providers. We turn our insights into enablers of change to deliver whole health outcomes. Today, you will hear how we demonstrate the value of integration and how it is being activated through IngenioRx and Anthem health solutions.

Let me start with health solutions, and how we are working differently with care providers, helping them perform better by sharing insights gleaned from their patients with other members of the patient’s care team.

We're in an incredible position to confront the complexities of health care and drive towards a more integrated ecosystem that results in positive health outcomes across our nation. Our portfolio of integrated capabilities coupled with our deep market share in the communities we serve are the best combination I have seen in my career. And this combination enables us to drive change more successfully.

Today, I'll highlight a few of the many ways we're making health care work using our scale and our deep market penetration to broadly improve quality, affordability and outcomes. How is our approach different from that of our competitors?

We believe our focus on partnerships with providers, the Blues and our customers truly distinguishes us and positions us for greater success. Simply stated, we are leveraging our scale and the depth of our market relationships to be the preferred partner to value-based providers and then thoughtfully deploying our capital to support provider success in transforming from volume to value-based models.

In this manner, we're shaping the future of value-based care, and empowering and supporting providers through our investment in the resources, actionable data and tools providers need to focus on the health of their patients. And as Pete mentioned earlier, with the launch of our nation’s largest high-performance network on January 1 of this year, we are also investing in products and networks that shift more members to value-based providers. This volume is critical to ensuring the providers continue to invest in and succeed within value-based business models.

We continue to lead the industry with the highest amount of medical spend managed by providers in value-based contracts. This market-leading value-based care footprint is a result of our scale, our partnerships and our investment in providers. Today, more than 61% of Anthem’s total health care reimbursement is tied to value-based contracts, including more than 9,600 hospitals and integrated systems, and more than 80,000 physicians. We're well on track to exceed the 63% goal for 2023 that was shared with you 2 years ago.

Additionally, our risk programs, which hold providers accountable for better, more efficient care through jointly established quality and cost targets, are continuing to evolve. We are making meaningful progress to drive greater provider accountability, specifically by shifting more medical cost to be managed through downside risk arrangements.

In our Government Businesses, we are redesigning our value-based contracts and deepening our investments in provider enablement to improve HEDIS, STARs and medical loss ratio impact through more effective provider collaborations. We know that provider engagement and empowerment isn’t just about value-based contracts or equipping physicians at hospitals with better information.
It requires leveraging our data, analytics and bidirectional information sharing, and working as a collaborative team to drive better patient care and hold down costs. And we've invested in capabilities to help us do just that. One example is how we are working with providers in California to empower them at the point of care to direct members to the highest performing specialty providers.

We have implemented a technology platform that connects personal consumer and benefit information with local recommendations and guidance that optimizes quality and cost and feeds directly into referring provider's EHR workflow, resulting in reduced total cost and increased quality.

Our provider collaboration and empowerment strategy is just one example of how we're helping to shape a more effective and more affordable health care system. We're also helping to solve some of the most challenging health care quality issues by deploying clinical programs and partnerships to identify the factors driving disparities in our health care system and in society.

And we are creating solutions to improve health outcomes for our members and communities at large. One example of this is how we're leveraging our insights, technology, provider incentives and relationships to drive better outcomes through our focus to improve maternal child health.

More than 420,000 Anthem members deliver babies each year, accounting for around 10% of the nation’s births. Sadly, 1 in 10 babies in the U.S. are born prematurely, resulting in devastating effects for families and costing the U.S. more than $26 billion annually. For every baby born pre-full term, approximately 2/3 end up in an NICU, with a length of stay averaging 17 days compared with a full term birth of 3 days.

While only 10% of the births are premature, they represent 50% of the total cost of obstetrics and gynecology. At Anthem, we're committed to solving these challenges through a coordinated, comprehensive maternal and child health strategy, anchored in improved affordability, quality and outcomes from others and babies. Through this strategy, we're focused on reducing high-risk pregnancies, reducing NICU costs through shorter length of stay, reducing C-sections and increasing care coordination and connections to other Anthem service and programs. Because of the deep trusting relationships we’ve built with care providers, we were able to partner with them in our collective efforts to provide a swift and immediate response to help keep our consumers and our communities safe during the COVID-19 crisis.

Early in the crisis, we helped our providers seamlessly transition to virtual care by our video and telephone only visits and ensure appropriate reimbursement. We also helped more than 2,000 providers who didn't have access to a virtual care model. These efforts included not only medical care, but virtual behavioral health care services, which has been critical during the pandemic.

Beyond our telehealth capabilities, we also partnered with providers such as the Cleveland Clinic to comanage Medicare Advantage members, considered high-risk for COVID-related morbidity and mortality. We developed a joint Cleveland Clinic Anthem team to reach out to patients and providers needing assistance due to new or uncontrolled symptoms, benefit counseling, scheduling or medication refills, serving as a bridge between the 2 organizations. And Anthem care manager helped navigate to ensure patients receive timely and well-coordinated care. These are just a few examples of the way we focus on the impact we can make on the health of our members and the local communities we serve when paired with the knowledge and data our scale affords us.

This allows us to help shape an evolving health care system while being able to address any challenges that face us. We know that no matter the health challenge, we can be a trusted partner for our members and care providers to help deliver quality, affordable health care.

Now let me turn to IngenioRx. When we launched IngenioRx, we envisioned a new future for pharmacy care, not another stand-alone PBM. We purposely built IngenioRx with a vision that we were creating a new approach to care as a modern, integrated pharmacy model without the limitations of traditional PBMs. We have been intentional to integrate IngenioRx as a key part of our ecosystem, and member care journey under our control so we can connect and activate insights through this channel.

This integration is across all our digital platforms so our members experience one Anthem as they interact with us. The IngenioRx growth strategy puts the member at the center of everything we do. As mentioned at our last Investor Day, penetrating Anthem’s existing fee-based customers is a key opportunity as well as building external partnerships with non-Anthem businesses.
One way we will activate this growth is through technology and digital capabilities that deliver an enhanced member experience while also demonstrating the value of integration to our customers in a differentiated and real tangible way through outcomes and savings.

Recent successes in 2020 and early 2021 include: the build and introduction of over 40 new and enhanced solutions related to affordability, clinical quality of care and digital engagement for our providers, customers and members, further advancing our transformation as a health company.

We also acquired Zipdrug in 2020, laying the foundation for a new modern approach by leveraging data, technology and digital capabilities to deliver personalized care to our members at the local retail pharmacy level. Customers are seeing the value of our integrated model. And a recent example is a win in our Virginia market, a 25,000 member customer that previously carved out its pharmacy coverage in 2016 and is in bringing their business back to Anthem and IngenioRx because they recognize the service capabilities and value we can bring to them and their members.

And in our first full year as a fully operational pharmacy service organization, our external business grew from 0 members on 1/1/2020 to over 400,000 members as of 1/1/2021, with more members in the pipeline this year. As we look back over the last 2 years, our successful migration of 16 million Anthem members, one of the largest pharmacy migrations in history, demonstrated our operational strength and our focus on the member.

And early feedback we’re hearing from our members and clients about the value of IngenioRx is that they are already enjoying the ease of administration of a single relationship, easier onboarding and a consistent voice into our members' whole health journey. While we are intent on achieving a flawless migration, we were also focused on hitting the ground running with an eye on the significant growth opportunity that exists by migrating even more Anthem lives.

Our current pharmacy penetration rate of Anthem fee-based customers is near 20%, which is a good start. And we have significant opportunity to grow as we sell to existing Anthem customers with medical plans, and demonstrate that the value of integration goes much deeper than simply sharing data.

Each extra point of our improvement in our penetration rate equates to 200,000 new lives for IngenioRx, equivalent to roughly 2.5 million annual scripts. As Pete mentioned earlier, we expect to be able to improve penetration to greater than 30% over the next 5 years. With that in mind, we have taken strong steps to drive exponential growth in 4 key areas.

First, we have developed unique products, including advanced formulary design that drives greater value for clients through increased rebate options; second, we have aligned and integrated our clinical efforts across medical and behavioral and IngenioRx; third, we have increased sales compensation for brokers and consultants; and fourth, we’ve established whole case underwriting to drive a new level of value for our clients based on the savings that integrated pharmacy can bring to their medical costs.

In addition to our rich growth opportunity within the Anthem book of business, IngenioRx continues to sell directly to clients outside of Anthem, particularly Blue Cross and Blue Shield plans and other health plans and labor and trust clients, clients that align with our vision of modern pharmacy care.

Take, for example, our partnership with Blue Cross of Idaho for their commercial and Medicare members, which we successfully launched over the past year. Additionally, we’ve also established a partnership with the largest government health plan in Hawaii, with transitions to IngenioRx planned in 2021. With IngenioRx, the future of pharmacy care through an integrated model can make a significant impact. And we're continually inspired by the immense opportunities and capabilities ahead of us. We’ve had recent success that validate our whole health approach and our willingness to deeply integrate.

Specialty pharmacy is the fastest trending area of care, and it is vastly different than traditional retail pharmacy offerings. Like everything we do, we apply a clinical lens first to our approach, coupled with a strong focus on the member and improving their outcomes. Our approach has always been to align Specialty under one clinical policy, regardless of the benefit under which it is administered.
This is essential for creating greater clarity for health providers and ease for our members. Additionally, members taking specialty drugs often face multiple chronic conditions. Through our Specialty condition management program, we offer extra support for managing the overall health of these members.

Our nurses and pharmacists take a holistic approach in working with members by managing drug therapy and disease education. The specialty condition management program saves clients an estimated $330 and per engaged member per month in total cost of care. Our innovative 2021 specialty programs are putting the power of more affordable and accessible health and well-being in the hands of our consumers.

Whether through phone, text or online chat, our members can connect with us when, where and how they choose. The future of pharmacy care at Anthem extends beyond our walls to the reinvention of the retail experience. We created IngenioRx to imagine new approaches to the pharmacy experience. And the COVID crisis accelerated both the adoption as well as the need for more convenience and options for how members receive their prescriptions.

The recent purchase of Zipdrug which connects members to local, high-quality pharmacies in a curated network that provides personalized fulfillment and hand delivery is part of that new vision and an answer to this growing need. Let’s listen to how 1 member describes her Zipdrug experience and her gratitude for the support Anthem has brought to her.

(presentation)

Zipdrug provides us with a platform that integrates software in the pharmacy. This allows us to have more control over the experience by driving a new type of pharmacy care. With Zipdrug, we are able to transition from a transactional to a care-focused concierge service that provides highly personalized local pharmacy fulfillment while driving down costs and improving outcomes. Zipdrug allows us to apply insights from our artificial intelligence programs to anticipate a member’s needs and to remove barriers to pharmacy care, whether that be transportation, cost issues or complexity of pharmacy regimen.

Zipdrug also allows us to empower the pharmacists with actionable insights from our analytics hub to elevate the conversations they have with our members. Think of a close family member or friend who is currently managing a chronic condition and taking multiple medications. With Zipdrug, we can simplify their health care experience. Imagine them speaking with an Anthem nurse case manager about managing their condition. Through artificial intelligence and analytics, Anthem can relay social drivers of health and other factors that help inform the nurse about unique circumstances that might interfere with their care plan, like a lack of transportation, for example.

After asking about their circumstance and validating that they have transportation challenges, the nurse can offer to provide medications delivered to their doorstep through their local Zipdrug-enabled pharmacy. That pharmacist reaches out to them and also determines that they’re having scripts and dose packages would help. And soon, their medications are hand delivered to them in the exact dosage they require.

We are early in our development of the Zipdrug benefit. But from an experience standpoint, the numbers speak for themselves. The NPS for Zipdrug was 80 compared to an average NPS of 20 for retail pharmacies. We are just getting started on redefining the pharmacy relationship. And hopefully, you can now see how our approach to pharmacy goes beyond data sharing and improve satisfaction, outcomes and costs.

Now I’ll turn it over to Prakash Patel to discuss our diversified business group.

Prakash Ramanlal Patel - Anthem, Inc. - Executive VP & President of Diversified Business Group

Thanks, Jeff. When we met at our last Investor Day, I had been with Anthem just over 6 months. I joined the company in the summer of 2018 to lead a newly formed Diversified Business Group, or DBG, and more importantly, to be part of the transformation of health care as we know it. Now nearly 3 years later, I am more energized than ever by the progress we have made to build DPG into a growth engine for Anthem and even more inspired by the commitment we have made as a company to transform health.
We launched DBG to enable and create new care delivery and payment models with a special emphasis in serving those with complex and chronic conditions. This strategic focus stems from the fact that 20% of the population accounts for 80% of medical expenses. And these patients suffer the most from suboptimal experiences in the healthcare system that often result in poor outcomes. They require whole person care and community support above and beyond traditional methods and their needs guide our vision as an organization and as a business unit to focus on health as opposed to health care.

In DBG, we have been hard at work over the past 3 years, building a strategic and synergistic set of businesses to serve the needs of Anthem and other third-party payers. DBG today serves Anthem and more than 80 other payers across the country. We deliver cost of care savings, better clinical outcomes and continue to create new integrated care solutions for the highest cost challenges.

All of this is reflected in the nearly fourfold growth in DBG’s revenue from 2018 to 2020. We have evolved from an early-stage venture to a meaningful growth engine for the company with approximately 70% of our division’s revenue today derived from risk-based management agreements. As strong as our growth has been, we’ve only just begun. Today, we manage roughly 7% of Anthem’s total medical spend. And as we are gearing up to manage over 20% by 2025, in addition to deepening and growing our external relationships.

As Gail mentioned, our total addressable market for DBG exceeds $225 billion. By the end of 2021, we expect 29 of 36 non-Anthem Blue Cross Blue Shield plans to be served by at least 1 DBG offering compared to only 19 in 2018. And we have increased the number of Blue plans buying 2 or more of our solutions 300% since then.

On top of this, we have added 52 new clients to our external client portfolio in the last 24 months, driving our external operating gain from negative in 2018 to a projected positive 36% of the division’s overall operating gain this year in 2021. By implementing new analytics and digital tools and by leveraging and integrating data to proactively deliver care interventions, we have dramatically and successfully increased our risk-based arrangements. Risk-based arrangements represented $1.2 billion of revenue in 2018, and we ended 2020 with $4.2 billion in risk-based arrangements.

Now I’ll dive a little deeper into our 3 business pillars and discuss how we are pivoting to new ways of doing business, enhancing operational performance, embedding new care models and creating new products to best serve our customers.

DBG’s business spans 3 pillars: first, behavioral health; second, advanced analytics and services; and third, complex and chronic care. Let’s begin with behavioral health. As a leading behavioral health company, Beacon Health Options was always focused on serving complex populations and supporting whole person care, including mental health, social drivers of health and emotional well-being, substance use recovery, physical health and employee health programs. They were a strong fit for us strategically and culturally and are a welcome addition.

Beacon serves 45 million consumers today across 50 states, including 11 million Anthem consumers. Since joining Anthem, Beacon has expanded both its focus and footprint by winning 15 additional accounts, further cementing its market leadership, increasing access to behavioral health and EAP services through a deeper provider network and improving the care management of specialized populations by embedding social driver analytics. For example, since integrating, we have partnered with community agencies to address housing and food and security for vulnerable members and implemented stand-alone crisis support programs. We are also adding access to care by introducing peer support specialists into our case management program to improve member engagement and outcomes. We’re adding behavioral health services in primary care physician offices to provide care coordination, and implementing smart utilization management to reduce provider administrative burdens and improve access to care. Throughout the pandemic, we saw the use of virtual and telehealth services skyrocket, at times representing more than 60% of total outpatient care visits. And the experience proved that these capabilities can dramatically expand access to effective and much-needed care and services.

It has emboldened us to expand telehealth and digital care delivery capabilities, including launching digital therapeutics and support around cognitive therapies, autism and social drivers. We are also exploring exciting opportunities to combine Beacon’s leading capabilities with those of our other DBG assets to provide market-leading integrated solutions and care delivery models to address whole person health needs. This will enable us to address the needs of Anthem’s government business while ensuring the ability to serve a wide range of health plan clients, employers, and consumers across the country. One example of this work is the integration of DBG’s clinical offerings with behavioral services. Serving both government and commercial business, we are creating new holistic solutions for physical health that have a strong correlation with behavioral
health, such as cardiac, chronic pain and renal disease, and cancer. We will leverage these solutions to partner with providers. Second is a partnership that is already underway between Beacon and CareMore, that combines care delivery and behavioral health capabilities to serve members with complex needs. And third, Beacon is also working hand-in-hand with AIM to identify members with cancer diagnoses who can benefit from proactive supportive behavioral health services. This brings me to the second pillar of DBG’s business, Advanced Analytics & Services.

This platform includes 3 distinct offerings that we are able to sell separately or as an integrated product, including AIM Specialty Health, which leverages front end data powered clinical pathways to serve over 60 million lives across 50 states in support of appropriate, safe and affordable care. Health Guide, with its member navigation and coordination services; and our Payment Integrity program, which ensures timely payments and facilitates new innovative payment models. We are focused on driving innovation to take each of these offerings to the next level, all in support of DBG’s long-term growth. For example, AIM Specialty Health is creating whole person next-generation automated clinical pathways at the time of requested services to proactively identify additional support needed for patients. This includes pairing cancer diagnoses with triggers for behavioral health and palliative care services and pairing behavioral health with chronic pain, recognizing the high correlation of depression and addiction for members with these needs. All of this work is creating a more coordinated member experience, providing our members with high-touch support and navigation services when they need it most. Additionally, AIM is integrating front end pathways with other DBG offerings and has now entered into over $1 billion of risk-based capitated contracts from 0 in 2018. Our member navigation platform, Health Guide, works with members across their total financial, health and other needs by utilizing a focused analytics approach to assist in closing coordination gaps in care. Since 2018, our Health Guide services have grown sixfold. Today, 785,000 members are benefiting from our predictive whole person support model.

Finally, our payment integrity teams are identifying new approaches to enhance and create new payment models, including bundles (and) capitation and embedding virtual and physical visits. Our Payment Integrity platform ingests claims and clinical data for mining and computer-assisted anomaly detection and serves as a strong foundation for value-based care models. By implementing the anomaly detection tool, we have replaced manual labor and payment delays for providers while helping us to focus on the right outlier claims. This tool alone allowed us to realize over $300 million in savings in 2020 from inappropriate claims and payments. DBG’s third core business, Complex & Chronic Care delivery, serves Medicare Advantage members in clinics, the home and virtually. Our platform today consists of CareMore Health, a senior focused risk-taking multidisciplinary provider business that operates its own clinics, provides services in home and virtually, and places transition of care personnel in hospitals and nursing homes. And Aspire Health, which delivers palliative care in the home and virtually, caring for patients who are seriously ill. Both CareMore and Aspire are hyper-focused on serving members holistically, in many cases partnering with local primary care providers and other specialists to provide members with the continuum of care through the end of life. It’s inspiring to see the positive impact and health outcomes that our CareMore and Aspire teams deliver each and every day. Anthem members using CareMore have had fewer admissions, fewer bed days and shorter length of stays when hospitalized compared to traditional Medicare. CareMore has also achieved improved clinical outcomes across different disease states, such as heart failure, pulmonary disease and renal disease. Aspire has achieved outcomes that include the avoidance of unnecessary hospitalizations with 67% fewer admissions and 31% greater completion of advanced care plans in 2020 when compared to AHRQ benchmarks. By combining CareMore and Aspire, we are able to address chronic disease and support members with a continuum of care through the end-of-life in a variety of settings, marrying CareMore’s clinic footprint and on-site services with Aspire’s reach into the home.

Today, CareMore and Aspire serve over 100,000 of Anthem’s Medicare members with the opportunity to address the highest-costing 20% of all Anthem and non-Anthem Medicare members across the country. Additionally, the Medicare Direct Contracting programs that will allow providers to assume risk on traditional Medicare members will help us address an even broader segment of the market, enabling DBG to take capitated risk to manage care for complex patients. We expect our care delivery assets to experience meaningful growth due to these programs. We are rapidly improving our data capabilities and digital offerings to better meet our members in real time and to be able to improve coordination of services and member experience.

This video features a short story about one of our members, Joseph, who is diabetic and recently had a quadruple bypass. He developed a deep, trusted relationship with our team at his local CareMore clinic. And with that trust, allowed us to also employ a simple digital remote patient monitoring experience that enhances our ability to help keep him well.

(presentation)
**Prakash Ramanlal Patel** - Anthem, Inc. - Executive VP & President of Diversified Business Group

Our digital solution is easy for patients like Joseph to set up, but behind the scenes, the power of our extensive data analytics combined with our digital platform really comes to life. The home-based sensors track Joseph's data points, the information is sent to his care team, and if there are ever any issues, Lynn will call Joseph on the telephone. For Joseph as a patient, it's so simple.

(presentation)

**Prakash Ramanlal Patel** - Anthem, Inc. - Executive VP & President of Diversified Business Group

This is just the beginning. Increasingly, we will be bringing all of these capabilities to bear in bundle and global capitated risk arrangements. For example, we are launching a new complex care model that blends virtual and digital clinical products with high-touch member navigation services, Beacon behavioral health services and home monitoring. This program will also leverage local community health programs to address social drivers of health to identify care gaps and social support needs and then proactively connect patients with resources to address them, all encompassed in a value-based payment model. These models of care help our clinicians engage patients in their own health to drive better outcomes and lower overall costs, in part by reducing emergency department visits and increasing utilization of primary and home care, at the same time significantly improving member experiences. We launched the first part of this program with a small group of Anthem Medicare members in January and will refine and then scale the program over the remainder of the year with the intent of selling externally.

With respect to the future, DBG will remain committed to 3 strategic growth priorities: one, deepening and growing our strategic partnerships. This includes enhancing capabilities of our individual businesses as well as the bundling of services across our 3 business platforms, which allows us to do even more with new and existing strategic partners. By deepening and growing our strategic partnerships, we are further demonstrating we have the ability to wrap high-touch and high-tech services around members with chronic and complex conditions to successfully improve health outcomes, patient satisfaction, and drive down the total cost of care. We will continue to focus on serving Anthem, other Blue Cross and Blue Shield companies, as well as other health plans with an eye towards addressing their most pressing needs. We will not waver in our commitment to deliver high-touch support, which is at the core of all that we do. Two, growing our clinical and payment management capabilities. Simply put, we are committed to managing a growing portion of total medical costs and related spending through value-based risk deals addressing the biggest pain points for our customers. We will continue to implement new analytic and digital tools and leverage integrated data to proactively deliver care interventions, allowing us to further increase our risk-based revenue from existing and new members. And finally, we will continue to pursue acquisitions of strategic assets. Especially those built to address the most expensive and difficult to manage areas of member health, including in-home care delivery, various payment integrity models and solutions focused on complex clinical conditions. Our vision is to acquire best-in-class assets that help reduce Anthem's cost trend while also selling the services externally. Our DBG model will continue to focus on the highest-cost challenges. We will continue to execute on delivering cost of care savings and improve clinical outcomes through leading individual DBG products as well as integrated solutions. Our capabilities today and tomorrow will enable us to manage an ever-increasing portion of medical spend under value-based, risk-based arrangements. We will continue to grow by serving Anthem and other Blues and payers across the country. Our progress since 2018 is only the beginning.

In closing, I am incredibly proud of the DBG associates and our collective partnership, and I want to thank them for the tremendous results we have delivered. Thank you. And now I will turn the floor over to John Gallina.

**John Edward Gallina** - Anthem, Inc. - Executive VP & CFO

Thank you, Prakash, and thanks to all of you for joining us today. We covered a lot of ground today. And if you're as focused on the bottom line as I am, you may be wondering how all of this translates into shareholder value. My goal this morning is to tell you that story, while discussing our long-term outlook. I have spoken with many of you over the past year by phone or by using a number of different videoconferencing services. Technology has allowed us to continue to conduct business and to do so efficiently. I know many of us miss the face-to-face interactions, but I think we can all agree how important technology is in delivering efficient and effective business processes. Earlier this morning, you heard Rajeev make this case. His organization has become ingrained within all of Anthem's businesses, having helped us to modernize and transform our processes, and ultimately to accelerate our growth. One of the ways in which their work has impacted the bottom line is through the optimization
of our cost structure, an initiative that is centered around automating laborious processes. This is a never-ending journey. But to date, their work has already been critical in the delivery of 160 basis points of operating expense leverage on an adjusted basis between 2018 and 2020.

Our digital teams are also hard at work applying technology to every other aspect of our business, including to address key pain points of our customers and end users, things like the cost of health care as well as the consumer experience when using their benefits. The productive application of technology touches nearly every aspect of Anthem’s businesses, and it will remain key to the acceleration of our growth as an organization. The Diversified Business Group and IngenioRx will continue to provide best-in-class services to Anthem’s members while also competing for external customers. This multi-payer approach is central to their strategy, while their relationships with Anthem allow DBG and IngenioRx to quickly achieve scale and create proof points that will help them grow external business. Many of these services are tech-enabled and are delivered to our affiliated businesses with related profit streams residing within our Diversified Business Group or IngenioRx. While intersegment revenues are eliminated in consolidation, the effect on our consolidated financials is to grow operating profit and expand operating margin on top of the external growth opportunities available to us through these diverse businesses. We expect DBG and IngenioRx to generate strong organic revenue growth, supplemented by M&A, which we also expect will accelerate under the shrewd and capable leadership of Amy Mulderry, who joined us just last month from the investment community. The transformation of Anthem from a traditional insurance company to a growth company focused on health, with synergistic and increasingly vertically integrated businesses, acts as an accelerator on top of the stable, consistent earnings growth we are fortunate to be able to generate in our core benefits businesses.

As you heard earlier today, Pete Haytaian has set a bold goal of driving Anthem’s commercial medical cost trend down to the rate of CPI over the next 5 years. We do not take our commitment to affordable health care lightly. We have assembled the tools to meaningfully slow medical cost inflation and are confident in our ability to drive success from the application of artificial intelligence to deep and robust data sets that cover the continuum of our members’ health. We synthesize data across medical, behavioral, pharmacy and social drivers, then leverage advanced capabilities to drive early insights and specific interventions that help our members avoid bad outcomes for their health, which in turn helps us to contain the cost of care. Our technology is also helping us design flexible and customizable plans and optimize how care is accessed and where it is delivered. Growing the penetration of value-based care and member affinity to high-performing providers will further these effects. Achieving that goal would help produce upside to our long-term commercial enrollment targets and a lower medical loss ratio, a powerful combination for bottom line growth.

On the government side of the business, you heard Felicia lay out the groundwork for double-digit enrollment growth in Medicare and continued success in Medicaid. With growth in Medicare and Medicaid increasingly being driven by complex and chronically ill populations, the opportunities for our government business division to leverage the capabilities of DBG and IngenioRx are substantial and growing. For example, today our government business division is the largest customer of DBG’s Beacon Health, CareMore and Aspire subsidiaries. Leveraging these capabilities not only enhances our current business but positions us to maintain a strong RFP win rate.

To put all of this into simple terms, we will continue to grow earnings inward and outward. We’ve demonstrated our ability to do this over the past 2 years, and we’re committed to this strategy for the long haul. We certainly are not the only managed care company with tech-enabled businesses that serve our core benefits business, or with clinics focused on improving the lives and the health of high-acuity patient populations on government programs. But we at Anthem believe that our capabilities and the earnings growth potential that these assets collectively offer are the most underappreciated across our peer group. With more than $8 billion of normalized operating cash flow annually, our ability to create value for shareholders extends beyond organic growth. We plan to pursue M&A while staying both strategic and judicious with our capital allocation decisions. We can pivot and be opportunistic based on market conditions and would note that our stock is currently trading at a meaningful discount to our own historical trading ranges – periods when Anthem was not nearly as well positioned for growth as we are today.

Now before I move on to cover our long-term financial targets, I want to reiterate the guidance we previously provided for 2021. To recap, our 2021 guidance calls for adjusted earnings per share of greater than $24.50, implying growth of at least 9%. We believe this is prudent in light of the many uncertainties related to the pandemic, but make no mistake, we are striving to do better. As a reminder, our guidance embeds a headwind of $0.50 to $0.70 in our Medicare business stemming from transient, COVID-related headwinds that were primarily the result of regulatory and legislative actions taken in December and January. Despite the pandemic, we also expect to maintain our momentum on our core benefits businesses and end the year with nearly 45 million total medical members at the midpoint, reflecting a 3% organic growth rate and the addition of over 570,000
Medicare and Medicaid members through the pending acquisition of MMM. You’ve heard me say this before, but it bears repeating. Anthem has the most balanced and resilient benefits business in the sector.

In 2021, we expect to generate balanced profits across our commercial and government businesses, which leaves us relatively well insulated from the macroeconomic environment. Should the vaccine distribution accelerate and the economy bounce back, our commercial business will be extremely well positioned. Conversely, should the vaccine rollout remain sluggish, while new variants of the coronavirus make the rounds, we would expect the public health emergency to persist, keeping Medicaid enrollment elevated and utilization depressed. Regardless of which scenario plays out, we are confident in our ability to deliver against our 2021 outlook. Additionally, we are entering 2021 with a strong balance sheet. Said another way, we reserved cautiously, priced sensibly and guided prudently, and the probabilities favor another strong year of earnings growth.

Now let’s take a quick look at how we did against the financial targets we provided at this event 2 years ago, and then I’ll walk through how we are thinking about the next 5 years. At our 2019 Investor Day, we introduced a long-term adjusted earnings per share growth target of 12% to 15% annually, driven substantially by organic growth in our core businesses and balanced capital deployment, alongside a target of 10% to 12% operating revenue growth looking out to 2023. We also committed to at least $800 million of incremental pretax annual earnings beginning in 2020 as a result of the launch of IngenioRx. And we made clear that the build-out of that business would drive earnings per share growth above our long-term target range in 2019 and 2020. And recall that we also committed to consolidating our back-end systems footprint from 6 platforms in 2018 down to just 2 platforms by the end of 2022. I am pleased to report that we have exceeded our targets. We’ve delivered the industry’s leading compounded annual growth rate and adjusted earnings per share of 19% from 2018 to 2020. We’ve compounded operating revenue 15% over this period, including 13% on an organic basis, exceeding the 10% to 12% 5-year target. Earnings from IngenioRx have also exceeded our targets after excluding amounts transferred into IngenioRx from other segments. We generated closer to $900 million of incremental earnings versus the $800 million-plus target we outlined at our last Investor Day. And we have consolidated our claims processing systems to 3 today with a clear line of sight to getting down to 2 by the end of 2022, on track with our goal.

Our vision for the next 5 years reflects the strategy you heard today. Anthem aspires to be a digital-first enterprise, focused on leveraging data to drive insights that will allow us to deliver best-in-class consumer experiences, improved whole person health and lower overall medical costs, principally by operating a diverse set of tech-enabled businesses and platforms. A key element of this strategy is to continue to grow our diversified business group and IngenioRx organically and via M&A, inward by selling to Anthem and outward by growing our revenue from third party payers. We will remain disciplined in commercial pricing, but continue to drive enrollment growth as we customize our offerings and build products to meet local needs. We will grow our government business meaningfully, expanding our Medicare Advantage footprint by increasing our market share in our Blue Cross and Blue Shield licensees states where we are underpenetrated today, while leveraging our deep expertise in caring for seniors with complex and chronic needs to grow our D-SNP book of business.

Across all of our benefits businesses, we will leverage the power of IngenioRx, which will enable competitive pricing on our fully insured products and drive incremental revenue and earnings growth from our self-insured businesses as we increase the penetration rate of pharmacy services across our ASO client base. The integrated value proposition results in a win-win for consumers, customers and stakeholders while enhancing shareholder value. And across every business and operating process, we will leverage our digital platforms, which will continue to help us drive operating efficiency that will aid our SG&A ratio as well as our medical cost ratio.

As a result, each of our 4 business segments is positioned for growth and success. The sum total of these efforts affords us the confidence in our ability to reiterate our long-term adjusted earnings per share growth target of 12% to 15%. Much like the drivers we laid out at our Investor Day in 2019, our 12% to 15% growth rate is predicated on solid core performance, with operating gain driving approximately 2/3 of our growth and the remainder coming from capital deployment. As you will see in a moment, our bottoms-up outlook for each of our business divisions clearly supports upper single-digit to low double-digit compound annual growth in our consolidated operating profit, while our normalized operating cash flow of greater than $8 billion underpins the mid-single-digit contribution from capital allocation that we are targeting. Having seen the power of integrating attractive and synergistic businesses through the build-out of IngenioRx and DBG, over the course of the past 2 years, we are leaning into this strategy for the long haul, and anticipate that the impact on our consolidated financials will show up in the form of a higher operating margin, as growing intercompany revenue streams are eliminated in consolidation, while earnings on these revenues remain within our noninsurance business divisions. We are now targeting consolidated operating margin in 2025 to be in the range of 6.5% to 7% compared to our prior target of 6% to 7% in 2023. Consistent with what we shared in 2019, we are targeting our SG&A ratio to be in the range of 11% to 12% between now and
2025. We will continue to benefit from the application of digital technologies to business processes, while also leveraging our size and scale. The benefit to the ratio is mostly offset by faster growth in our services offerings, which tend to carry a higher operating expense ratio, but more importantly, also higher operating margins. As you can see, we are continuing our efforts to diversify our revenue and earnings base and we’re doing so while maintaining our commitment to operational excellence. We are striving to improve the health of humanity and committed to creating shareholder value.

Turning to our segment outlooks. There are a number of moving pieces on the revenue front when comparing the next 5 years to the last 2, including: number 1, the recent rise in Medicaid enrollment related to the public health emergency and the economic downturn, and the suspension of reverifications, which we expect will resume in 2022; number 2, the build-out and rapid recent growth of DBG and IngenioRx; and number 3, our goal of driving commercial medical cost trend down to CPI. As you can see, we are projecting balanced topline growth across each of our segments. With that in mind, we recognize our revenue growth can vary considerably in any given year and that our sustainable long-term revenue growth rate will be a function of our mix of business. Our commercial business is targeted to grow revenue in the mid- to upper single-digit range with operating margins expanding into the 10.5% to 11.5% range, reflecting a balance of growth in our risk business; notably from new product offerings aimed at the individual market and other targeted markets, coupled with margin expansion in our fee-based businesses as we execute on our 5:1 to 3:1 goal. Although our progress against this initiative slowed in 2020 alongside employer decision-making amidst the pandemic, we remain confident that we will achieve our goal of 3:1. Government operating revenue is targeted to grow in the upper single digits to low double digits, reflecting solid double-digit growth in Medicare and a more tempered outlook for Medicaid, given the recent rise in enrollment due to the suspension of eligibility reverifications, which is now in our base. The robust RFP pipeline and our strong track record of success should allow new wins to fully offset attrition from future reverifications. Margins for the Government business division are targeted to remain firmly within the 3.5% to 4.5% range. And this is in addition to the pending acquisition of MMM, which will add approximately 267,000 Medicare Advantage members and approximately 305,000 Medicaid members. IngenioRx, operating revenue is targeted to grow in the low double-digit range, driven primarily through rising penetration within our self-insured business. Operating margins are targeted to remain relatively consistent, in the range of 6% to 6.5%. Finally, our diversified business group, while not yet reported on a stand-alone basis, is poised to deliver the fastest growth on a percentage basis as it expands to serve more of Anthem’s existing members and in more ways, in addition to growth in its external business. On a gross basis, the Diversified Business Group generated nearly $6 billion of revenue in 2020 from a standing start in 2018, and we are targeting it to reach $15 billion of internal and external revenue by 2025, representing the fastest-growing business division over the next 5 years. In the past 2 years, Anthem has demonstrated that we are a growth company. We believe our industry-leading results have been underappreciated as we’ve delivered compounded annual adjusted EPS growth of 19%, compound revenue growth of 15% and compound medical enrollment growth of 4%. Most impressive is that the vast majority of our earnings growth has been driven by core operating gains. We have accomplished these industry-leading metrics while diversifying the company in creating new business divisions that provide best-in-class services to Anthem and other third party payers. The work we are doing in digital and AI is unparalleled and is paving the way for a better health care experience founded on whole person health, which should drive engagement, enrollment growth, and lower medical cost, all while improving the operating efficiency of our organization. As Gail articulated this morning, Anthem today is not what Anthem was just a couple of years ago. We’ve changed the culture, upgraded the talent, reinvented business processes to leverage technology, built IngenioRx from a standing start, and created DBG, all in an effort to position ourselves for the future.

Today, we are a large, innovative, mission-driven organization focused on execution and delivering against our commitments, just as we did against the goals we set 2 years ago at this event. The market potential is significant for each one of our businesses, and we believe we are well positioned to capitalize on opportunities for years to come. We hope you will walk away from today’s discussion with as much excitement for the future as we have.

We are now going to pause to assemble the queue for our Q&A session. Thank you, again, for your time today. We look forward to taking your questions.
Questions and Answers

Stephen Tanal

Thank you again for joining us today, and welcome back to the question-and-answer session. We hope you found today’s content as exciting as we do, and we look forward to taking your questions now.

Our first question comes from the line of Justin Lake with Wolfe Research.

Justin Lake - Wolfe Research, LLC - MD & Senior Healthcare Services Analyst

A couple of questions here. First, Pete, you did a great job of laying out the opportunities on the risk-based side, talked about 5% to 10% growth over the next 5 years. Can you talk about what you see over the next year or 2? Given -- as we come out of this COVID environment, do you see more opportunities, less opportunities there? And then, John, maybe you could give us a quick update given the focus on COVID costs and the moderation we're seeing in COVID overall. What do you expect to see through the year on the cost side as you built up the viewpoint on the year?

Stephen Tanal

Thanks for the question, Justin. Pete, would you like to start?

Peter David Haytaian - Anthem, Inc. - Executive VP and President of Commercial & Specialty Business Division

Yes. Thanks, Justin. No, it's a great question. I'm really pleased with how we've done with respect to sales and growth, especially around the pandemic. Even prior to the pandemic, we talked about sales exceeding lapses all through 2020 as well as in most of 2019. So we feel very good about that. As I talked about in my prepared remarks, we have worked very hard on our portfolio of products across all segments.

And so as we move forward, the biggest issue for us for the last year -- even in the pandemic, we were able to grow sequentially. The biggest problem for us was in-group change. And so I think to directly answer your question, as the economy improves and our execution continues to perform at the levels that we're performing with our portfolio of products, I'm very, very confident that we can come out of this and continue to grow and take market share. John?

John Edward Gallina - Anthem, Inc. - Executive VP & CFO

And -- yes, Justin, thanks for the follow-up question as well. Associated with 2021 and the cost structure, we really are looking at COVID and non-COVID utilization combined. Certainly, in January, we were well above baseline as we expect it to be. And we expected February and March to come down, and they have. February actually came down at a slightly faster pace than we had anticipated. Some of that is weather-related with the storms around the country. But actually, the decline occurred in all geographies throughout all of our lines of business. So we feel very, very good about how that's playing out.

As we look at the rest of the year, we do expect that the second quarter will be relatively close to baseline in total with COVID and non-COVID. And then the third quarter, slightly back above baseline as the non-COVID utilization really starts to tick up. And then we're actually projecting that the fourth quarter will be above baseline again with non-COVID utilization as well as the variance of COVID coming from other countries. We believe that there will be some lingering effects associated with the COVID pandemic and that the cost structure will be reflective of that in the fourth quarter. So we think we're relatively prudent in terms of our expectations and outlook. So thank you for the question.

Stephen Tanal

Thanks, Justin. Our next question comes from the line of Steve Willoughby with Cleveland Research.
Stephen Barr Willoughby - Cleveland Research Company - Senior Research Analyst

Two questions for you. One, I was wondering if you could comment on -- provide some perspective on the DBG business in terms of how large each of the 3 buckets are that you talked about today and expected growth rates for each of those buckets. And then secondly, John, you made a comment regarding the Medicaid business. And I believe you said you expect the potential pressure from reverification audits to be offset by new wins in 2020 -- or in 2022. Does that include the impact from MMM? And how are you thinking about the pacing of these audits picking back up next year?

Stephen Tanal

Good question. Prakash, do you want to get started?

Prakash Ramanlal Patel - Anthem, Inc. - Executive VP & President of Diversified Business Group

Yes. Thank you for that question. We've experienced strong growth across all 3 business pillars, and the drivers here are first Anthem. Anthem accounts today for 70% of our overall revenue, and it will continue to account for 70% into the future. And when we look at the non-Anthem Blues, we've had a great growth story there, growing from 19 Blues with one of our solutions to 29 Blues that will have one of our solutions and over 300% increase in the number of the Blues having 2 or more of our solutions. Also, our revenue growth with the Blues plans has been 2.5x since we started in 2018, and that's really across the board of our DBG pillars.

And then we also have had strong growth with our non-Blue health plans. We've added 60 non-Blue health plans over the last 2 years. So we expect to see continued strong growth. And really, the growth drivers will be multiple. One is further penetration of each of our pillars products in our health plan clients. The second is selling more than one solution into these same clients as well as our newly emerging integrated solutions. We will be entering into more risk-based adjusted contracts and entering into also more government business, which is a very important driver for us, including direct contracting. In terms of breaking out each of our businesses, we're not doing that at this point. But behavioral health, Beacon will be a material part of our overall long-term growth. Thank you for the question.

John Edward Gallina - Anthem, Inc. - Executive VP & CFO

And Steve, thank you also for the follow-up question on the Medicaid. So first of all, MMM, we anticipate that, that will close here in the next couple of months. And really a phenomenal asset, which includes both Medicare Advantage lives and Medicaid lives. I know you only asked about the Medicaid, but it's actually a very, very strong Medicare Advantage company as well.

And then -- so that will be in our base in 2021. It's not yet reflected in the guidance numbers that I provided. If you include the MMM acquisition, we get up to closer to 45 million medical members for the year. Associated with the reverification, we would expect it to resume at a fairly measured pace. We are not expecting a cliff event, say, on January 1. And we do have the natural hedge with a natural offset of the leading commercial marketplace within the sector as well. So we feel very good about the balance of our membership growth in total. We do believe that reverification will occur in 2022. Our commercial membership should benefit as a result. And the RFP pipeline on Medicaid is really a wonderful opportunity for us to maintain our growth within the Medicaid block of business. So hopefully, that helps clarify it. Thank you for the question, Steve.

Stephen Tanal

Thank you, Steve. Our next question comes from A.J. Rice with Crédit Suisse.
Albert J. William Rice - Crédit Suisse AG, Research Division - Research Analyst

I might focus in on Medicare Advantage and your comments around that. I think you made the comment that you’ve gone from 8.4% share to 10.2%, if I got that right, in your Blues markets. Are you fully penetrated geographically in your product offerings? And where do you think -- I know that share position is still quite a bit below where you are on the commercial side. Do you have any ideas as to where it could go? And you offered also an interesting data point that you got about 200,000 agents every year out of your commercial book into Medicare. How many of those -- what percentage of those are you capturing today? And what’s the possibility of what you could capture over time? And then I’m going to finally ask about group M&A, which I know last Investor Day you said it was about an $8 billion opportunity. I know COVID slowed that -- those contracting down, but do you still see that as an opportunity for your M&A book?

Stephen Tanal

Good questions, A.J. So why don’t we start with Felicia on the Medicare Advantage penetration inside of our states, our Blue states, and then we’ll go over to Pete, who’s focused on selling the group product.

Felicia Farr Norwood - Anthem, Inc. - Executive VP & President of Government Business Division

And thank you for the question. It’s very good. When we think about Medicare Advantage, we just have a significant opportunity. We’ve made very good progress. As you know, we delivered over 18% year-over-year growth. But the penetration in our Blue states has plenty of upside. There are only 3 of our 14 Blue states where we have a top 3 position today, and we have an opportunity to certainly continue to penetrate the additional Blue states as we move forward.

The other opportunity we have as well, as you know, is the agents. We have about 200,000, as you said, commercial members who age into Medicare every year. We’re only penetrating right now about 13% of our agent pipeline. So still a lot of upside there as well.

And when you think about our alliance opportunities from a growth perspective, we were able to start some new alliances this past year with our Blue partners, Blue Cross Blue Shield of North Carolina, Blue Cross Blue Shield of Louisiana with respect to D-SNPs as well as a group alliance opportunity with Blue Cross of -- Blue Cross -- Independence Blue Cross, I should say, which Pete will speak to.

But at the end of the day, there is just significant upside if we just continue to penetrate our Blue states in terms of our growth. As we said, a 1% increase in share represents about $1.5 billion in revenue opportunity. So being able to drive continued improvement and that growth is very significant for us as we go forward.

Stephen Tanal

Pete?

Peter David Haytaian - Anthem, Inc. - Executive VP and President of Commercial & Specialty Business Division

Yes. Thanks, Felicia. Absolutely, A.J. It’s a great question. We feel very good about the Group Retiree opportunity. I think if you recall, when I stood up on the stage a couple of years ago talking about this opportunity, we were at or around 25,000 members, and we’ve been able to grow that to just over 200,000 members now. We still have a very strong captive pipeline, and we see the opportunities continue to progress. As you said, and you alluded to, COVID definitely did put a halt to that. You’d expect that with a senior population. Making a big transition, especially for large jumbo accounts, is not something that we would expect to happen during a pandemic. But our value proposition is playing through. It’s resonating. We’ve got great further opportunities with Blue partnerships, and we’ll see that grow as well. So yes, we probably were delayed by a year or 2 as it relates to the Group Retiree opportunity, but we stick by our commitments and growing that over the next several years.
Stephen Tanal

Thanks, Pete. Our next question comes from Scott Fidel with Stephens.

Scott J. Fidel - Stephens Inc., Research Division - MD & Analyst

One type of question just around deployment of capital that you highlighted for M&A. And it looks like around 50% of future capital deployment may be weighted towards there. And clearly, you've highlighted how you see a number of opportunities, particularly in the Diversified Business Group. So just interested to the extent you can and maybe giving us some insights into some of the types of platforms or capabilities that you'd be looking to add on top of the current 3 base businesses that you have with DBG. And then in particular, I was interested in the comments you made around continuing to add on to the in-home care capabilities that you've been building. Obviously, you've already done Aspire. So to the extent that you could talk about specifically some of the additional capabilities that you'd be interested in, that would be really helpful.

Stephen Tanal

Good question, Scott. So why don't we start with John on the overall cap deployment strategy, and then we can go to Prakash on DBG?

John Edward Gallina - Anthem, Inc. - Executive VP & CFO

Sure. Thank you for the question. In terms of the capital deployment strategy, as you indicated, 50% of our free cash flow is dedicated to M&A and reinvesting in the business, 30% for share buyback and 20% for dividends. And we do believe that, that still is a very good, balanced use of capital over the long term. We want to be very opportunistic associated with M&A as well as opportunistic associated with share buyback for that matter. But as we look at the capabilities associated with our Diversified Business Group, it's really taking a look at best-in-class assets that can be utilized to help bend the cost care trend down with -- for Anthem membership and then also take those capabilities and sell those externally. I'll turn it over to Prakash to give a little bit more detail for what that means, but it really has to start with best-in-class capabilities.

Prakash Ramanlal Patel - Anthem, Inc. - Executive VP & President of Diversified Business Group

Great. Thanks, John. And thanks, Lance [sic] (Scott), for the question. I will point out that in our long-term growth plan, that's really based on our existing capabilities in our services. So anything else we were to add or acquisitions we do would be incremental to our long-term growth plan. And overall, our approach is to manage as much of the health care dollar and cost of care that we can. And clearly, M&A is going to be a very important part of this.

So when we look at M&A, it's going to be very consistent with our strategy to enable and create new payment and care models with that strong emphasis on high-cost, complex and chronic care. And the kinds of things that we're going to be looking at include cardiac and COPD, so pulmonary diseases, cancer. We'll be looking at payment integrity areas. We'll be also looking at the areas that are related to chronic kidney disease.

And then finally, a very important part of transition of care that you're alluding to -- and this includes looking at transition of care from the hospital, the home services, broadening what we do in the home. There's opportunities with DME. There's opportunities in infusion and working with Jeff and what they're doing at Ingenio, for example. We have opportunities in the SNF as well. So it'll be a holistic view that we'll take on transition of care.

I would also like to point out that each of our business units, all 3 of these pillars that we have, are growing significantly without our acquisitions. And I do think acquisitions are important. But maybe a key differentiator for us, Lance (sic) Scott, is that we're very busy creating integrated solutions wrapped around the whole person. And I think this is an important opportunity for us because bringing the acquisitions are important, but to really maximize the outcomes, leverage the high-tech and high-touch solutions that were taking place in the marketplace, you really have to be able to bring these pieces together to bend that cost curve. And that's the kinds of things that we're working on. So no one area is going to be critical in itself. It's really how we create this integrated offering. Thank you for the question.
Stephen Tanal
Thanks, Prakash. Thanks, Scott, for the question. Our next question comes from Lance Wilkes with Bernstein.

Lance Arthur Wilkes - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst
So my question is really around the way you’re cross-selling to other Blue Crosses and other health plans. And what I was wondering is, from a functional standpoint, what’s the point person for that? What’s your sales and account management strategy about how you go about that first? Second, what have you seen as the big high-growth areas of opportunity with that going forward? And I’d be interested in, obviously, Prakash, but also the government assets and anything in care delivery. And then, I guess, related to that a little bit is from IngenioRx, as you’re building out the capabilities there and looking at cross-selling those capabilities, are there any particular assets that you need to build in-house at this point? I’m thinking of specialty pharmacy, online pharmacy, things like that.

Stephen Tanal
Thanks for the question. Why don’t we start with Prakash and then move over to Jeff on the IngenioRx side?

Peter David Haytaian - Anthem, Inc. - Executive VP and President of Commercial & Specialty Business Division
Yes. Thank you, Matt (sic) Lance. There’s quite a few questions in there, so I’ll try to do my best to make sure I capture all of them. First of all, what’s driving our opportunities with the Blues? It’s really that we’re focused on their biggest cost drivers, their most difficult to manage areas. And I mentioned that in the previous response I gave. The same areas that I mentioned are the same ones that they struggle with. So we have a great opportunity, obviously, to continue to deliver on those.

I think the other area that’s helping us significantly is we’ve shown that we can deliver cost of care savings and outstanding experiences at scale. We also work with the activities and the capabilities that our Blues partners have when we bolt on our solutions as well to really maximize value. And then they’re also looking for the same things Anthem is looking for in terms of an integrated whole-person solution. And this has value, obviously, for outcomes, cost of care savings and experiences. But it also reduces the number of vendors that our Blues partners have to manage, and that’s very important as well. It reduces the time, the energy and the cost that go with that.

In terms of the kinds of things we need going forward, it really is the items that I mentioned. But I think it’s most important -- and I really want to underscore this, Matt (sic) Lance, it’s really important how we integrate that solution and put together risk-based arrangements in the contracts and be able to deliver on that. And that’s really what’s driving our growth that we’ve been able to show that we can do those things.

Stephen Tanal
Jeff?

Jeffrey Phil Fusile - Anthem, Inc. - Executive Officer
Yes. Thanks, Lance. You actually hit it right on the nose that we need to build out our unique approach to specialty. As you know, for the most part, in pharmacy now, retail has become table stakes, and the cost and the cost drivers are really coming out of specialty.

And I think that really supports why IngenioRx was created. And that was to align much, much more closely with a health plan, whether it be the medical or behavioral side. So our specialty build-out would include things like partners on genetic testing, genetic counseling, and then sites of service management for infusion, and that could include the home. And I think that’s -- when you think about how we connect tightly into the
health plan, the benefits, we don’t really care where those benefits are provided. We’re trying to align one medical policy across pharmacy, medical and behavioral. And we’ll either do that inside IngenioRx if we think it’s something that’s unique and very specific to what we want to build. But if we believe we can do that in partnership with DBG and sell it to the other parts of the health system, we’ll certainly work closely with Prakash and his team for that build-out. Thanks for the question.

Gail Koziara Boudreaux - Anthem, Inc. - President, CEO & Director

I’d like to go back to sort of the beginning of the question, though, which has a much more strategic context to it, which is our relationship across the Blue system and how do we sell into it. And I think Prakash and Jeff did a really good job of talking about our services, but I actually think it starts well before that. We’re working continually with our Blues plan brethren, quite frankly, on policy issues and committees. And our original relationships have always started in our health plan business. So the Medicaid partnerships, and you saw them expanding into the Medicare partnerships and the duals, et cetera. So we see this really good opportunity and now in group Medicare as well.

So it’s not a simple one-to-one relationship, although certainly, in our services business, we’ve organized that. So it’s a consistent point of contact and a consistent way to work with Anthem. But I would tell you, our touch points are deep throughout every one of our businesses. And oftentimes, they come to us through the health plan business, where then we can add additional services. And North Carolina is an absolute great example, where our IngenioRx business is embedded in there. And CareMore is also going to be embedded there. And we have opportunities to bring more services. So just get a little bit of a sense of the deep relationships that we’re constantly working with Blue plans and the executives across the system.

Stephen Tanal

Thank you, Gail. And thanks for the question, Lance. Next up, Matt Borsch from BMO.

Matthew Richard Borsch - BMO Capital Markets Equity Research - Research Analyst

My first question is on the commercial side just to get better understand. I want to make sure first I got it right, that you’re talking about 5% to 10% commercial fully insured enrollment growth per year to 2025. And if I did get that right, then within that, can you give us some sense of, if not quantitatively, descriptively how much is sort of small group PEOs, which you’re launching, student, large group and other components? Just to understand because that’s a pretty significant growth rate for commercial fully insured.

Stephen Tanal

Thanks for the question, Matt. Pete?

Peter David Haytaian - Anthem, Inc. - Executive VP and President of Commercial & Specialty Business Division

Yes. Matt, I think it’s a great question. And I wanted to actually have a lot of confidence in -- and I hope that the way I describe things today brought clarity to some things around that. But if you recall, our strategy a couple of years ago was really to step back, look at the talent we have in the organization, restructured the organization in commercial. We set up a product and a segment organization. We then went on a strategy to build a portfolio of products across every segment. And I won’t break down every single segment for you. But across each one, be it individual, small group, even when you get into the large group marketplace and you look down market, middle market and then upmarket, we really have a solution across the board to meet our clients where they are.

And what I talked about today in the presentation are really good examples of subsegment opportunities that we, quite frankly, were not penetrating before. I talked about student. I talked about PEO. In the small group marketplace, we have a series of alternative products. And even in the individual marketplace, we now have alternative products. So I can confidently say that in each one of our 14, we have a solution.
And yes, that 5% to 10% does relate to growth over the next several years in our fully insured business. And it's in large part for these very reasons that I described, the subsegment strategy and these underpenetrated markets in which we have a great opportunity to continue to grow.

Stephen Tanal
Thank you, Pete. Next question comes from Dave Windley with Jefferies.

David Howard Windley - Jefferies LLC, Research Division - MD & Equity Analyst
I wanted to focus on digital. You made a few -- quite a bit of comment at the earlier part of the presentation about your digital strategy. I'm wondering how televisit or digital connection between patient and provider fits into that digital strategy. How important is it to maintain longitudinal connection in that televisit or digital strategy? And how does that contribute to your goals to drive cost trend towards CPI?

Stephen Tanal
Great question. Why don't we start with Rajeev?

Rajeev Ronanki - Anthem, Inc. - Senior VP & Chief Digital Officer
Yes. Thank you. Great -- a very insightful question. First of all, it starts with our digital platform, which is all about data. On top of that data, we're creating longitudinal insights with artificial intelligence and machine learning. And with that, we drive very personalized engagement, into which we slide in digital, virtual and physical care very seamlessly and connecting the dots very effectively.

So with that, we -- so for instance, (Bo) this morning mentioned that we had 387 different ways in which we could treat diabetes. So if I’m a diabetic, how would my doctor know that -- which of those 387 things would work for me? So with our AI, with our data, with our longitudinal insights, we’re able to deliver those to the providers and then tie it back to our value-based care arrangement so that, contractually, we’re able to create a win-win with our providers. So for us, it’s a platform strategy. It’s about joint outcomes with our providers. It's delivering great experience to our consumers and delivering it flawlessly across digital, virtual and physical care.

Gail Koziara Boudreaux - Anthem, Inc. - President, CEO & Director
Yes. So Dave, I guess, I'd add a couple of things to what Rajeev said because I think it's a really important question around our strategy, which is fundamentally using digital as a platform to get a bigger part of the health care total dollar. We want to participate much more significantly.

So the specific question you have is about elements of virtual care. I think you saw in some of our examples what we're digitizing using AI algorithms to accelerate growth, to accelerate adoption within our value-based providers and to use it across our pharmacy, our behavioral and our social interactions. And we see this as a really big opportunity, quite frankly, to change the model of care delivery from historical only physical presence to really an area where virtual care across the continuum. And many of the things that Rajeev has talked about are able to supplement but also accelerate care. And I guess, I'd like to ask -- we have real life examples, particularly in CareMore, and that's a great opportunity for Prakash to talk about how we actually use them in our business and had seen significant improvements in our cost of care as a result because we know further ahead in predictive way what's going to happen and so we can intervene much more successfully. Prakash?

Prakash Ramanlal Patel - Anthem, Inc. - Executive VP & President of Diversified Business Group
Great. Thank you, Gail, and thank you, David, for the question. While Rajeev and his team have been building the tools and the connectivity, we at DBG have been building the care models and the content to use those tools. And I'll give you a couple of examples at -- actually at Caremore, Aspire
and Beacon, we’re leveraging these tools to personalize community service recommendations for those in need. We’re identifying social drivers of health gaps much sooner. We’re leveraging remote monitoring at CareMore now, where you don’t need the physical visits. These are being done in the home, these new care models using virtual visits, digital therapeutics, remote monitoring as well as the ability to have home nursing come and behavioral health resources as well and be able to take that care model and be able to deliver that at full risk.

The other things we’re doing going forward, and you asked this question, I believe, is how important is the episodic visit versus a more longitudinal relationship. We believe with these 3 assets, given the nature of the members that we’re taking care of, these are high-cost, chronic conditions, we have to have longitudinal relationship. So the idea is to really embed virtual and digital with physical visits and be able to offer an integrated solution. We think going forward in these areas, we’re going to have 20%, perhaps more, of outpatient visits being driven through these digital channels.

The other things we’re doing is we’re creating digital therapeutics, which is actually using the digital products as a treatment module. For example, at AIM, we’re creating back pain treatment modules. At Beacon, we’re leveraging these therapeutic digital offerings for autism, for substance abuse, for cognitive behavioral therapies. And our goal at DBG is to be able to create an integrated care offering that’s associated with a value-based payment model and ultimately, be able to integrate behavioral health and physical health, virtual and digital community services with those social driver gaps that are out there. So that’s the comprehensive approach we’re taking and leveraging the tools that Rajeev is building and the comments that Gail made to be able to deliver comprehensive care.

Stephen Tanal

Thank you, Prakash. And thanks, Dave, for the question. Next up is Ralph Giacobbe with Citi.

Ralph Giacobbe - Citigroup Inc. Exchange Research - Research Analyst

I did -- I also wanted to ask about transforming to digital. I think you talked about getting up to 90% of interactions being digital and cost of a call going from $8 to $10 to $0. You talked about automating 50% of claims by 2024 to touchless and freeing up time for staff. So I guess, with digitization, can you talk a little bit about cost structure, maybe frame the dollars of savings? How much this drives the 12% to 15% growth? And really, what sort of the visibility is around that one?

And then separately, also wanted to ask about the closing of the gap in dollars from 5:1 to 3:1 as you consider the ASO book. The 60% higher earnings opportunity is obviously quite significant. But can you help on where you are on that path? It sounds like maybe it’s stalled a bit with COVID. Just how quickly it can happen and any more near-term target around how this contributes to growth?

Stephen Tanal

Thanks, Ralph. So why don’t we start with Rajeev and the question around digital interactions, and then we can go over to Pete, who can address the 3:1 -- the 5:1 to 3:1 goal?

Rajeev Ronanki - Anthem, Inc. - Senior VP & Chief Digital Officer

Yes. Again, great question. So today, we have about 65% interactions that are digital, and that’s on a base of 43 million members. So imagine 3 years from now, our membership is going to grow radically, and 90% of those interactions will be digital. And again, as you said, each physical interaction cost us $8 to $10, whereas a digital interaction cost us next to $0. So -- but that’s important.

What’s more important is that with each interaction, we get data, and we can use -- we can leverage the data to create more insights, build more algorithms that ultimately drive every part of our business, whether it’s stars, it’s quality of care, cost of care, price products appropriately, delivers
Peter David Haytaian - Anthem, Inc. - Executive VP and President of Commercial & Specialty Business Division

Yes, Ralph, thanks for the question. I guess, we'll transition to the question on 5:1 to 3:1. I really appreciate the question. We've made really great progress. It's an area that we were really focused on over the last several years at improving and we really have made great progress. As you alluded to, COVID did delay us a bit. I would say that I was very confident coming into the year, even with the first couple of months of 2020, that we would have achieved at or around the 4:1 in 2020. But again, COVID did delay that a bit. Our value proposition is absolutely selling. So you remember the components of how we're driving this. We're selling more specialty products. We're selling our clinical programs. Most of our clients now have bought into our clinical programs. We're seeing a great uptake in stop-loss.

And then the future prospects are really bright. You heard a lot about new offerings from Prakash, things like what we can deliver in behavioral health and the innovation we can create around that and sell-through to get to our 3:1. And then, of course, the big one is working closely with Jeff Alter and IngenioRx and the opportunity that, that lends to further bridging the gap to 3:1.

I'm optimistic that we are on a very strong path. You mentioned the 60%. I'd say in light of 2020 and COVID, we've modestly impacted that 60%. So I think we have a lot of runway room. And with the innovation that we're talking about around things like behavioral health and IngenioRx, we're very confident that we're going to achieve the 3:1 over the next several years.

Stephen Tanal

Thank you, Pete. Thanks, Ralph, for the question. So our next one comes from our live chat, and it's from George Hill of Deutsche Bank. George asks. Given that the commercial market may see some modest rebounds in the near term, longer term, the market is expected to be flattish to down. So what gives you confidence that you can grow that market and implicitly take share? Where do you think those gains will come from? Pete, I think you're best equipped to address that one.

Peter David Haytaian - Anthem, Inc. - Executive VP and President of Commercial & Specialty Business Division

Yes. No, thanks for the question. I'd say what gives me confidence, quite frankly, is our performance over the last couple of years. And again, I don't want to repeat myself, but we set out with a strategy to bring in new talent to reorganize the commercial business to build a product and segment organization and then offer a portfolio of products across every segment. We've done that, and we've delivered. I mean over the last 2 years, if you look at our performance, even in the context of the pandemic, we've not only grown, but we've outstripped the rest of the industry in growth. So we've led the industry in growth. And then again, I hope today, it became very clear that when you really break down our business, there are tremendous opportunities in the commercial business in these subsegments. And we only highlighted a couple. We highlighted student. We highlighted PEO. But as I said, there's alternative products across every segment that we can deliver on.

And then there are segments like the middle market and the large group business that we've underpenetrated. I mean we, as a Blue, have done very well downmarket. We've done very well upmarket. But the middle market, think of the 100 to 5,000, is a tremendous opportunity for us. So we're digging in deep on all these things. And I have tremendous confidence in the team. I think we've proven that, too. Our sales team, sales exceeding lapses for every quarter in 2020, and then most of 2019 is pretty extraordinary. So feel very good about that going forward.

Stephen Tanal

Thank you, Pete. Our next question comes from Kevin Fischbeck with Bank of America.
Kevin Mark Fischbeck - BofA Securities, Research Division - MD in Equity Research

I guess throughout the presentation, you framed your growth in the context of market share within your existing 14 states. And I wasn’t sure if the Blue Cross Blue Shield lawsuit potentially opens up growth outside of those states. So are you framing it just to kind of show what that opportunity is in markets where you’re really strong? Or -- and we should think about growth outside of that in addition? Or should we think about commercial and M&A market growth really just being in your 14 states? So any color on 14 versus outside that.

And then maybe a second question would be on the PBM business. It makes a lot of sense, I think, integrating pharmacy in medical. But obviously, that’s been out in the marketplace from some of your competitors for a while now and your customers haven’t switched in that direction yet. I guess we’d love to hear a little bit more about your go-to-market strategy, anything you’re committing to as far as savings. Or how do you frame kind of the benefit to the customers of integrating?

Stephen Tanal

Great questions. So let me start with Gail on the strategy side in terms of the growth, and then maybe we can go to Jeff to talk about Ingenio.

Gail Koziara Boudreaux - Anthem, Inc. - President, CEO & Director

Sure. Thanks for the question, Kevin. In terms of growth overall, we’re framing it against our Blue states. Because, as you know, we have a leading market share position in commercial. Our brand is unbelievably strong. And really, our strategy has been around being a lifetime partner. And we felt that, that could be -- that could allow you to see the just significant potential that’s within our Blue states.

But as you know, we also do business as Amerigroup in many other states for Medicaid, and we do partnership business. And our duals business is a great example. We actually have leading market share in many of those states and 15 of the states that we’re in with Amerigroup doing Medicaid as well as Blue Cross Blue Shield. So there is more opportunity. We thought, though, that in terms of the overall framing, that it would be helpful to give you something of context because we know that the brand is so strong, particularly to the senior population, that we have a better opportunity to penetrate that market.

In terms of your other question around the loss of the MDL and the things -- the opportunities to do but in other states. As you know, today, we actually do, in the National Account business, have significant seed business from our sister Blue plans already and manage that and work with them very cooperatively. It’s been something that’s part of the Blue system forever. We have partnerships. You’ve heard about our government partnerships. So in terms of working in other states, we do that today. Commenting specifically on what the MDL means, we’re still in settlement so I really can’t comment on that until that settlement is final. But thanks for the question. I’ll turn it over to Jeff on the PBM.

Jeffrey Donald Alter - Anthem, Inc. - EVP of IngenioRx & Anthem Health Solutions

Thanks, Kevin. Yes. Listen, I really don’t believe that people have said things are integrated. The PBM model, as it is traditionally today, is not integrated. There are not aligned incentives across that different 2 vendors or 3 vendors depending on what to do. And quite frankly, one of the reasons I’m here at Anthem now is because I saw the dysfunction between health plans and PBMs for my entire career in the commercial world. And the exciting thing for me is we are building that integrated model. One that is -- has incentives aligned, first and foremost, with Anthem and then with our other health plan clients, particularly Blues and other like-minded payers, who really understand that a traditional PBM model has its limitations, but a fully integrated across medical policy, across medical, across digital, across behavioral, where the incentives are one incentive. That’s a whole person care. That’s better health for that person with lower cost is really, at this point, the -- we’re the only ones that are capable of doing that. We do not have the conflicts that are inherent in a normal PBM model. We are inside our health plans, a part of a digital platform, part of health policy and really taking a hard look at how pharmacy, in some cases, can -- more use of pharmacy can save money.

Right now, early on in our evolution with Anthem. Just on our associates account, we’ve saved over $40 million each and every year. And in our diabetic management programs, we’ve been saving $146 PMPM over -- for an over 2-year period. So we already see what happens when you align
incentives from beginning to end around a whole person care. And whether that's behavioral, whether it's physical medicine or pharmacy, having those all aligned is much different than what exists in the market today.

Stephen Tanal
Thanks for the question, Kevin. Our next one comes from the line of Bob Jones with Goldman Sachs.

Robert Patrick Jones - Goldman Sachs Group, Inc., Research Division - VP
I guess maybe just a follow-up on Ingenio. You gave an example of a client carving back in the pharmacy. And I know broadly you've talked about increasing pharmacy penetration in commercial to 30%, if I heard you correct today, over the next 5 years. If I heard you correct today, you're already at 20%. I think there's a view that this could be a big year given a lot of the pharmacy decisions were delayed given COVID. So just curious how you're thinking about the opportunity to move forward on that penetration this year relative to a normal year.

And then an unrelated question, just curious, on the digital side, I think having a user-friendly app is very topical these days. And so the Sydney overview is very helpful. But I was wondering if you could maybe share a little bit more on how many members today are engaging via the app. And then what capabilities does the app have relative to some of the other apps that are out there in the marketplace from your competitors?

Stephen Tanal
Okay. A lot of questions there. So why don't we start first with Pete? And maybe we could touch on how the selling is going and the penetration target, maybe turn it over to Jeff, if you had anything to add. And then we can go to Rajeev for the digital question.

Peter David Haytaian - Anthem, Inc. - Executive VP and President of Commercial & Specialty Business Division
Yes. No, I appreciate the question. And you alluded to it. We've been working very closely with the Ingenio team. We feel very good about the integrated value proposition that Jeff talked about just a second ago. And as you said, in the year of COVID, we did see a slowing of activity relative to the pipeline. Some of the large jumbo opportunities just didn't want to go through a transition. We worked really hard with the Ingenio team, though, on designing formulary, on packaging our products more effectively, on whole case underwriting, and we are beginning to see momentum in the marketplace right now around this downmarket more. We're starting to win some accounts downmarket. Jeff alluded to one in his prepared commentary. But as it relates to the upper end of the market, the pandemic is still having some effects. So we're not seeing a flooding of opportunity, but we do feel like we're seeing momentum. And we do feel like some of the larger cases will come our way as we begin to mature. I don't know, Jeff, if you want to add to that.

Jeffrey Donald Alter - Anthem, Inc. - EVP of IngenioRx & Anthem Health Solutions
Sure. Thanks, Pete. And Rob, thanks for the question. I think you said it well, Pete. We have reengaged our teams in a much different way, with Pete's team really being the lead and us following and supporting that. I think that's a key differentiator. And then we've listened to the market. Some of the things that we have -- may have come out early on around formulary design didn't hit the market well. We've reassessed those. And we have a really nice growing momentum inside that pipeline, and it is our #1 focus. Our #1 focus in IngenioRx is to penetrate that ASO block of business of Pete's.

Stephen Tanal
Rajeev, do you want to talk a little bit about Sydney?
Rajeev Ronanki - Anthem, Inc. - Senior VP & Chief Digital Officer

Yes, sure. Great question again. So today, we have about 10 million users between web, mobile and voice on the Sydney assets. And over the next 3 years by 2023, we're going to have -- we're going to double that. So it's 20 million plus users across web, mobile and voice. What's different really is that Sydney is a one-stop shop for all things service and all things care. So on service, anything that -- having to do with claim status, making a payment, looking at co-pays, looking at a provider, quality of a provider, all that could be done with a click of a button, either on the web, voice or mobile.

And then on the care side, which is more important, more impactful, we're able to triage symptoms, use our data to essentially sort of pinpoint what to do next in terms of the care action. And that action -- next action could be a text visit, an e-mail, a video, so seamlessly integrating digital and virtual. And then as needed, we want to essentially connect in the physical supply to get into the care delivery infrastructure, enabling all the examples that Prakash talked about and that Pete talked about, Felicia talked about. So it really is an integrated experience.

And it's also not stand-alone. It's connected to HealthOS, which is our provider operating system. It's connected to employers who have CII, or client information and insights. It's connected into the local communities and with our state partners. So it's really an ecosystem versus a stand-alone app, and that's what's really different about Sydney.

Stephen Tanal

Thanks for the question, Bob. So next up, we have a question from the live chat from Ricky Goldwasser from Morgan Stanley. Ricky is asking. With 90% of interactions expected to be digital by 2024, how will the increased use of digital show up in top line growth? And as we think about the data, what percent is real time versus claims data? What will this percent be by 2025? And then the telehealth percent by 2025? I think that might have cut off. I think she's looking for telehealth penetration by 2025 and where is that going. So why don't we start with Rajeev on this?

Rajeev Ronanki - Anthem, Inc. - Senior VP & Chief Digital Officer

A lot there. So 90% interactions by 2023 versus 2024. I think that's important to note because, again, as our membership grows and the cost of the digital interaction is close to 0, you're going to see sort of a widening sort of between the cost to serve and our growth, which is really important to note.

In terms of -- to your question around claims and what happens to our cost structure, I mean, AI is pretty much used across the board across the enterprise, right? So it's used to automate claims. It's used to automate utilization management, care management. It's used to drive our stars program. So across the board, we're using AI to automate and create more efficiencies.

Now as -- with those efficiencies and interactions, what we're doing is we're creating more and more data. And some of it is claims. Actually, a lot of it is claims. As Gail mentioned, we have claims data for over 70 million people. But we also have real-time clinical information for over 15 million people. We get daily seats on admissions, discharges and transmission. So more and more of our data is moving to real time. And we're able to integrate claims data, clinical data, sensor data to really sort of keep -- sort of keeping up with our doubling effect on data. And on that doubling effect, we have our algorithms, which really kind of drive ultimately better products and more personalized products, which drive our growth. So ultimately, what you see is a combination of digital driving growth through products and service and personalization and, of course, exponential efficiencies through automation.

Gail Koziara Boudreaux - Anthem, Inc. - President, CEO & Director

Yes. What I'd add to what Rajeev says strategically, what's really important is our data scientists, the work we're doing on AI is not sitting in its own unit. They're embedded in our businesses. They're working hand-in-hand. So they're working, for example, in our government business on predictive elements of stars. They're working on automating underwriting so we know beforehand. We're much smarter about that. So as -- Rajeev gave a lot
of examples. And I think what's important is we're reimagining the business model of both the administration of our business, what is the future of health care and, health insurance. And again, as I said before, we're looking to participate in a bigger part of the total cost of the health care dollar. And we think through our products and services, by digitizing them and embedding these strategies in our businesses with these data scientists really working hand-in-hand and transformationally around our business, that's where we get the growth, and that's why we feel that this is very different than just optimizing execution and performance or building an app.

Stephen Tanal

Great. Thanks for the question, Ricky. Next up, we've got Josh Raskin from Nephron Research.

Joshua Richard Raskin - Nephron Research LLC - Research Analyst

So my question is just broadly on value-based care. I want to start with sort of how you define that 60% plus of value-based payments and maybe how much of that is actual global capitation. How much of that you're capturing yourself through DBG versus through external provider partners? And then maybe more broadly, an update on just your strategy for provider alignment and how you're working with docs on a capitated basis overall.

Stephen Tanal

I'd love to start with Gail and the strategy there, and then maybe we'll go to DBG, Prakash or Jeff.

Gail Koziara Boudreaux - Anthem, Inc. - President, CEO & Director

Great. Thanks for the question, Josh. I think you have to take a step back because I -- we talked a lot about value-based care. Two years ago, we laid out our strategy to get to over 60%. And again, as Jeff shared with you earlier this morning, we're there. However, we're really thinking again about how do we impact the total health care dollar. Value-based care is one component of that. And we're moving much more to upside/downside risks, where at least half of our providers would be in that model. But we're also doing a lot of the things that Rajeev just spoke about, which is around virtual care, really changing the model for our patients and consumers in the home and not just relying on physical assets to do that. And we're integrating that into our value-based care arrangements, which is quite different than even 2 years ago. Our HealthOS data platform is core to that. That connects into Sydney, and then that connects to the consumer. So what we're trying to do is create this virtual cycle of what is important. And then Rajeev, he's working with some of the most chronic acute patients that we have. And again, it's a combination of virtual care, physical health, behavioral health through Beacon Health, which is now integrating, and then pharmacy. But that strategically is where we're heading because we really see virtual care as taking a big component of the dollar in the future. We want to be able to manage that more effectively and then embedded it in the relationships that we have very deeply with care providers in the community because, again, 1 in 8 patients in the community come through an Anthem program. And so we have the opportunity to put these tools and data and information to enable them. But I'll ask Jeff to talk more specifically about kind of the work that's being done around enablement, in particular.

Jeffrey Donald Alter - Anthem, Inc. - EVP of IngenioRx & Anthem Health Solutions

Yes. Thanks, Gail, and thanks, Josh, for that question. Yes, I think Gail said it well. While we're getting close to our original target of the percentage of spend that we want in value-based, we're already pivoting to the -- what I would say the real important work is, and that's taking advantage of those partnerships and those -- all that hard work to strike those balances to align our incentives, but now create the opportunity for our trusted partners in value-based care to enable those contracts to actually really make a difference and earn the value and the rewards that are out there, help us with our stars, help us with our risk adjustment, help us getting our members to the lowest-cost site of care, keeping them healthy. So I think as we end, I'll call, the foot race to get the largest percentage, the real key is going to be how successful those things are and getting the digital 2-way communication. And the enablement of those contracts are going to be vastly more important than just sort of an arms race on percentage in these contracts.
Stephen Tanal
Thanks for the question, Josh. And our final question is coming through the chat, and it’s from Whit Mayo with UBS. Whit’s asking, how are you adjusting member cost-sharing across the benefits business this year? What is different in 2021 versus 2020? Does the new COVID testing guidance from CMS mean anything to you as you look at your prior expectations? Why don’t we have John address that?

John Edward Gallina - Anthem, Inc. - Executive VP & CFO
Thank you for the question. I’ll specifically address the testing guidance. We believe that testing is covered by the insurance benefit when it’s prescribed by a physician associated with needing care, but surveillance testing should not be borne by MCOs. That’s been relatively consistent with our guidance and our expectations all along. And we were very — actually very pleased with the guidance from the Biden administration that helped clarify that. I’ll turn it over to Pete maybe to talk a little bit about the cost sharing.

Peter David Haytaian - Anthem, Inc. - Executive VP and President of Commercial & Specialty Business Division
Yes. Thanks, John. The cost-sharing in terms of changes year-over-year haven’t changed. We’re acting pursuant to the law. I mean, obviously, as it relates to testing, we’re covering that cost sharing, and we continue to make sure that our clients are protected in this time and that they have access to care. But there haven’t been fundamental changes in our posture with respect to that. I mean we are not through the pandemic yet, and we are focused on making sure that folks continue to have access to care and cost-sharing isn’t a barrier in that regard.

Stephen Tanal
Well, thank you all for all of your questions today and for your interest in Anthem. We look forward to an ongoing dialogue with many of you and appreciate your support. Now I’d like to turn the floor over to Gail Boudreaux for her closing remarks. Gail?

Gail Koziara Boudreaux - Anthem, Inc. - President, CEO & Director
I want to thank you for your questions here today and your continued interest in Anthem. Today is an important step on Anthem’s journey from a health benefits company to a lifetime trusted partner in health. As we shared throughout the morning, we’re a different company today, one that is driven by industry-leading technologies to pioneer the health care experiences of the future. I hope our time here this morning has provided an even deeper look into the power and promise of Anthem, a growth company at scale grounded in its mission and guided by our commitment to deliver better health. We have a great reason for optimism and confidence. The Anthem of today has the most balanced and resilient health benefits portfolio in the market. We’re delivering growth across all lines of business and are confident to reaffirm our commitment to long-term earnings growth between 12% and 15%.

We see opportunities to drive growth across all facets of the Anthem business today with tremendous opportunity to expand our government businesses and will continue to deliver solid performance in the commercial sector, particularly in our risk-based and specialty lines of business. We’re confident in the growth opportunities for our modern pharmacy business and know we are uniquely positioned to capitalize on our diversified services to serve both internal and external customers focused on our core pillars of behavioral health, advanced analytics and chronic and complex care.

The digital-first efforts that began before the pandemic have only accelerated, and we’re now on a path to deliver on our promise of greater affordability, accessibility and quality across the ecosystem. We’re doing this by continuing to expand our digital platform to meet the ever-changing needs of those we serve. These efforts are enabling better performance within all of our segments. We’re also motivated by our renewed commitment to community health in order to improve lives and help create positive sustainable change in all corners of this country where we live, work and serve.
Finally, I cannot be more proud of our deeply committed leadership team that is executing our bold strategy and helping fulfill our purpose to improve the health of humanity. Our aim is both that simple and that profound. I believe this is a truly pivotal moment in the history of Anthem, and I’m honored to be leading this organization today.

I’m also incredibly grateful to our nearly 70,000 associates for the commitment and compassion they show each and every day at Anthem in service to others.

On behalf of the leadership team, I thank you for joining us today, and I thank you for your continued interest in Anthem. I look forward to updating you on our continued progress on our quarterly earnings calls, and I look forward to being with all of you in person at a future Investor Day. Thank you.