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ANTM.N - Q1 2022 Anthem Inc Earnings Call

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OVERVIEW:

ANTM reported 1Q22 operating revenue of $37.9b, GAAP EPS of $7.39 and adjusted EPS of $8.25. Expects full year 2022 adjusted net income to be greater than $28.40 per share.

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Anthem's First Quarter Earnings Conference Call. (Operator Instructions) As a reminder, today's conference is being recorded.

I would now like to turn the conference over to the company's management. Please go ahead.

Stephen Vartan Tanal - *Anthem, Inc. - VP of IR*

Good morning, and welcome to Anthem's First Quarter 2022 Earnings Call. This is Steve Tanal, Vice President of Investor Relations.

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And with us this morning on the earnings call are Gail Boudreaux, our President and CEO; John Gallina, our CFO; Peter Haytaian, President of our Diversified Business Group and IngenioRx; Morgan Kendrick, President of our Commercial and Specialty Business Division; and Felicia Norwood, President of our Government Business Division.

Gail will begin the call with a brief discussion of the quarter, recent progress against our strategic initiatives and close on Anthem's proposal to change our holding company name to Elevance Health. John will then discuss our financial results and outlook in greater detail. After our prepared remarks, the team will be available for Q&A.

During the call, we will 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.

We will also be making some forward-looking statements on this call. 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 today's press release and in our quarterly filings with the SEC.

I will now turn the call over to Gail.

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

Thanks, Steve, and good morning, everyone. Today, we're pleased to share that Anthem is off to a strong start in 2022. In the first quarter, we delivered GAAP earnings per share of $7.39 and grew adjusted earnings per share by 18% to $8.25, exceeding our expectations.

Based on the strong start to the year and the momentum in our business, we have increased confidence in our ability to deliver another year of growth in line with our long-term 12% to 15% annual adjusted earnings per share growth target.

As a result, we've increased our full year outlook to greater than $28.40 per share, representing growth of at least 12.7% off the adjusted baseline we provided last quarter. It's the ongoing momentum in every one of our businesses, driven by the disciplined execution of the strategy we shared with you at last year's investor conference, coupled with the balance and resilience of our core benefits business, that is allowing us to produce this level of growth.

We ended the first quarter with medical membership of 7.5% year-over-year to 46.8 million members, widening Anthem's lead as the largest insurer by U.S. medical membership.

In recent years, Anthem has been on a journey to transform from a traditional health insurance company to a lifetime trusted health partner, by focusing on whole health, addressing the physical, behavioral and social drivers that we know are critical to achieving optimal health.

Our results demonstrate that our employer, consumer and state partners are universally looking for solutions that address underlying drivers of cost, while enhancing and simplifying the consumer experience. We are delivering in these areas and it's propelling strong organic membership growth in each of our benefits businesses, in addition to creating opportunities to scale our service divisions.

Last quarter, we shared that Anthem produced its strongest national account selling season in the history of the company. Today, you can see in our results that Commercial group fee-based enrollment grew by over 750,000 members in the first quarter alone, with a meaningful proportion of that growth driven by existing large employer clients consolidating their business with Anthem after working with us on a piece of their business in the past.

Cost of care is paramount for self-funded groups, and the success we're seeing underscores our confidence in our leading cost-of-care position. Employers have come to expect more, notably in the way of enhanced experiences, and we continue to innovate to meet their needs.

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In the first quarter, we expanded virtual primary care capabilities to reach 5 million Commercial members and expect to reach 10 million members by year-end. We're excited about the potential to expand access to care, especially in underserved and rural areas, while offering convenient, personalized solutions.

We also continue to advance client advocacy solutions and elevate our consumer engagement platform, Sydney Health, which has been core to our success in the employer market. Last year, we launched Sydney Preferred, a version of our Sydney Health app that allows employers to customize our engagement platform for their unique benefits and needs.

Today, nearly 1.2 million members are on Sydney Preferred, and we closed the first quarter with more than 12 million registered users on Sydney, up approximately 40% year-over-year.

Our commitment to whole health is also driving growth in our Government Business, where we are focused on health equity and meeting the needs of vulnerable members. Last quarter, we shared how our whole health index helps us better understand and address local, social and physical drivers of health. We're leveraging the tool to identify members with diabetes who may benefit from one-on-one virtual coaching, supplies and preemptive notifications to help better manage their health.

In our Diversified Business Group, new behavioral health programs, launched by Beacon, address family therapy, suicide prevention and offer a concierge model for members with comorbid conditions. All of these efforts support our focus on community health.

Through our whole health index, we've been measuring Anthem's impact on health outcomes and are seeing encouraging, albeit early trends. Our health equity and community health initiatives that targeted vaccine outreach, community health worker readiness, housing stability and diabetes management during COVID-19, programs made possible by our deep roots in our communities were recognized recently by the Institute of Medicaid Innovation. All of this work keeps Anthem uniquely well-positioned to serve the needs of our state partners and directly ties to our 100% Medicaid RFP win rate that we extended into 2022 with renewal awards in Indiana and Louisiana.

Personalized whole health solutions are also resonating with seniors, notably dual eligible members with complex and chronic needs, and driving strong growth for Anthem and Medicare Advantage. For example, supplemental health plan benefits, like those offered by Simply Healthcare, address food insecurity issues by delivering food shipments directly to our most vulnerable members. Benefit packages like our Everyday Extras, provides members the flexibility to choose which supplemental benefits matter most to them from menu of options.

We remain on track to produce double-digit organic growth in our individual MA business, led by growth in duals. We also remain opportunistic in terms of driving inorganic growth through acquisitions. MMM has performed well since we acquired them last year, and we look forward to adding Integra, a high-performing plan serving high-needs Medicaid members in New York, to our portfolio when we close our purchase later this year.

Across our organization, we're committed to accelerating value-based care, both in context of benefit expense for our health plans and growth of our diversified services businesses. We know that value-based care leads to higher quality outcomes, better patient and provider satisfaction, more predictable costs for our health plans and by extension, more stability in our benefit packages. All of these factors can lead to higher star ratings in Medicare Advantage, which is a key strategic priority for Anthem.

Over the last year, we significantly advanced our care provider strategy with investments and risk-bearing primary care providers and aggregators. This drive toward value-based care is one of the most important strategic imperatives inside of our organization.

In 2021, more than 60% of our consolidated medical expenses were paid under value-based care arrangements, with roughly 1/5 of that or a low double-digit percentage of total spend in arrangements with downside risk. In the coming years, our primary focus will be to increase the penetration of downside risk sharing, including via global capitation. We expect to make significant strides in the coming years, targeting more than 1/3 of overall spend arrangements with downside risk in 2025, with significant increases in penetration in Medicaid, Commercial and Medicare.

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In addition to the benefits our health plans derive from value-based care, we see significant pull-through opportunities for our Diversified Business Group in the areas of provider enablement and carve-outs of specialized care management, including behavioral and home health. Beacon and MyNEXUS are leaders in these areas, with the proven ability to generate high-quality outcomes and solid profitability in risk-based arrangements.

Notably, 100% of myNEXUS' affiliated revenue earned from Anthem's health plans and 99% of Beacons will flow through risk-based contracts in 2022. Guided by our enterprise strategy, we are making significant investments in our digital capabilities and platforms. We see 3 distinct benefits: elevating consumer and provider experiences; improving the cost and quality of care; and improving administrative efficiency by automating manual processes.

Adoption of our digital tools, combined with strong and rising customer satisfaction surveys, suggests that our consumers and care providers are finding value in our digital channels. Less than 2 years ago, we implemented live chat and AI messaging capabilities for our consumers and care providers to provide more choice and convenience.

Today, chat is our best-performing channel for issue resolution and consumer experience metrics. Consumer chat usage grew by nearly 40% year-over-year in the first quarter, and now represents 24% of the contact mix. For care provider chat, usage grew by nearly 50% year-over-year and now represents 20% of our provider contacts.

Meanwhile, Anthem is benefiting from improved efficiency, having reduced an estimated 1.2 million calls from members and another 1 million from care providers in the first quarter alone. Year-to-date, we've also made significant progress advancing our Health OS digital platform, which is now utilizing clinical data from providers and health systems for more than 20 million members.

We use this data to advance clinical quality and elevate experiences by sharing more comprehensive data and insights with care providers and value-based care arrangements in order to facilitate better care management and personalize member interventions. We're also leveraging the platform to advance our cost-of-care analytics and streamline data collection for risk adjustment, all while automating processes that reduce administrative burden for our associates and providers. We're rolling this tool out rapidly with a goal of covering another 4.5 million members by the end of this year.

In conclusion, we're continuing on our journey to transform from a traditional health benefits organization to become a lifetime trusted health partner and our proposed name change to Elevance Health marks an important milestone.

Bringing together the ideas of elevate and advance, Elevance Health will reflect our position as a health leader, committed to elevating the importance of whole health and advancing health beyond health care for our consumers, their families and communities.

Grounded in our mission and fueled by our bold and ambitious purpose to improve the health of humanity, Elevance Health represents the company that we are today and will continue to be in the future.

I would like to thank our nearly 100,000 associates for the important work they do every day on behalf of the members who we are privileged to serve. Our passion to improve lives and communities is inspiring, and it extends to our own associates.

We were pleased to once again be recognized as 1 of Fortune's 100 Best Companies to Work For, with a ranking of 57, up from 71 last year, on this year's list of America's leading employers and workplaces.

Now I'd like to turn the call over to John for more on our operating results. John?

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

Thank you, Gail, and good morning to everyone on the line. As Gail mentioned, we delivered strong first quarter results, including GAAP earnings per share of $7.39 and adjusted earnings per share of $8.25, reflecting growth of approximately 18% year-over-year. Our first quarter results

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demonstrate continued momentum across all of our businesses, driven by the execution of our enterprise strategy, the benefits of investments in key capabilities and the balance and resilience of our core benefits business.

We ended the first quarter with 46.8 million members, up 3.3 million or 7.5% year-over-year, with nearly 3/4 of the growth being organic. In fact, we generated organic growth in each of our Medicaid, Medicare, Commercial risk and Commercial fee-based businesses. Membership grew by 1.4 million lives in the quarter alone, driven by the strongest national account selling season in Anthem's history and aided by the acquisition of Ohio Medicaid members from Paramount Advantage.

Commercial membership is off to an especially strong start this year as Anthem's integrated solutions, which focus on whole health, the customer experience and total cost of care, continue to resonate in the employer market. Our brand value and unique product offering, leveraging our deep local roots and value-based provider partnerships, also continued to gain traction with consumers.

For example, in the ACA exchange market, we delivered individual membership growth of 8% in the quarter or 12% year-over-year. The Medicare open enrollment period was also consistent with our expectations as we remain on track to produce double-digit organic enrollment growth in our individual Medicare Advantage business. This includes strong growth in our dual special needs plans, where our strategic investments targeting specific benefit categories continue to attract consumers with complex and chronic health needs.

In Medicaid, we overcame a significant membership headwind to start the year as additional carriers entered 2 of our existing markets and we still ended the quarter up 319,000 net new members.

In addition to continued organic membership growth, the acquisition of Paramount Advantage's Ohio Medicaid members in February added 256,000 members in the quarter. We are very excited about this strategic acquisition, which provides Anthem scale in Ohio's Medicaid program ahead of the future launch of the new contract we were awarded last year.

First quarter operating revenue of $37.9 billion increased $5.8 billion or 18% over the prior year quarter, with strong growth in each and every one of our businesses. We earned higher premium revenue due to the growth in Medicaid membership, the acquisition of MMM and Paramount, and the individual Medicare Advantage and Commercial risk-based enrollment growth, in addition to premium rate increases to cover overall cost trends.

We also produced strong double-digit organic growth in our IngenioRx and Diversified Business Group businesses. Our services businesses are off to a strong start this year as IngenioRx's value proposition is gaining traction in the market. The Diversified Business Group continues to execute on the strategy we articulated at our Investor Day in March of 2021, growing both affiliated and unaffiliated operating earnings across its portfolio of best-in-class assets.

In the first quarter, DBG continued to grow its risk-based arrangements with our commercial health plans, consistent with our strategy. With the risk transfer between businesses, we expect more seasonality in DBG's earnings, with a larger proportion of full year earnings in the first quarter relative to prior years and a decrease in the seasonality inherent in the Commercial business. It is important to note that this affects seasonality only. Our annual segment target margins for the Commercial and Specialty business division are unchanged.

Revenue eliminated in consolidation, representing intersegment business, grew 23% year-over-year and represented 21.4% of benefit expense in the first quarter, up from 20.7% in the same period a year ago.

Anthem's consolidated benefit expense ratio for the first quarter was 86.1%, an increase of 50 basis points over the first quarter of 2021, primarily driven by the continued shift in mix of business towards government, which has a higher medical loss ratio.

Relative to our expectations as of mid-January, when the Omicron surge was still peaking and the terms of the at-home COVID testing coverage rule had just been released, our medical cost structure developed meaningfully better than our original guidance ranges, driven by a lower net impact from COVID.

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Specifically, the Omicron surge dissipated faster than we had expected in February, while producing lower acuity COVID cases relative to prior surges. This, combined with the absence of any material stockpiling or abuse of free at-home COVID test, helped drive favorability in the first quarter benefit expense ratio relative to our initial guidance.

Even with these positives, the overall cost of care in the quarter was still above what we would consider to be a normalized level. Anthem's SG&A expense ratio in the first quarter was 11.5% on a GAAP basis, a decrease of 70 basis points over the prior year quarter. The decrease was driven by expense leverage associated with strong growth in operating revenue, partially offset by higher investments to support our growth and digital transformation. First quarter operating cash flow was $2.5 billion or 1.4x net income.

Please note that we continue to expect to pay our share of the BCBSA litigation settlement of approximately $500 million later in 2022, which was included in the guidance we provided for full year operating cash flow of greater than $6.9 billion as we discussed on our fourth quarter 2021 earnings call.

As of the end of the first quarter, Anthem's debt-to-cap ratio was 39.2%, in line with our expectations and well within our targeted range. Consistent with our approach throughout the pandemic, we maintained a prudent posture with respect to reserves. Days and claims payable stood at 46.9 days at the end of the first quarter, an increase of 1.7 days from year-end and in line with the first quarter of 2021. Medical claims payable once again grew faster than premium revenue in the first quarter relative to the prior year.

With respect to our outlook, we are pleased to have delivered a stronger-than-anticipated start to the year. Outperformance in the first quarter has increased our confidence in our ability to grow adjusted earnings per share 12% to 15% in 2022 off the adjusted baseline of $25.20, in line with our long-term target.

We now expect benefit expense ratio for the full year to be at the midpoint or in the lower half of our initial full year guidance range for this metric. Given the strong start to the year, we now expect to produce adjusted net income per share greater than $28.40, representing growth of at least 12.7% from our adjusted baseline.

With the recent extension of the federal public health emergency, we also now expect Medicaid redeterminations will begin later than we had previously assumed. While the extension will enable us to maintain our Medicaid membership longer, please note that we will also incur increased cost associated with the PHE and our Medicare and Commercial risk-based businesses for an additional 3 months.

Importantly, Anthem is uniquely well-positioned to navigate the end of the public health emergency and to support continuity of care for Medicaid members who lose access to Medicaid by providing a robust set of commercial offerings. The momentum we have in each of our businesses, coupled with the balance and resilience of our core benefits business, should allow us to maintain healthy levels of membership, while continuing to scale our diversified services operations.

Consistent with this strategy, we are well-positioned to continue delivering against the financial targets we shared at our March 2021 investor conference.

In that context, I want to point out that while we are excited by strong growth in our Commercial business, and the expansion of our risk-based arrangements with our Diversified Business Group, the operating margin of the Commercial & Specialty division remains challenged by the net impacts of COVID. However, while the year-over-year margin performance in our reportable segments table includes the impact of the seasonality shift I mentioned earlier, the underlying performance of the business is better than the optics.

Relatedly, we would caution against annualizing first quarter operating profit of the Other segment, which includes the Diversified Business Group, and the impact of the seasonality shift in that business. Importantly, the expanded risk-sharing arrangements with DBG have no impact on our full year margin expectations for the Commercial & Specialty business. We expect Commercial margins to recover as the effects of the pandemic subside. We also anticipate strong earnings growth in our Medicare business.

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These opportunities, coupled with the expectation of continued strong double-digit growth in our services businesses, Anthem's programmatic approach to M&A and our opportunistic focus on share repurchases, leave Anthem uniquely well-positioned for growth in the coming years.

With that, operator, we will now open up the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) For our first question, we'll go to the line of Scott Fidel from Stephens.

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

Interested if you could give us your perspective on the final 2023 Medicare Advantage rates. Certainly looked quite solid from my opinion. And just interested in how you're thinking about some of the game theory at this point just around competitive psychology out there, just given what seems to be a pretty strong tailwind that we're seeing around the 2023 MA rates.

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

Thanks, Scott. I'm going to have Felicia Norwood, who leads our Government Business, to address your question.

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

Good morning, Scott, and thank you for the question. With respect to the CMS final notice, the expected rate increase, excluding CMS' estimate of coding trend, was 4.88%, which was certainly better than we expected. We're also very pleased with the progress that we've made in STARs last October, which will have approximately 73% of our members in plans that are 4 stars or higher in the payment year for 2023, which is up from 58% in payment year 2022.

So coupled with the positive proposed rate increase from CMS, we think that 2023 is shaping up well. Our plans have stayed competitive as we focus on supplemental benefits to address whole person health and believe we will continue to remain competitive.

So all things considered, we would expect our Medicare margins to be inside of our target range. And we would expect another predictably competitive year with respect to Medicare Advantage.

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

Thanks, Felicia, and thanks, Scott. And as you heard, I think we feel really good about our Medicare Advantage, especially the start to this year and going into next.

Operator

Next, we'll go to the line of Justin Lake from Wolfe Research.

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

Question on the cost trends and can you give us a little bit of color of where you see COVID versus non-COVID across the 3 businesses in the quarter?

And, John, you also talked about Commercial and some investments you're making there running a little bit below. Where do you think Commercial margins could shake out over the next 2 or 3 years once you get passed through the 5:1 to 3:1 and get -- and commercial trend normalizes?

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

Yes. Thanks, Justin. So in terms of COVID and non-COVID combined, as you know, that there was a significant spike of COVID in January and then it came down even at a faster rate in February and March than we had seen a decline at any point in time during the entire pandemic.

Having said that, Commercial had the highest COVID cost in the quarter on a comparative basis. So Commercial COVID and non-COVID combined were clearly above baseline for the quarter. Medicare was next. And if you take Medicare COVID and Medicare non-COVID combined, it was still above baseline, but performed actually much better than Commercial.

And then Medicaid continues to actually be the line of business that's performing the absolute best during the entire pandemic from a COVID and non-COVID combined perspective, and the total of those 2 are relatively close to baseline. So all-in, the company was above baseline, even though it was better than our overall expectations.

Associated with Commercial margins, we do feel good about the targets that we laid out in Investor Day back in 2021. As you know, we talked about getting to a 10.5% to 11.5% range by 2025. We've got a lot of things going on with COVID. It's certainly the single biggest factor that is causing Commercial margins to be a little bit challenged this year versus prior years. And we also have some seasonality issues with our risk deals with our Diversified Business Group. And that's not going to impact the annual margins at all, but it will impact certainly the quarterly margins.

And Diversified Business Group, as I said in my prepared comments, I would not annualize that because of the fact of the shifting seasonality. And then Commercial, I wouldn't annualize that either because of that same aspect. So we feel very good about the Commercial growth and where we're heading as a company and the value proposition it has and feel very good about our 2025 targets. We're just challenged this year given -- or this quarter, given the high COVID in January. But thanks for the questions, Justin.

Operator

Next, we'll go to the line of A.J. Rice from Credit Suisse.

Albert J. William Rice - *Crédit Suisse AG, Research Division - Research Analyst*

I wondered, if I could just get updated thoughts on how you're thinking about the reverifications on the Medicaid side. I know it's delayed. Does that change your thinking about how much of a roll off there might be? What opportunities there might be for you to recapture your own in other areas like the exchanges or in the commercial book?

And then also just in that aspect, the enhanced subsidies, which are slated to expire this year on the public exchanges, how important is it that those get extended and you're thinking about recapturing some people that might come off on the reverifications?

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

Well, thanks for the multipart question, A.J. We'll try to address it because there's a number of pieces in that, one about our -- how we're thinking about reverifications in Medicaid, which right now, as you think about, we've said, with the extension, we're really looking for those to begin sometime towards the late part of the summer. We also believe that they're going to be paced over time. So I think it's important to remember

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that the states now have up to 14 months to do the reverifications. And as a result of that, each state will have a very different cadence of that. So we do think that will be more phased in.

In terms of your second part of your question, I'm going to ask Morgan Kendrick to address that in terms of how we're thinking about capturing that. We've done quite a bit of work on that, and I know we've shared some of the statistics about where we see that business going. But I think Morgan can offer a lot more color on that business. So Morgan?

Morgan Kendrick

Yes. Thanks, Gail, and A.J., good morning. We have done a lot of work. And if you think about the fact that the Commercial business, the Medicare business, well, the Government Business in entirety as well as our marketing organization and our governmental affairs partners have worked to build out a plan for when reverification begins. And presently, we're expecting roughly 35% of the present Medicaid membership to stay with the Government division. And then 45% of that will move into commercial group insurance, with another 20 moving into the individual ACA exchanges.

Certainly, the commercial group insurance will be one that the employers will pick it back up as they begin reverification. But on the exchanges, I think one thing that's notably important is we talked last quarter about a renewed focus on our individual ACA business. And looking at that business differently and more competitively, we've expanded the product offering. We've expanded the network opportunities. We've expanded the counties in which we serve our customers from 71% to 83% of the counties in our 14 geographies this year.

So we feel we're poised quite well to pick up when verification begins. And as Gail noted, that most certainly will slide over a period of time given the 14 months that the states have to continue to work. But thanks again for the question.

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

Yes. And just a bit of a clarification, 35% really relates to the lives that were added during the suspension of redeterminations. So as you know, some of our growth is also the result of winning new RFPs and new entrants into markets. But overall, we feel good about the plan. We've obviously had this in place for a number of years. And in addition to capturing some of our own Medicaid lives in Commercial, we think we have an opportunity to capture others' Medicaid lives that will be coming off the books.

So again, been planning for it. We hope to see a very organized transition of this, and that's what we're working for. So thanks very much for the question.

Operator

Next, we'll go to the line of Matt Borsch from BMO Capital Markets.

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

Yes. Could I just ask about your Commercial enrollment -- or your enrollment outlook for the rest of the year, but particularly on the Commercial side? Because you did have such a strong result in the first quarter. You're already well above, as I can see it anyway, the high end of your guidance ranges on both insured and self-insured enrollment.

I'm wondering how you see it progressing from here.

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

I'm going to ask Morgan to address the question on Commercial. Thank you.

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Morgan Kendrick

So Matt, thanks again for the question. So yes, we've had a fantastic start to the year. We do expect that to continue. Certainly, north of 50% of our business, especially on the upper end, all of -- just about all of the national business is January focused. So we've kind of gone through that.

The balance of the business will be the continued local market business. And we've seen a big uptick in our fee-based business, which is terrific. We see the next big tranche coming on in July. I wouldn't expect it to be materially larger than what we've seen in typical years, but we're growing that business nicely month-over-month.

To me, the assets are resonating in the market, when I look at how the business is performing. And also the opportunity, back to the comment earlier, on, expanding in account value, the 5:1/3:1 strategy is proceeding nicely, just given the actual opportunity with the fee-based business around stop-loss. Presently, our penetration, we've got opportunities there as well as our specialty products, pharmacy as well. So feel really good about it.

I wouldn't expect it to be -- right now, we've said that we would be somewhere around 1 million members, Commercial business full year. And we have some attrition that certainly bleeds off through the year of the national business, but feel good about our position now and for the balance of the year as how it's setting up. So thank you for your question.

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

Yes. Thanks for the question. Overall, strong growth, and we really feel that we had a really strong selling season. And as Morgan said, feel good about our positioning, so thanks again.

Operator

Next, we'll go to the line of Nathan Rich from Goldman Sachs.

Nathan Allen Rich - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

John, I just wanted to follow up on the updated expectations for MCR for the year. I guess given the significant beat in the first quarter, I guess looking at the updated guidance, it doesn't seem like your expectations have changed significantly for cost trend over the balance of the year. I guess, is that fair? And are you still expecting, I guess, second quarter cost trend to be above baseline levels?

And related to that, I'd just be curious if you're seeing any signs of a recovery in surgical procedures that some other medtech companies have talked about in April? Just be curious on your updated second quarter outlook.

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

Yes. Thanks, Nathan. I appreciate the question. We did end the quarter better than anticipated, but still above baseline. Certainly, very pleased with our start for the year. However, there is still uncertainty, boosters, vaccination, potential spikes in COVID. But we feel very good about where we are right now. And with those unknowns, we still believe that we want to take a prudent posture to our guidance.

With that, though, right now, we have a bias that our medical loss ratio is going to be closer to the midpoint to the lower half of the range. So it is an improved outlook from what we talked about 90 days ago. but still very prudent given the overall circumstances. Thank you for the question.

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Operator

Next, we'll go to the line of Stephen Baxter from Wells Fargo.

Stephen C. Baxter - *Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst*

I wanted to ask about the significantly higher interest rate backdrop we find ourselves in. I was hoping you could talk a bit about how you think this will impact your investment portfolio over the next couple of years as your investments mature and reinvested.

And also, I guess, how should we think about this as impacting the EPS growth rate you're targeting over the next few years? Wondering if it's going to be used, potentially invest further in the business or potentially this could help fuel you towards the higher end or maybe even slightly above the outlook you've laid out.

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

Sure. Thanks for the question. I'll take that one as well. On the interest rates and its impact, you look at our investment portfolio, we have about $35 billion in fixed maturities at this point in time and about 30% of that $35 billion is in variable rate. So there is an immediate benefit that, that portion of the portfolio gets from the rising interest rates.

And then you look at the other half of the balance sheet. And as you know, we try to target close to a 40% debt-to-cap ratio. We're at 39.2% at the end of the quarter. So very much in line with our targets. And that, right now, is about $23 billion of the debt, and only less than 10% of that is variable rate, which obviously will go up. So we're actually winning the arbitrage game from that perspective. And so the rising interest rates were actually a net good guy to us.

In terms of long-term earnings expectations, we're still very comfortable reaffirming the 12% to 15% growth rate in EPS that we've been talking about here since our last Investor Day. And I think what these interest rates do is give us a lot more flexibility in terms of decisions that we can make and be more strategic with those decisions here in the future. Thank you for the question.

Operator

Next, we'll go to the line of Whit Mayo from SVB Securities.

Benjamin Whitman Mayo - *SVB Leerink LLC, Research Division - MD of Equity Research & Senior Research Analyst*

Gail, can you elaborate more on the carve-out opportunity with Beacon and myNEXUS? Maybe just more specifically myNEXUS and just elaborate like what you're doing differently? It sounds like something's new here. I've kind of thought about this more as a utilization management play, but I hear you talking more about risk. So just anything that strategically changed would be helpful.

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

Great. Well, thanks very much for the question. And I think myNEXUS is a great example as our AIM and Beacon and some of the other assets that we have inside of the Diversified Business Group. When we brought myNEXUS into the family, the opportunity, obviously, to transition patients from the hospital to the home, we had strong expertise with them already in our Medicare Advantage business.

But part of our goal is to do 2 things: one, to take our assets and embed them in our value-based payment arrangements. So as I mentioned, we have a number of those arrangements already that we're working on, both with primary care assets that we've invested in, plus also those that

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we're moving to value-based care. We see that as a downstream opportunity, but we also have an opportunity to capitate that business inside of Anthem's health plans, and there's a huge runway for us there.

And so generally, we've started in our Diversified Business Group first with a fee-for-service arrangement. And then, as we get confidence in our ability to execute and do well with that, we're moving that along the risk continuum to cap, and that's a good example of that.

It might be a good opportunity for Pete to share a little bit about how he sees what's happening in our Diversified Business Group, and may even talk a little bit more about myNEXUS capabilities. Pete?

Peter David Haytaian - *Anthem, Inc. - Executive VP and President of Diversified Business Group & IngenioRx*

Yes, I would -- appreciate that, Gail. And I think Gail answered it really well comprehensively. I would say though, what you've sort of referenced a change in strategy, let me just reiterate what our strategy is.

We're really focused on managing the complex and chronic patients and managing the complexities in health care more generally. And as Gail said, our primary client is Anthem. The opportunity is very vast. When you think about the complex and the chronic members and the spend associated with that population, you're talking about around $12,500 per member per year. Compared to an average commercial member, that's about $4,500 per member per year. So you can see there's a lot of spend there, a lot of opportunity there.

And as Gail said, as we get more mature in the development of our assets, when you think about things like myNEXUS, we think there's a lot of opportunity to actually grow the portfolio. Yes, it is known for its UM capabilities and its access-to-care capabilities in terms of managing home care, but we see a lot of natural extension opportunities.

So for example, we're very focused on post-acute care. We're very focused on DME as an opportunity. We're focused on social determinants of health. These are all areas in that complex and chronic category, where we can ultimately take risk and drive more value for our health plan businesses, creating predictable and stable cost of care, but then importantly, generating value in the DBG and incremental value for Anthem overall.

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

Thanks, Pete.

Operator

Next, we'll go to the line of Rob Cottrell from Cleveland Research.

Robert Sohngen Cottrell - *Cleveland Research Company LLC - Research Associate*

I guess I'll ask about the upcoming national account selling season given the strength that you all saw for this year. Any early commentary you can provide, given the kind of increased expectations for switching into 2023?

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

Sure. Morgan, why don't you address that?

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Morgan Kendrick

Yes, Rob, thanks for the question. This season was spectacular. As John said, it was the best we've ever had in the company. So I'll tell you, the business doesn't all -- the cycle isn't always the same. These very, very large cases, usually bid on a 36-month cycle. So certainly, we're not seeing the volume.

It's interesting, we've seen some very early, very large 2024 prospects already that we're bidding on. But I expect the assets to continue to resonate and our win rate to be consistent with what we've seen in the past. We continue to build upon what we've done. And our digital assets are resonating quite nicely, our clinical assets as well.

So it's a bit early of -- we do have some wins already in the books for January '23. But nonetheless, the size of the cases and the volume differ by year, and that's not inconsistent. So it's not unexpected. Thanks again for your question.

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

Yes. Thanks, Morgan. I think, to add to that, he mentioned a couple of areas that have been really important for us. One is consumer experience, our investment in digital platforms. I mentioned Sydney Preferred has been very popular, along with our consumer advocacy model. And then the last area is our high-performance networks.

Across all of the Blue system, I think we've done really well, and that's been a really strong validation of our unique cost of care position for the system. So thanks very much for the question. Again, really strong selling season and very encouraged by what we're seeing.

Operator

Next, we'll go to the line of Dave Windley from Jefferies.

David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

John, your DCP was up close to 2 days sequentially in the first quarter on what has already been a fairly conservative posture through the pandemic period. Could you talk about the drivers of that? Were there any kind of payment timing issues that might have influenced that? Or was that all just growth in IBNR?

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

Thank you, Dave, and I appreciate the fact that you recognized that we've already had a conservative stance associated with our reserves. But our approach to reserves has been both prudent and consistent, and we obviously need to ensure that we follow actuarial standards and comply with generally accepted accounting principles.

Associated with the first quarter, there is a natural seasonality aspect to the days and claims payable metric. And the first quarter has typically been a little bit higher than the fourth quarter on a sequential basis. And you can see that the last several years and that happened again this year. A lot of it has to do with a lot of new clients coming on, and we did have such a significant new sales activity.

And as you know, we have 1.4 million new lives in the first quarter alone. And it usually takes a little bit of time for those folks to really get through to the doctors and get them manning and get all those claims paid. So it's very natural to have a small increase in the first quarter.

I would say that we feel very confident with the strength of our balance sheet and that the reserves that we booked as of March 31, they're very consistent with the reserves that were booked on December 31. So thank you for the question.

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Operator

Next, we'll go to the line of Lisa Gill from JPMorgan.

Lisa Christine Gill - *JPMorgan Chase & Co, Research Division - MD, Head of U.S. Healthcare Technology & Distribution Equity Research and Senior Research Analyst*

I just wanted to ask about IngenioRx. And one, how it came out in the quarter versus your internal expectations?

And then secondly, you talked about the strong growth in the commercial market. Can you maybe talk about the cross-sell opportunity, the penetration that you have? And did you see that pull-through come through here in 2022? Or is there a longer selling season once you bring the commercial member on?

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

Thanks, Lisa. I'm going to have Pete address that.

Peter David Haytaian - *Anthem, Inc. - Executive VP and President of Diversified Business Group & IngenioRx*

Yes. Thanks a lot for the question, Lisa. First of all, we're really pleased with our progress and growth occurring in the pharmacy business. We're encouraged by what we're seeing and we saw through Q1 '22 in terms of the receptivity in the marketplace around IngenioRx, around our integrated offering as we penetrate Anthem's ASO Commercial business.

In fact, we saw about a 300% year-over-year improvement in the members sold when you compare Q1 of '21 to Q1 of '22. And I do want to point out where we're seeing really good traction, that's in the middle market and down market, where I think Anthem has a lot of strength. And we create a lot of value. So a really good place for us to be.

As it relates to our operating gain performance and the differences there, Q1 '21 over Q1 '22, it's really completely explained by a onetime positive reconciliation item that we mentioned previously in '21. Without that, we're completely on track. We remain confident in achieving our '22 operating gain expectations and our growth expectations.

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

Thank you.

Operator

Next, we'll go to the line of Ricky Goldwasser from Morgan Stanley.

Rivka Regina Goldwasser - *Morgan Stanley, Research Division - MD*

Can you give us an update on the New York Group MA contract? There's some news that it's been delayed from April 1. So when do you expect to onboard it? And how should we think about the impact on guidance for the rest of the year considering that I think it was supposed to be dilutive for 2022?

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

Yes, thanks. Thanks for the question, Ricky. First and foremost, I want to say that we are looking forward to serving the retirees of the city of New York and extremely -- remain extremely pleased about have been awarded this contract -- have been awarded this contract. We've had a long relationship with the city, and we do continue to administer those benefits for the employees in our fee-based business today, just as a bit of background.

As you mentioned, based on a legal challenge, the city did not move forward as planned on April 1, and the city has appealed the decision. However, at this stage, given that process, we'll share more definitive information when it becomes available.

As you think about how you should think about the financial impact, it's not dissimilar from what we said on our last call when we had a 3-month delay at hand, which was directionally slightly positive as we're still incurring, as you know, run rate costs from being ready to go on 1/1, and that still remains the case today. So thank you for the question, and we look forward to serving the city.

Operator

Next, we'll go to the line of Ben Hendrix from RBC Capital Markets.

Benjamin Hendrix - *RBC Capital Markets, Research Division - Assistant VP*

Just a quick question on your capitated strategy and increasing your downside risk sharing. I was wondering if you could kind of give us an opportunity -- or an idea of what the margin opportunity is there versus typical MA margins? And kind of where that could go? What you're targeting? And how that is progressing with the capitation membership that you've achieved so far?

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

Yes. Thanks very much for the question, and thanks for bringing it up. I'll just sort of start really at a broader perspective. Our care provider strategy is really a core component of our enterprise strategy, which is the integration of our whole health focus.

And we've set a couple of key things: one, better outcomes we see by capitating and moving to more upside-downside risk; certainly, higher satisfaction; better and predictable outcomes from our health plans; higher star ratings, which we think, because of the alignment drives and greater stability for our benefits business, MA, our Medicare Advantage business, but also our Commercial and Medicaid businesses are a really important part of the strategy.

Over the past year, we've made some very significant advancements in that strategy, particularly with our investments in risk-bearing primary care providers and aggregators, but we've also been advancing those that we haven't invested in around our VBC process. And that ties very much to our high-performing networks, and we're seeing growth there, as I mentioned a few moments ago.

So as I think about those and your direct question, these are at kind of an early stage. We do see pull-through opportunities. So there's more than just your question about how does it affect MA. We see pull-through opportunities in our Diversified Business Group, and they're resonating things like combining Aspire with those groups and their palliative care offering. We just talked about myNEXUS a little bit. And again, those are opportunities for us again to advance our overall performance at Anthem generally.

As we move, we're moving, very specifically to your question, to move to more capitation risk within the Anthem health plans. This year, we started some of the services like AIM. But our strategy, again, isn't relying on a single model. So I want to, again, reiterate that. I've shared that in the past. As we see our value-based care mature, we think that there's a number of models in that.

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Specifically, about 60% of our consolidated medical expense, as I mentioned, is paid under VBC. That number is interesting, but I don't think it's the most important. The number that we're really targeting is moving upside and downside risk. We have global capitation, and as I mentioned, today, we're about low double-digit range across our enterprise, with about 40% in Medicare in capitated arrangements, to put some perspective on that. Our target is that about 1/3 of our overall spend in value-based care by 2025 will have downside risk. So again, a pretty significant move. And again, that's across Medicaid, Commercial and Medicare so you get a sense of the breadth of the strategy that we're deploying.

So overall, feel good about the progress we're making. I think there are a number of value drivers across our business beyond just the simple question around Medicare Advantage. But clearly, that's an important one, both for top line and bottom line in our Medicare as well as our other businesses. So thanks very much for the question.

Operator

Next, we'll go to the line of Josh Raskin from Nephron Research.

Joshua Richard Raskin - *Nephron Research LLC - Research Analyst*

I want to understand a little bit better the admin fee growth of 7% against that really strong membership growth, and this movement of 5:1 down to 3:1. And just sort of understanding where you are on that path. And maybe what's the pushback from employers that aren't signing up for those additional services?

And lastly, if you could just include stop-loss as one of those services in terms of trends you're seeing, that would be helpful.

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

Yes, Josh, thanks for the question. Certainly, we're very pleased with the growth. The admin fee growth is both a combination of the ASO fees on the fee-based membership along with the fee-for-service aspects of many of these add-on value proposition type services.

And then we -- as you know, on the 5:1 to 3:1, we're doing very well. We had about a year delay at the beginning of COVID, but we ended 2021 and began 2022 at about a 4:1, within that range. And we still feel very good about hitting 3:1 by 2024.

In terms of the overall growth, I mean, look at the membership. I mean the membership is just going awesome. Our best national account selling season ever, and that's obviously adding to the admin fee revenue growth.

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

And maybe, Morgan, to comment a little bit about what's happening in employer decision-making.

Morgan Kendrick

Yes. And, Josh, thanks again for the question. When I think about the reasons for the win, it's basically 2 things: it's economics and experience. And when you look at the upmarket business, let's just focus there for a minute, it's -- one of the things that's consistent is buying various levels of advocacy services. So it's a heightened service model on the front end, which is probably north of 90% of our business. That's part of complementary to the just base admin fee that John described earlier.

Also, we think about a clinical model that's unique and more elegant connecting back to a higher order front end. That's another model that we've seen great success for in the national market. In fact, we launched in 2018 with Total Health, Total You. Presently, we're sitting almost 7 million

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members across both the national business and the local markets that have accepted that product and are enjoying the product and what it's delivering.

You think about where the market's kind of evolved, to your point around what people are looking to buy, I mean this -- the labor market is tight. Most employers look at their health benefits as a human capital strategy, and they're looking for these unique nuanced ways to have a better solution rather than just a health benefits product.

Lastly, commenting on your comment around the -- or question regarding stop-loss, there's a big opportunity there for us. When you look at the penetrable market, upmarket, we have a very, very large percent of it. We've got roughly 60% of our business in the stop-loss business penetrated today. We expect that to continue and look for different opportunities to serve our employers through value-based arrangements where it's a pay for value. And we do find the sign-up or the employer uptake to be quite large when it's positioned that way when payment is received upon value delivered. So again, thank you for your question.

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

And thanks, Morgan and John. Just to put a fine point on it, Josh, we think the strong growth that we've seen, particularly across the Commercial business, is a really nice runway for us to add additional services. And that's really been the trajectory of our business over the last several years, is continuing to consolidate employers and continuing to demonstrate our value first on the medical cost side but also on digital tools and other things that we're bringing to market. So we feel good about the trajectory and the opportunity that we have. And again, very strong growth, and we're really pleased to see it.

Operator

Next, we'll go to the line of Kevin Fischbeck from Bank of America.

Kevin Mark Fischbeck - *BofA Securities, Research Division - MD in Equity Research*

I'm just wondering, if you could provide a little bit more color about what was driving the improvement in MLR, specifically, COVID, non-COVID? And if you'd go into a little more detail about the types of procedures that you don't expect, or that are coming in better than expected?

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

Thanks, Kevin. Specifically associated with the first quarter medical loss ratio, really you have to look at what the situation was when we first provided guidance. The Omicron variant was peaking at a higher point than at any time since the pandemic began and the home-testing rule adjustment issued, amongst other things. And so part of the guidance that we provided at that point in time was having those facts in front of us.

Well, what happened was is that February and then March had even a much more significant drop in positivity rate than we had seen for any of the other prior surges that we've had since COVID started. And then we're also very pleased that there is no evidence of any abuse or stockpiling of the free home-testing kits that was part of our concern as well.

And non-COVID obviously went back up as COVID went down as has occurred at every phase through the pandemic. But all in, the cost structure was better than our expectations. Still above baseline, but better than our expectations. And that really was the primary driver of the better performance in the quarter. Thank you.

Operator

Next, we'll go to the line of Steven Valiquette from Barclays.

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Steven James Valiquette - *Barclays Bank PLC, Research Division - Research Analyst*

Just a quick confirmation question, and then the real question. First, on the investment income, $360 million in 1Q, that puts you above the run rate for the full year guidance of $1.1 billion. I guess the question there is, was the $151 million of net loss on financial instruments in 1Q, was that part of the full year guide for non-investment income or is that separate?

Then the real question was just quickly just to confirm, a lot of the discussion around the seasonality of MLR. But as far as the comment you made last quarter about 55% of income in the first half of the year, is that tossed out the window now? Or is that still valid as we kind of think about that comment that you made last quarter?

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

Thanks, Steve. I'll see if I can answer both those questions. On the investment income, do not run rate our first quarter performance. And first of all, no the loss on the write-down of the assets was not part of that. The outperformance really had to do with our alternative investment portfolio and some of the positives that has come through. We're very, very happy with that, but we do not believe it's run rate.

And then associated with the seasonality and the MLR, again, we're very pleased with the strong start for the year. And we did raise our full year guidance to $28.40. Simple math will tell you, $8.25 is about 29% of the full year.

Essentially, for modeling purposes, I'd say the current consensus estimates for the second quarter right now are a reasonable approximation of second quarter expectations. So hopefully, that helps. Thank you.

Operator

Next, we'll go to the line of Gary Taylor from Cowen.

Gary Paul Taylor - *Cowen and Company, LLC, Research Division - MD of Health Care Facilities and Managed Care*

I might just piggyback on that last thought, John, and just go a little bit further. If we look at the last 5 years or so, MLR almost always grew sequentially every quarter. This year, because of the COVID cost you're anticipating, you had a different cadence that fortunately didn't play out. So the questions are, are we just back to a typical sequential MLR build through the year? Is that reasonable?

And then same question for G&A. I think in the last 5 years, with the exception of 1Q of '21, G&A dollars generally just grew sequentially throughout the year. It looks like now they would have to drop for a while, otherwise, you might miss your full year guidance. But on MLR cadence, are we sort of back to normal? And then on G&A, do we -- how do we think about that over the next few quarters?

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

Yes. No, sure, Gary. Good questions. On the medical loss ratio, we're not completely back to normal. There are still certain things associated with the public health emergency, where various cost shares are waived. The free home-testing kits, even though there weren't abuse or stockpiling of those, there was a cost. They did cost. And we expect to continue to incur those throughout the entirety of the public health emergency. So we think the seasonality factors will differ a bit from historical patterns because we're just in a completely different situation.

And then associated with the SG&A and the cost structure, some of it is also opportunistic spending of accelerating investments in our digital areas when we have the ability to accelerate. And our expectation is, is that with the really excellent top line growth that we've seen, clearly, top line growth does include some variable cost that will obviously be incurred above and beyond what had been assumed, but we feel very good about still hitting our guidance numbers for the full year.

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So unfortunately, I don't think our historical seasonality patterns are a great proxy given the situation that we're in this year. Thank you.

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

I think we have time for one last question.

Operator

Our final question comes from the line of George Hill from Deutsche Bank.

George Robert Hill - *Deutsche Bank AG, Research Division - MD & Equity Research Analyst*

John, mine is an MLR-related question. It has to do with medical cost inflation. And I guess could you talk about what you guys are seeing as it relates to cost inflation? I'm thinking about things like provider wages and medical supplies that could be inflation impacted versus what you guys are doing to offset that. And the question really is, are you guys seeing inflation yet?

And maybe if you can rank order the big buckets of what you can do to offset inflation? Clearly, virtual is one thing you can do to offset it. Capitation and risk sharing is another thing. Just trying to understand the big puts and takes as it relates to MLR cost drivers, focusing on inflation.

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

Yes. Thanks for the question, George. I think, first, there's no question that the labor market is tight. So as you think about inflation, we hear it certainly from our provider partners, and we see it in certain parts of our own business.

Now let me start with the biggest bucket, which is hospital pricing. As you know, the majority of our contracts are 3 years in duration. So we negotiate roughly 1/3 of those each year. And yes, there is more pressure on the system. But at this point, we're not seeing incremental rate pressure. And quite frankly, we believe our ultimate responsibility is -- that's paramount for our customers is affordability. So we have -- we're keeping costs contained to the lowest possible level and take that responsibility very seriously. It's really the core of kind of, frankly, what we do.

We're also taking the opportunity though to change this conversation and make it less a transactional conversation and move to value-based care, which has been the core part of our strategy with all of our providers. So we believe that there is an opportunity to transition from just unit cost negotiation and volume-based discussions to value-based care. And our strategy is key in that context.

So we think that that's a core element of this, paying for outcomes and paying for value. We've been investing, as you heard through the discussion that we've had, in tools that help our providers make that transition to value-based care and also help safeguard and mitigate some of the uncertainty that they have. So that's a core part of we think what's important in managing that.

We're watching these dynamics closely. And we've been refining our high-performance, high value-based care model. So again, we think that's an acceleration opportunity in our own business. We're strongly committed to digitizing and looking for end-to-end improvements across our business. We've been on a multiyear journey around that. We look at a number of areas around our own -- how do we improve experiences. How do we tie things end to end better? How do we improve our own efficiencies? Looking at touchless claims, as an example, simplifying our pre-authorization processes, investments in better provider finders.

So a number of the things that we're investing in around our digital transformation helps us in terms of our own internal cost structure, but also improves the cost structure of our trading partners, care providers and our customers. And again, affordability, we think, is critical in this environment in the scenario that we believe is our role and responsibility and are very focused on it.

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So we have a number of tools, shared those, on the provider side, really focused on value-based care and then on our own side, around really changing workflows and digitization and moving much more aggressively into that space. So thank you very much for the question.

I'd now like to close by saying thank you. We're pleased to have carried forward our momentum into 2022, and we're confident that the ongoing execution of our strategy positions us to continue to deliver against the financial targets we shared with you at our investor conference last year.

Across our organization, we're accelerating innovation to advance our digital capability and resources, simplifying our processes, improving our consumer experience and delivering products and services to champion a whole health approach and advanced health beyond health care for consumers at all stages of their lives.

We're fueled by a passion for making a positive difference in the world and we're improving health by addressing consumer needs at a personal level, removing barriers to care and creating more meaningful connections across the lifetime of milestones and experiences.

We'll keep executing with excellence and discipline to bring increasing value to all of our stakeholders.

Thank you for your interest in Anthem, and have a great rest of week.

Operator

Ladies and gentlemen, a recording of this conference will be available for replay after 11:00 a.m. today through May 20, 2022. You may access the replay system at any time by dialing (800) 813-5525, and international participants can dial (203) 369-3346.

This concludes our conference for today. Thank you for your participation and for using Verizon Conferencing. You may now disconnect.

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