THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

ANTM - Q4 2014 Anthem Inc. Earnings Conference Call

EVENT DATE/TIME: JANUARY 28, 2015 / 1:30PM GMT

OVERVIEW:

Co. reported 4Q14 operating revenue of nearly $18.8b, GAAP EPS of $1.80 and adjusted EPS of $1.73. Expects 2015 GAAP EPS to be greater than $9.30 and adjusted EPS to be greater than $9.70.

CORPORATE PARTICIPANTS

Doug Simpson *Anthem Inc. - VP of IR*

Joe Swedish *Anthem Inc. - President and CEO*

Wayne DeVeydt *Anthem Inc. - EVP and CFO*

CONFERENCE CALL PARTICIPANTS

A.J. Rice *UBS - Analyst*

Christine Arnold *Cowen and Company - Analyst*

Justin Lake *JPMorgan - Analyst*

Matthew Borsch *Goldman Sachs - Analyst*

Chris Rigg *Susquehanna Financial Group - Analyst*

Ana Gupte *Leerink, Swann & Company - Analyst*

Scott Fidel *Deutsche Bank - Analyst*

Sarah James *Wedbush Securities - Analyst*

Tom Carroll *Stifel Nicolaus - Analyst*

Kevin Fischbeck *BofA Merrill Lynch - Analyst*

Peter Costa *Wells Fargo Securities - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Anthem conference call. At this time all lines are in a listen-only mode. Later there will be a question-and-answer session. Instructions will be given at that time. (Operator Instructions). As a reminder, this conference is being recorded.

I would now like to turn the conference over to the Company's management.

Doug Simpson - *Anthem Inc. - VP of IR*

Good morning and welcome to Anthem's fourth-quarter 2014 earnings call. This is Doug Simpson, Vice President of Investor Relations. Presenting today are Joe Swedish, President and Chief Executive Officer, and Wayne DeVeydt, Executive Vice President and CFO. Joe will start with a discussion of our fourth-quarter 2014 financial results and the macro backdrop and then Wayne will review the quarter's financial highlights in more detail and provide additional commentary on our 2015 outlook. Q&A will follow Wayne's remarks.

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 at 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 review the risk factors discussed in today's press release and in our quarterly and annual filings with the SEC.

I will now turn the call over to Joe.

Joe Swedish - *Anthem Inc. - President and CEO*

Thank you, Doug, and good morning. In our first quarterly discussion since our corporate name change from Wellpoint to Anthem, we are pleased to announce strong 2014 adjusted earnings per share of $8.85 as we previewed two weeks ago with membership and margins tracking well in the fourth quarter.

We ended 2014 with 37.5 million members which was about 250,000 higher than the midpoint of our previously guided range. For the full-year 2014, we added over 1.8 million members representing growth of 5.2% versus year-end of 2013.

Our growth was balanced in 2014 as we added 815,000 Medicaid members, 607,000 National members and 412,000 Local Group members. With attrition in the fourth quarter as expected, our public exchange enrollment stands at 707,000 members at the end of the year.

Driving our strong fourth-quarter results were solid contributions from both our Government and Commercial divisions. Specifically in the fourth quarter, we reported earnings per share of $1.80 on a GAAP basis and $1.73 on an adjusted basis. Our GAAP earnings per share and adjusted earnings per share increased in the fourth quarter of 2013 driven by an improved medical loss ratio, administrative expense control and opportunistic capital deployment.

As we discussed in our preview two weeks ago, we did see an adverse impact in the quarter from the delay of certain Medicaid revenues into 2015, a possibility we discussed on the third-quarter call. Additionally, the flu season started earlier than expected. However, these issues were largely offset by the positive underlying financial performance of the business and the recognition of reimbursement of the 2014 health insurer fee in Texas.

Further supporting the quality of our earnings, we generated strong operating cash flow of approximately $305 million in the quarter, bringing our year-to-date cash flow to approximately $3.4 billion.

We have remained focused on our capital deployment strategies as well, repurchasing over 2.8 million shares during the quarter for approximately $343 million and paying $117.6 million in dividends. For the full-year, we repurchased 30.4 million shares or 10.4% of the shares outstanding at the beginning of the year for approximately $3 billion at a weighted average share price of $98.52.

Let me turn to providing you an update on business development activity. During the fourth quarter, we advanced our strategic goals with our announcement in December of the acquisition of Simply Healthcare, a Medicare and Medicaid Company with a strong presence in the state of Florida. We have received antitrust clearance from the Department of Justice for the transaction to proceed and we expect to close during the first half of the year.

Similar to how we integrated the acquisition of Amerigroup, we expect to maintain leadership to continue growing the business profitably. This is a well run plan with deep expertise and a local market understanding we expect to leverage growth. We expect the transaction to be EPS neutral in 2015 though its financials are not yet included in our forecast. We do expect to grow the business profitably in 2016 and beyond.

At the time of announcement, Simply Healthcare had approximately 166,000 Medicaid members and attractive market share in the southern part of the state which complements our presence in the middle part of the state very well. Once the deal is completed, we will be the second largest Medicaid plan in the state of Florida.

Simply also serves 22,000 Medicare members through a four-star plan and is positioned to grow. The company has strong provider collaboration agreements in place and a large percentage of their membership is in shared risk arrangements which help improve care coordination and better manage cost. Simply also owns and operates a statewide specialty HIV-AIDS plans with 9000 members. This brings us incremental talent and local market knowledge and is indicative of the types of M&A opportunities in which we are interested.

In addition to a strong Medicaid business, Simply provides us with a strategic footprint in an important state with a growing Medicare Advantage population. While we continue to capitalize on organic growth opportunities within our businesses, we remain focused on attractive M&A that augments those opportunities as Simply does for us in Florida.

We are also making progress transforming our Company to succeed with new market structures and expanding upon our competitive advantages in our markets. The health insurance industry has started to shift from the historical business to business model towards a business to consumer model and that shift will continue going forward.

On top of that, new rules in the market have changed the dynamics of how we position our products and put focus on increasing enrollment. As a result, we are intently focused on serving as a protagonist to advance affordability and access for our growing membership.

First, we are changing the way providers and insurers interact with one another to lower medical costs and improve quality healthcare for Americans such as our recent agreement with Aurora Health Care in Wisconsin. We are leading the way in structuring innovative groundbreaking agreements with our providers including a focus on value-based payments. Currently we have more than $38 billion in spend tied to value-based contracts representing 30% of our commercial claims and approximately 40,000 providers. This includes enhanced payments for performance and shared risk or bundled payment arrangements.

We have 118 ACO arrangements as well as other collaborative efforts such as patient centered medical homes, hospital quality and safety programs and other partnerships that share financial risk and gain. We are proud to have taken the lead in working together with our provider partners to move toward a structure that financially rewards activities to improve health, healthcare and affordability.

Second, we are ramping up our efforts around cost of care management including enhanced efforts to comprehensively review our medical cost profile and identify actionable opportunities. This includes establishing line of sight accountability and enhancing trend analytics.

Third, we are striving to meaningfully improve the consumer experience by leveraging technology to deliver simple, convenient and productive experiences to our members. A recent industry survey by Foresters found that health insurance plans score at the bottom of 13 different industries in terms of consumer experience. The industry has unfortunately held this spot every year since the survey started in 2007. Our goal is to change this dynamic and our strategy is to create an improved customer experience as a distinguishing characteristic of Anthem.

Consumers are assuming a higher cost burden with increased decision-making responsibility and they have very specific expectations about how their health plan should serve them. For Anthem, 70% of our planned growth over the next five years is in consumer choice markets.

As part of our focus on the consumer experience, we continue to upgrade our IT capability to drive greater agility and cost efficiency for our Company. This is a multiyear effort to bring our business into line with the needs of our customers. To support that initiative, we recently announced a $500 million deal with IBM for operational services to improve the flexibility and responsiveness of our IT infrastructure. Specifically, IBM will provide operational services for both our mainframe and data servers. Once implemented, we will use both our traditional in-house IT infrastructure as well as IBM's cloud capability to serve our members.

This agreement is part of our five-year plan to enhance our ability to respond rapidly to evolving market demands and deliver on our commitment to drive greater affordability for our members.

Additionally, we recently launched an innovation studio center in partnership with Deloitte, which will enable us to rapidly develop new capabilities that are relevant to technology savvy consumers. We need to lead in creating a better relationship with consumers and ensure that we are improving our ability to serve them in a positive way. We believe an improved customer experience can be a critical point of differentiation to improve retention and customer loyalty and will support members' efforts to manage their own health and make informed choices.

I would like now to turn to discuss our Commercial business and the execution of our strategies.

Commercial revenues declined in the fourth quarter by 1.9% year-over-year to $9.7 billion, primarily due to the previously announced conversion of the New York State account to sell funded status which impacted revenues by about $2 billion a year.

Additionally, revenue was pressured by membership declines in small group. These were partially offset by additional premium revenue to help cover new Healthcare Reform fees as well as self-funded membership growth. Commercial operating margins improved as expected from 2.6% a year ago to 5.5% in the fourth quarter of 2014 due to the changing mix of the product portfolio as we have discussed with you previously.

Membership trends in the Commercial business during the quarter were encouraging as our Local Group membership came in above expectations. This was primarily driven by better than expected growth in our Large Group business and higher than expected retention rates in our Small Group business. Our total individual membership declined by 121,000 members during the quarter primarily driven by an expected membership attrition toward year end and we ended 2014 with approximately 1.8 million lives.

The three Rs; we continue to book reinsurance as appropriate. We have also recorded a net payable for risk adjusters and are in a net neutral position on risk quarters. We believe our estimates are prudent given the dynamic nature of available information. We expect to continue to refine our estimates in these areas as our 2014 claims data develops over the next few months and the relative risk profile for our various competitors become clearer within our markets.

As we discussed last quarter with respect to our Small Group business, we continue to be mindful of the potential for employer coverage changes in light of the exchanges. In the fourth quarter, we had a meaningful number of Small Group members up for renewal and we did see Small Group member decline. However, the declines were less than expected due to the success of our retention strategies including grandmothering and an improved and competitive position across our markets. Small Group has now declined almost 400,000 member year to date and stands at 1.46 million members.

I would now like to turn to the Government segment and speak to the solid fourth-quarter results. Our Government business segment added an additional 118,000 members in the quarter, driven by a strong growth in Medicaid and generated revenues of $9 billion, up approximately 17% quarter over quarter. The Government business represented over 48% of our consolidated operating revenues in the quarter as our business continues to evolve and diversify. Medicaid enrollment was up an additional 116,000 members in the fourth quarter bringing year-to-date growth to 815,000 members.

We are very pleased as both organic membership growth and enrollment coming online from recent contract awards exceeded our expectations. Medicare enrollment was relatively flat in the fourth quarter as expected. We are feeling better about our Medicare Advantage membership outlook but still expect a modest decline in 2015 as we continue to reposition that book of business.

Government operating margins improved 180 basis points quarter-over-quarter to 3.9%. This primarily reflected the impact of various retro rate adjustments as expected during the quarter as well as the timing issues previously discussed related to the delay in recognition to certain Medicaid revenues into 2015 and the recognition of reimbursement of the 2014 health insurer fee in Texas.

I would like to now turn to an update regarding 2015 outlook. We currently expect GAAP earnings per share of greater than $9.30. As we discussed on our third-quarter conference call, we are also going to update how we report adjusted earnings per share. Adjusted earnings per share will now exclude deal-related amortization expense as well as realized gain losses. On this basis, we project 2015 adjusted earnings per share of greater than $9.70.

We started 2015 with 37.5 million members which was better than expected and creates a favorable starting point for 2015 enrollment. For 2015, we expect a continuation of the trends and performance we saw in 2014.

In our Commercial business, we expect modest growth in individual with continued pressure in the Small Group business albeit less so than in 2014. We also see strong self-funded growth in 2015 and we are pleased with our initial trends toward 2016 national account selling season.

In the Government business, Medicaid should again be a strong growth driver for us as we will recognize the full-year financial impact of growth that came online throughout 2014 and the additional membership growth we expect in 2015 from new contract awards. We also expect the progress we have made recently in restructuring the Medicare business to positively impact earnings.

We currently expect operating cash flow in 2015 to be greater than $3.5 billion and we expect this to be another active year of capital deployment. As we discussed last quarter, we have been evaluating an increase in our dividend payout ratio as a result of our confidence in the cash flow profile of the Company related to the growing diversity of our business.

As a result, yesterday our Board approved an increase in our quarterly dividend to $0.625 per share from $0.4375 per share in 2014. Our dividend has now increased every year since 2011 and subject to market conditions, we would expect our dividend to continue increasing over time.

We will remain disciplined steward of shareholder capital. In the last two years alone, we have returned $4.6 billion through share buybacks and approximately $930 million through dividends to shareholders. This year we expect to return $2 billion to $2.5 billion through share repurchases and approximately $700 million in dividends to shareholders. We remain focused on appropriately returning capital to our shareholders while ensuring financial flexibility for investment in future growth opportunities and potential M&A.

In summary, we are proud of our performance in 2014 and believe we are well-positioned for growth in 2015 and Wayne is going to walk you through the details. Wayne?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

Thank you, Joe, and good morning. My comments today will focus on the key financial highlights from the fourth quarter 2014. I will also provide commentary on our 2015 outlook.

On a GAAP basis, we reported earnings per share of $1.80 for the fourth quarter of 2014. These results included net investment gains of $0.07 per share. Excluding these items, our adjusted earnings per share totaled $1.73 for the quarter. For the full-year 2014, we reported earnings per share of $8.99 on a GAAP basis, $8.85 on an adjusted basis, at the high end of our previously guided range.

As Joe noted, we are pleased with our 2014 results and feel well-positioned to grow earnings per share in 2015.

Medical enrollment declined by 32,000 members, a point 1% sequentially to approximately 37.5 million medical members as of December 31. This reflected membership declines in our individual and Small Group businesses partially offset by gains in our Medicaid and Large Group businesses. Overall, we are pleased with our membership results which were approximately 250,000 higher than the midpoint of our previously guided range.

Operating revenue was nearly $18.8 billion in the quarter, an increase of approximately 1.1 billion or 6.4% versus the fourth quarter of 2013 reflecting enrollment growth in the Government business and additional premium revenue to cover overall cost trends and new fees associated with Healthcare Reform.

For full-year 2014, we reported operating revenues of $73 billion, an increase of $2.8 billion or 4% from 2013 including the adverse impact of the previously discussed transition by the state of New York account and fully insured to sell- funded status on January 1.

Our 2014 revenues were slightly below our previously guided expectations as we were adversely impacted by higher than expected experience rebate accruals in the Medicaid business as performance was better than expected and higher than expected risk adjusted accruals in the individual business.

The benefit expense ratio was 84.5% in the fourth quarter of 2014, a decrease of 330 basis points from the prior year quarter. The decline reflected continued strong medical management and the impact of the premium revenue designed to help cover new healthcare reform fees. We are pleased with gross margin performance in both of our business segments in the quarter and year as we reported full-year 2014 benefit expense ratio of 83.1% at the low end of our previously guided range.

Our SG&A expense ratio increased by 120 basis points from the fourth quarter of 2013 to 16.2% in the fourth quarter of 2014. As expected largely due to the inclusion of various healthcare reform fees in 2014. For the full-year 2014, our SG&A expense ratio was 16.1%, at the high end of our previously guided range as the Company made investments in areas directly supporting our expected growth into 2015 and beyond including provider collaboration, consumer centricity and medical cost management.

Consistent with our past practice, we have included a roll forward of our medical claims payable balance in this morning's press release. For the 12 months ended December 31, 2014, we experienced favorable prior-year reserve development of $542 million, which was modestly better than our expectations. Development was consistent with the prior year-to-date period. We continue to maintain our upper single-digit margin for adverse deviation and believe our reserve balance remains consistent and strong as of December 31, 2014.

Days in claims payable was 42.5 days as of December 31, down 1.5 days from 44 days as of September 30 and up 3.8 days from 38.7 days at the end of 2013.

Our debt to capital ratio was 38.5% at December 31, 2014, down 10 basis points from 38.6% at September 30. We entered the fourth quarter with approximately $2.7 billion of cash and investments at the parent company and our investment portfolio was an unrealized gain position of $958 million as of December 31.

Moving to cash flow, we generated stronger than expected operating cash flow of $305 million in the fourth quarter or 0.6 times net income. For the full-year 2014, we generated operating cash flow of approximately $3.4 billion or 1.3 times net income. We repurchased more than 2.8 million shares during the quarter for approximately $343 million representing a weighted average price of $121.17.

As of December 31, we had approximately $5.7 billion of share repurchase authorization remaining which we intend to utilize over a multiyear period subject to market conditions. We used $117.6 million during the quarter for our cash dividend and yesterday the Board declared our first-quarter 2015 dividend of 0.625 per share to shareholders.

Turning to our 2015 outlook, we see 2015 as a year of continued growth across our business. We currently expect operating revenues to grow approximately 7% to 8% in 2015 with roughly 2% membership growth across our business.

In Commercial, we expect meaningful enrollment growth during the year. We expect growth of over 200,000 lives for national accounts in 2015 with strong momentum during a quieter year for RFP activities. We also expect growth in Large Group enrollment driven by self-funded contract wins. We expect modest growth in the individual business next year so we expect to maintain our leading market share in our collective 14 states. Our assumptions could prove to be conservative if changes are made to the duration of the shortened open enrollment period or if retention metrics develop above our current expectations.

On the negative side, we do expect further Small Group attrition. Though fourth-quarter retention rates were better than expected we are still forecasting a membership decline in 2015 north of 100,000 lives.

For Government, we are also expecting another strong enrollment growth year. We expect Medicaid to (inaudible) approximately 300,000 lives reflecting the addition of new business in the state of Tennessee as well as continued organic growth in core and expansion products.

Within our Medicare business, we continue to expect MA enrollment to decline modestly in 2015 with some offsetting growth in Medicare supplement and dual eligible populations as new state programs go live.

We also expect stable margins in 2015. We currently expect an MLR of 83% plus or minus 30 basis points in 2015 consistent with our 2014 levels. Our forecast does incorporate an expectation for lower Medicaid gross margin after the very strong performance in 2014. However, 2015 MLRs will be favorably impacted by the increase in health insurer fee which impacts operating revenue and G&A expense.

Related to cost trend expectations, we expect 2015 Local Group medical cost trends to be approximately 7%, plus or minus 50 basis points with a return to a more normal utilization trend and higher hepatitis C drug cost. We currently expect our SG&A ratio in 2015 to be 16.1%, plus or minus

30 basis points. This reflects the impact of the rising health insurer fee in 2015 and investments we are making to support our strategic initiatives offset by leverage across our business.

Below the line, we expect investment income of approximately $660 million and interest expense of approximately $635 million. We also currently expect our tax rate to be in the range of 43.5% to 45.5% for the year reflecting a significantly higher health insurer fee in 2015 which is nondeductible for tax purposes.

We expect to invest $2 billion to $2.5 billion in share buybacks this year and currently forecast the share count for the year at 270 million to 274 million shares. This is in addition to the $700 million we expect to pay in dividends to shareholders.

To conclude, our 2015 GAAP earnings per share estimate is greater than $9.30. Our adjusted earnings per share outlook is greater than $9.70. The difference between these two forecasts is the exclusion of the amortization of deal-related intangibles as we discussed on our third-quarter call. While we do not offer quarterly EPS guidance, we do expect more than half of our 2015 earnings per share to come in the first half of the year with the first quarter representing the highest quarterly earnings and the fourth quarter representing the lowest. This reflects both the timing and impact of our membership gains and the accounting related to the exchanges.

Looking out longer-term, we believe our 2018 targets remain appropriate and achievable. Our 2014 performance was better than expected and we currently expect 2015 revenue growth of 7% to 8% and operating income growth in the mid-single digits prior to any health industry fee impact. I would also note that our current outlook does not yet include Simply Healthcare which is expected to close during the first half of the year.

With that, I will turn the call back over to Joe.

Joe Swedish - *Anthem Inc. - President and CEO*

Thanks, Wayne. With that, operator, please open the queue for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). A.J. Rice, UBS.

A.J. Rice - *UBS - Analyst*

I might just ask you to expand a little bit on some of the medical cost trend commentary. I know in the fourth quarter -- with the fourth-quarter release you are saying the 2014 medical cost trend ended up being about 6.5%. I think in the third quarter commentary you said it was trending toward the lower end of the 6% to 7%. Is there a slight variation there or is that just the way the variances in commentary?

And then for the 2015 commentary, can you flush out the 50 basis point step up? It sounds like it is mostly hepatitis C but I just want to confirm that versus other puts and takes and your sense on where the medical cost trend is going?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

Thanks, A.J. Good morning. Let me first address your first question.

As we had said in the third quarter, we did expect trend to be in the lower half of that 6.5% plus or minus 50 basis points, not necessarily at the low end though. We were [intension] about the lower half. Probably the one item that surprised us a bit in the quarter was nothing to do with core run rate or core medical trend but really was just the flu season starting earlier than expected and the level of flu that we saw in our markets. But outside of that really no surprises and had that not occurred, we still would have been squarely in the lower half of expectations.

Relative to the future medical trend of 7 plus or minus 50 basis points, we do have increased hepatitis C costs in there but recognize while we got a bit surprised in 2014 on the level of hepatitis C costs, the actual cost per drug, that is included in our medical trend though that you see in the 6.5. So you already have some of that baked in when we start going into 2015 and then we have added increased hepatitis C costs as well as some underlying utilization that we expect to start returning to a more normal level.

So I think all in, we think we are finishing 2014 in a good spot relative to our pricing going into 2015. So cautiously optimistic at this point on the pricing that we see into the new year.

A.J. Rice - *UBS - Analyst*

Okay, great. Just on the fourth-quarter flu commentary, would you say that the flu had a bottom-line impact or was there sort of marginal -- was there pennies involved in impact?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

It was over a nickel impact versus our expectation. So it gives you a little bit of a flavor that the best being at the high end of our guided range we actually outperformed it but it was north of a nickel impact.

A.J. Rice - *UBS - Analyst*

Okay. All right. Thanks a lot.

Joe Swedish - *Anthem Inc. - President and CEO*

A.J., it is Joe. Just to let you know, the data we are tracking suggests that the flu exposure is plateauing if not declining slightly which is sort of given what we see in prior, somewhat of a normal trend. So again we are optimistic that the plateauing is sustainable.

A.J. Rice - *UBS - Analyst*

Okay, great. Thanks a lot.

Operator

Christine Arnold, Cowen.

Christine Arnold - *Cowen and Company - Analyst*

Could you help me quantify some of the Medicaid impacts? I think you had a delay of some of the $100 million that you expected but then you did get Texas retroactive. How much of what you expect it to get this year is moving into next year versus being realized in the quarter? How do I think about a run rate there?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

Good morning. They are almost, within $1 million, an exact offset of each other. So essentially what we pushed into next year, the Texas essentially offset it almost dollar per dollar like I said within a few million dollars. But keep in mind, we fully expected to collect Texas, we just weren't expecting to get the letter on December 31 allowing the reimbursement so we had assumed that we would get that in January. In some ways it is somewhat of a flush. It doesn't affect run rate into next year because while we did take some of the earnings out of this year and pushed it to next year, we did accelerate the Texas earnings though out of next year into 2014.

Christine Arnold - *Cowen and Company - Analyst*

And if I understand correctly, you are looking for the loss ratio to rise in Medicaid. Is that because you have kind of maxed out profitability relative to the quarters or is it because you are seeing some rate reductions or is it the duals? What is behind the expectation on the MLR for Medicaid next year?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

I would put it into three different buckets. The first bucket is we had exceptional performance in our Medicaid to the point that we reported very sizable risk collars back to many states this year and so we are at what I will call optimal margins in certain programs. And we have assumed a more conservative outlook on that although I would again indicate that underlying trend seems to be playing well. So hopefully that will prove to be at least a prudent, maybe a conservative outlook.

The second thing I would say is we have new states we are expanding into. So in the case in Tennessee, we are expanding into new markets and we have many expansion lives coming on and so as we typically do with new membership coming in, we automatically assume a higher MLR and a lower margin and so that is putting a little bit of pressure on the overall margins.

And then the last thing is just that as we continue to build out capabilities for the new growth pipeline we see out there, we are putting some more G&A investments into new states that we are planning to expand in and hope to win and that puts a little bit of short-term margin pressure on it. But it is for a longer-term revenue and operating gain. But all in, Christine, I would say if there is a reason for margins to go down, this is the right side of the track to be on.

Christine Arnold - *Cowen and Company - Analyst*

Thank you.

Operator

Justin Lake, JPMorgan.

Justin Lake - *JPMorgan - Analyst*

Thanks, good morning. First, on the individual book specifically the exchanges, it sounds like your corridor accrual if I was hearing correctly went from positive in the third quarter to flat in the fourth quarter. And then I think you might have said risk adjustment also may have moved negative in the quarter. Just wanted to get some update on the individual book margins and those puts and takes.

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

Really good question. A lot of moving parts here. More complicated than it should be but let me try to make it a little more simple. On the risk corridor, we had a very slight receivable. We chose to book 100% valuation allowance against that slight receivable so obviously our concern is whether collectability will ultimately be there. So we are more at neutral but it is not moving the needle for us. We didn't have a big receivable. As you know our profitability in the book has been quite good and it is based on a market by market so it was more a conservative posture to put a valuation allowance against the collectability of that receivable.

Obviously if that proves to be collectible then it is very modest upside though.

Relative to the risk adjusters, I think we decided as a Company that we had a lot of new data points that would imply that we could have a more sizable payable. The (inaudible) we dated at 9-30 would have implied that we had a net receivable. As you know, we booked 100% valuation allowance against that as well under the premise that that could switch and change. So we hope that will prove to be conservative, that we have chosen book of payable at 12-31 and if it does prove to be conservative, that will be upside to 2015.

Justin Lake - *JPMorgan - Analyst*

So where are the margins? Are they still shaking out around that 3% range?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

We are north of 3%.

Justin Lake - *JPMorgan - Analyst*

Okay. Is it closer to 4% to 5%?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

I would say our targeted margins of 3% to 5%, we are well within the higher end of our targeted margins.

Justin Lake - *JPMorgan - Analyst*

Okay. Then just a follow-up on the Government business. Specifically, how do we think about that $100 million give or take that is going to be received in 2015? Would we think about that as kind of a one-time benefit so as we think about the growth rate off 2015, would that be a headwind, Wayne, given that it is attributable to 2014?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

No, I think the one thing, Justin, the reason we don't view it as a headwind is while it is attributable to 2014, we really have these type of items happen to us just about every single year. What was a little bit unusual was to have north of $100 million in timing occur so the good news was with us collecting a little bit more than half of that, we really got back to a point where it was back to what I would call more of a typical run rate of what kind of flows from year to year. So I would say from our perspective, we are not really concerned about it and unfortunately I guess we will probably have another $50 million in 2015 that probably will end up in 2016. And we have assumed that in our outlook and our plan. So I think we are more on a run rate now.

Justin Lake - *JPMorgan - Analyst*

Got it. Thanks for the color.

Operator

Matthew Borsch, Goldman Sachs

Matthew Borsch - *Goldman Sachs - Analyst*

Good morning. Can you tell us what your outlook is on the Medicaid rate updates and the rate reset? Maybe if you can break out where you expect development on rates that are specific to the Medicaid expansion population versus the existing pre-expansion business?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

I would say on the Medicaid rate environment, we are cautiously optimistic. Still a lot of moving parts there but we have been successful in our rate negotiations. As you know, many of the rates at least going into 2015 were finalized in 2014 and obviously we will go through a new rate cycle beginning second half of 2015. But in general, I think we are optimistic about the rates that we were able to achieve. We think we will continue to have industry-leading margins but we think that is because we provide an industry-leading value in terms of the overall cost we provide to the state and I think that is the important part to keep in mind.

The other thing to keep in mind, Matt, is that we had sizable collars in the hundreds of millions of dollars in terms of better than expected performance and so those collars serve as a reasonable buffer to future trend if it was to occur relative to the rates as well. So all in, I would say we really like our chances on the Medicaid front and how we are addressing new populations.

I think the Medicaid team has really done an exceptional job managing this very unknown environment in about an optimal way as you could possibly be.

Matthew Borsch - *Goldman Sachs - Analyst*

Can you just remind us how the collars work? Does that mean that you are paying money back to the states when you are outperforming?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

That is correct, Matt. So to the extent that we achieve MLRs below a certain threshold, we are writing a check dollar per dollar back to the state. And so I think again the point we wanted to make was we finalized our rates but even in finalizing those rates has also assumed sizable collars that were going back from this year. So there is a bit of a buffer there that if some reason the rate would be deemed inadequate, keep in mind you would have to burn through a lot of collar activity that we have had this year as well before you ultimately get to a point of being short on rate. So -- but yes, our MLRs in many of our expansion markets came in south of what those minimum floors were.

Joe Swedish - *Anthem Inc. - President and CEO*

This is Joe again. I also want to underscore another part of the equation. There is the rate situation or negotiation that goes on but also I think it is fair to underscore how aggressively we are pursuing medical cost management as a contributor to how we better manage that book as well as others. Specifically, building out data analytic capabilities, really a passionate commitment to effectively managing the medical cost trends I think really benefits us over the long term. So it is really sort of a two-sided coin here in terms of rate negotiations as well as medical management cost focus.

Matthew Borsch - *Goldman Sachs - Analyst*

Thank you.

Operator

Chris Rigg, Susquehanna Financial.

Chris Rigg - *Susquehanna Financial Group - Analyst*

Good morning. Thanks for taking my questions. Just on the individual comments with you are saying modest growth for 2015, can you give us a sense for the churn or retention rates in that business versus new member adds? Thanks.

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

So first, let me comment on the modest growth. We are still seeing relative to the new lives coming into the system us getting our mid-20% range market share. So I do want to first start with this is not a growth story issue around new lives coming in. And I would say retention has been decent, kind of what you would expect with an individual book.

What we are seeing though and part of the reason for the more modest view is overall employment in the economy is starting to improve and as that starts to improve, individuals start getting jobs and as a result they drop their individual healthcare coverage. And so the one thing that we feel good about though is that we still think we will have modest growth. If the economy really does take off though and we saw that get to more flattish or even slightly down, we've got a pretty big catcher's mitt with the way our book is built and so ultimately we will most likely pick up much of that membership in either a large local group business or a national account business.

So I view it a little fungible regarding the growth. But I think we still expect modest growth but if the economy really takes off, that could decline but again, we would expect to have offsetting [beats] in other lines of business.

Chris Rigg - *Susquehanna Financial Group - Analyst*

Okay. And then the follow-up is just on Medicare Advantage. Understand the comments on 2015 but assuming the rate environment for 2016 remains reasonable, do you think you can grow that business next year? Is the repositioning essentially done at this point? Thanks.

Joe Swedish - *Anthem Inc. - President and CEO*

Yes, this is Joe again. We have stated that we do expect a slight decline in membership for MA in 2015 and again that is a continuation of the repositioning of that portfolio so that it does become a solid performer for us going forward, it builds a great foundation in terms of adding membership in key markets in an effective way given the business model we build out.

Our sense is that going into 2016, obviously we are looking forward to a combination of organic growth and the potential of M&A activity similar to what we just announced regarding Simply Healthcare in Florida. So we are very mindful of M&A opportunity. And also just basically organic growth I think will continue to be a great benefit to us.

So I think net net, we are going to be well positioned for what comes our way and we are very optimistic about our potential going forward in MA.

Chris Rigg - *Susquehanna Financial Group - Analyst*

Okay, thank you.

Operator

Sarah James, Wedbush Securities. It looks like we lost her line. So we will go to Ana Gupte from Leerink Partners.

Ana Gupte - *Leerink, Swann & Company - Analyst*

Thanks, good morning. I was just trying to see what other puts and takes in your 83% consolidated loss ratio guidance for 2015 across Commercial and if any color on Small and Large Group exchanges, Medicare and Medicaid?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

I think relative to the overall guidance in the MLR, generally pretty stable for the year across all of our lines of business, no real outliers. We are expecting to maintain our margins in general across our various books where we see margin declamation. Again, it is more like what we talked about on the Medicaid in terms of some new markets and some new investments versus what I would call real pressures. Again, we think we priced right. That is the key and we have priced for a rising trend and again our starting point is good at this point and it is really early in the year. But January cash flow seems to be at least supporting our assumptions at this point.

So more to come but I would simply say that as you look to the various businesses in 2014, there will be a very comparable MLR for each of the lines of business in 2015.

Ana Gupte - *Leerink, Swann & Company - Analyst*

But just to follow-up then, Wayne, does Small Group -- is the margin compression done at this point? Secondly, on your reserve expectation, you have been remarkably stable for three years on the 500 plus that was assumed into guidance?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

So, two things. One is on the Small Group. We really expect this to be the last what I will call more meaningful wave of attrition and margin compression that would occur. So from a membership perspective, we are assuming we will lose north of 100,000 lives in 2015 and we have about $100 million of EBIT headwind this year as a result of that and margin compression. But in essence after this year, we are kind of on a very flat growth trajectory again so that is included in our outlook and our guidance.

The second part of your question. I am drawing a blank again on what it was.

Ana Gupte - *Leerink, Swann & Company - Analyst*

The reserves, it was like 540 I think you said that in your prepared remarks.

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

We have assumed no reserve releases in our outlook or anything of that sort. We would expect reserves to develop very similar in 2015 to what you have seen in 2014 and 2013, etc. So at this point if that proves to be conservative, then that will be upside to our earnings outlook as well.

Ana Gupte - *Leerink, Swann & Company - Analyst*

Thanks. Very helpful.

Operator

Scott Fidel, Deutsche Bank.

Scott Fidel - *Deutsche Bank - Analyst*

First, just had a question just following up on individual and the modest growth that you are expecting. How would you expect that is going to break out between on exchange growth as compared to off exchange attrition? And then just interested in terms of what you have seen so far in terms of how the risk mix is developing for year two and how those new joiners that are coming into the exchanges this year appear to be looking from a risk profile perspective?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

So let me start with the individual market on the modest growth. I would say really it is somewhat fungible between our on and off exchanges at this point. Everything seems to be holding the line as the year develops so nothing really crazy. I would say on exchange is going to grow and we are getting new market share and off exchange will have some attrition but similar to what we saw in 2014.

Relative to new entrants and new markets, I guess what I would say is in general pricing seems to have stabilized more. We are not seeing as wide of a variability or variation in pricing as we saw in 2014 and it seems that there has been a bit of a regression to the mean in terms of pricing which is a positive.

We continue to see some outliers, generally new entrants that we scratch our heads on in terms of the pricing and so that may slow some of our growth in certain markets for a short period of time. But we think over time that smart pricing has to prevail because if it doesn't financial solvency becomes an issue and so for those other entities.

So I think in general we think the industry is handling a very unique and unknown environment in the right way with pricing. We like to see the regression to the mean and I think as the three Rs start to dissipate over the next couple of years, I think you are really going to see rational pricing come even more into play.

Scott Fidel - *Deutsche Bank - Analyst*

Okay. Then just had one follow-up and just with Simply Now coming online in Florida and then you have obviously the Amerigroup platform already there in Florida, how do you view the positioning of the government platform for Anthem now in Florida after the Simply acquisition? Do you feel like you've now got the pieces in place for Florida or do you feel like you need to do sort of further actions in order to get it to where you would want to be long-term?

Joe Swedish - *Anthem Inc. - President and CEO*

That is a great question, thank you. Assume you are aware of the growth dynamic we have created for ourselves by now becoming the second largest player in the state of Florida which is a very solid position especially South Florida combined with the regions we are already performing in. So our sense is that we are extremely well positioned in Medicaid going forward especially if there is the prospect for expansion in that state becomes a reality which obviously is still somewhat speculative. So again, I think we are very well positioned in that regard. I hope that answers your question.

Scott Fidel - *Deutsche Bank - Analyst*

I'm sorry, Joe, I was sort of meaning the combination of Medicaid and Medicare just in terms of Simply's Medicare capabilities (multiple speakers).

Joe Swedish - *Anthem Inc. - President and CEO*

Excuse me, I should have kind of weighed in on Medicare as well because that really gives us a good foothold in a very dynamic state regarding Medicaid or MA membership and its potential. So obviously we certainly intend to leverage our newfound position in the state especially given the fact that we've got some very expert management associated with Simply that will be coming into the Company. We fully intend for that leadership team to continue to support Simply and the overall footprint that we have in the state. So I think we are very well positioned for growth going forward in both MA and Medicaid.

Scott Fidel - *Deutsche Bank - Analyst*

Okay, thank you.

Operator

Sarah James, Wedbush.

Sarah James - *Wedbush Securities - Analyst*

Thank you and I apologize about the technical difficulties earlier. There has been a lot of talk about the price seeking behavior of exchange members and now that we are in year two, can you talk about how you are seeing that balance against brand loyalty or consumers just not wanting to rebid every year so giving us a sense of the overall stickiness of the book?

Joe Swedish - *Anthem Inc. - President and CEO*

I will take a shot at it first by simply saying that I think stickiness is real. It certainly has played out as we expected given our entry last year and migrating into the second year. I think stickiness has played out particularly related to our Blue Cross Blue Shield brand identity in our 14 states where we have played.

So our sense is that that certainly has been a so-called asset for us. So our strategy is playing very well with respect to our pricing model and especially leveraging our brand identity in all the markets that we serve.

We really like our position going forward in the market regarding how we've priced and obviously continue to leverage our brand identity. So long story short, stickiness is real, we believe it is sustainable but I do want to underscore that certainly price is a determinant as well and we are very mindful of the combination of pricing, brand and network configurations being three core ingredients regarding how people will make their decisions going forward. But again, I think brand stickiness is a significant driver and will remain so for the foreseeable future.

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

One thing I want to add to Joe's comments is that our strategy was not a 2014 strategy, it really was a post 3 R strategy where we wanted to take our organization. So I think one of the things too to keep in mind is having a first year mover and a first mover advantage we think is meaningful but we think the ultimate value of that value proposition and how that affects pricing over time and how that price affects market share really can't be measured until you get closer to 2017 and 2018. Because when you think about the unknowns of the 3 Rs, those still haven't been settled and they are not getting settled until probably second quarter of 2015.

So I still don't think people can say they have got complete visibility on all the factors that affect pricing and so I think from our perspective though, we have taken a conservative posture on all those factors. We have priced well in the first year, we have achieved all of our margin goals that we have set or ourselves as a Company and we know what the consumer makes decisions on beyond just price including brand and product design. And we have really learned a lot in this first year.

But keep in mind this is a multiyear strategy and we are going to have to trudge through a few years of what we still think is some irrational behaviors but once those pass, we really think the value of this strategy is really going to shine when you get out to the 2016, 2017, 2018 time periods.

Sarah James - *Wedbush Securities - Analyst*

I appreciate all the color and if I could just clarify one comment from earlier, the $0.05 of flu, how did that fall between Medicaid and Commercial?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

Yes, so it was north of $0.05 and it is roughly split fairly evenly between the two.

Sarah James - *Wedbush Securities - Analyst*

Thank you.

Operator

Tom Carroll, Stifel.

Tom Carroll - *Stifel Nicolaus - Analyst*

Good morning. Also just a clarification on some prior discussion. The Medicaid rate retro payment in Texas, I think you guys were expecting to get paid for the tax but you hadn't explicitly assumed the gross up. So is that something that we should consider here in terms of a run rate discussion kind of what Christine was getting at? Maybe that is a nitpick so I apologize for that.

And then secondly kind of a high level question on your outlook, the press release and this call seem to be very favorable and the outlook seems to suggest if you look on your old methodology basis kind of a 5% EPS growth over 2014 level. So if I'm doing the math correctly, it seems like you could double that on repurchase and capital deployment alone. So I guess the heart of my question really is where do you feel like you could see points of concern in 2015 that may hold things back more or is there just a good bit of flexibility in your outlook?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

Good morning. Let me start with your gross up of Texas, I think that is a good point. We did not assume that we would get the nondeductability, the tax initially in our outlook so that was upside to us relative to Texas. But again, if you were to take the actual amount received plus the gross up, it literally is within a few million dollars of that amount that got deferred to next year on some of the retro rate stuff so again, still in that flush from that perspective.

Tom Carroll - *Stifel Nicolaus - Analyst*

Okay, good.

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

Relative to outlook, it is a very fair question is what I will start with. I want to highlight that as you know we do have a 40% increase in the industry tax this year which we want to manage through. We have many investments that we are making for the long-term all around growth, both in our commercial and our government businesses and those are reflected in here as well as many investments that Joe has really pushed the pedal to the floor on around shutting down system platforms and other items, things that will really drive value into 2016 and beyond that you cannot see in the 2015 outlook.

Lastly, I would simply say we have the Small Group headwind of north of $100 million of EBIT. But all that being said, core operating gain is still growing very meaningfully with that and I would say that we feel that we have given at least prudent guidance of a greater than number. And we don't need a lot of things to fall our way, we just need to make sure that we maintain our conservative posture and we could have opportunity for outperformance. But we are three weeks into the year so a lot to still do and our job is to execute with agility as a lot of these unknowns become known.

Tom Carroll - *Stifel Nicolaus - Analyst*

Great. Thanks.

Operator

Kevin Fischbeck, Bank of America.

Kevin Fischbeck - *BofA Merrill Lynch - Analyst*

Great. Thanks. Just wanted to go back to the Small Group commentary. It sounds like you guys feel like you will be through the margin compression in 2015 but just trying to understand two things. One is whether you have had any conversations with those customers, those who have not yet dumped, whether there is any view that the risk that they will dump increasingly in the future is there or whether this is something that really isn't or hasn't turned out to be the issue that people thought it might be; just trying to understand.

I know you have repriced the margin between the two, but clearly there is risk about recapturing those members on the exchange if they do in fact dump.

The second, any issues at all on the 50 to 300 range? It has never been 100% clear to me why you guys felt like there wouldn't be at least some pressure in the 50 to 100 range, and why the 400 million was only related to the Small Group.

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

Kevin, let me start with the first part of your question which was, are we having discussions with our customers, conversations around this; and the answer is absolutely. I think it's -- and these questions kind of go hand in hand, the two comments you raise. It is important to recognize, though, that generally speaking for a company that has fewer than 50 employees, just the economics, the math of their business models, would generally imply there is a value benefit to them moving to a public exchange versus not.

As you get to a larger size employer, that value benefit diminishes. So one is there is just an economic play that we think an employer can look at. Two is, because there is no penalty for trusting coverage below 50 lives, there is also a natural incentive then for employers to not only evaluate the economics but recognize there is not a penalty for not providing coverages of some sort.

So we have regular discussions with our customers. We were very pleased with our retention of Small Group renewals in December and we hope that gives us a little bit of a positive starting point going forward into 2015.

But I would say though that it is not just about Small Group retention because again we still have a lot of customers in Small Group. It is about margin compression and I think that is the other part people have to remember though is that there is an alternative available now and that alternative has lower margins than what we have in Small Group and our goal is to make that alternative fungible between the two.

In the 50 to 100 segment in general, our market share has been relatively stable, some spots we have lost a little bit of market share but nothing that is really concerning and we actually think we are going to start growing in that area now that we have seen some of the shakeout of exchanges.

Kevin Fischbeck - *BofA Merrill Lynch - Analyst*

Okay, then maybe just to clarify because to the extent that we do see again -- you could be agnostic margin wise between the two products. But any color you can give on how you think about your local market share in the Small Group or even up to 100 versus the exchange market share? Is it reasonable to assume that you would capture your fair share of that membership that moves in or is there potentially risk from a membership perspective if there was somehow wholesale dumping or larger scale dumping than we are seeing now?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

We really like our chances on maintaining the market share that we have between the two and that are catcher's mitt kind of picks them up wherever they fall. But I want to clarify or caveat my comment with one thing, not necessarily all in one year though. And the reason I say that is again we still see some players in certain markets that we think have to get right sized on pricing and so as we have seen in Kentucky and a few other markets, we understand that we may not have the market share we had and that as people move from one bucket to another we may not maintain that market share.

We think over time as sustainability to the market comes and as the 3 Rs start to dissipate that we will see that market share come back in. Obviously for 2014, we think we have accomplished that goal quite well. We are assuming we will do something similar in 2015 and we really think you will see potential growth even beyond our market share as we get to a more stable environment through the end of 2016.

Kevin Fischbeck - *BofA Merrill Lynch - Analyst*

That makes sense. Thanks.

Operator

Peter Costa, Wells Fargo Securities.

Peter Costa - *Wells Fargo Securities - Analyst*

Thanks for squeezing me in at the end here. Can you guys talk a little bit more about private exchanges and what you have seen happening there between 2015 and 2016 selling season? Where do you think that is going at this point? And then also a second question around your PBM structure, do you see that evolving this year in any way, shape or form from what you have used in the past?

Joe Swedish - *Anthem Inc. - President and CEO*

This is Joe. I will take on private exchange and then Wayne, you can pick up on the PBM. We have been I think well-positioned regarding private exchange formation for our go-to-market effort. We have been a believer now for quite some time that there is going to be a relatively slow uptake on private exchanges and I think in fact that has come to pass. We have had about 100,000 members in the private exchange space now for quite some time.

Having said that though, I think we are extremely well positioned because we do believe that there will be an inflection point in the not-too-distant future where there probably will be an increasing interest in private exchanges. And so I think this moment in time has given us tremendous opportunity to prepare, get aligned with a variety of interest in the market that are advancing various models.

So long story short, I like our chances when that moment comes and I think that the private exchange marketplace has potential albeit it has been a slow uptake. So it is out there, we are ready and I think we have got the experience that is necessary to actively engage when that moment comes.

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

Pete, relative to the PBM, let me first start by saying that some of what we said at our Investor Day last year, we continue to expect significant value for our members and our shareholders regarding our PBM and its value that the question really becomes a matter of when, not if.

We are optimistic that we will begin to hopefully garner some of this value for our shareholders and members sooner than later but we obviously don't discuss our relationships or any negotiations regarding those relationships in a public environment for competitive reasons. But in general, our goal is to ensure that we get all the rights that we are allowed under our contract and to also ensure that those values go to not only our members but our shareholders.

Peter Costa - *Wells Fargo Securities - Analyst*

Is there a market check explicitly in your contract?

Wayne DeVeydt - *Anthem Inc. - EVP and CFO*

Yes.

Peter Costa - *Wells Fargo Securities - Analyst*

Thank you.

Operator

Thank you. I would now like to turn the conference back to Company's management for any closing remarks.

Joe Swedish - *Anthem Inc. - President and CEO*

Thank you for your questions, everyone. We are pleased with the operational performance of last year. It clearly was a year of substantial change to our markets and our associates I believe have done an impressive job of navigating the market rules and executing on our strategies.

I also believe we are making progress in advancing our positions in the market with respect to core elements such as provider collaboration, cost of care management and our ever-increasing focus on the consumer experience. While we have made progress in these areas, there is substantial room for further gains. I am really confident that we are appropriately focused on our long-term market position. Our structure, leadership and strategy are all pointed in the right direction.

We are targeting further growth in 2015 and beyond and really remain optimistic about the meaningful opportunities across both of our business segments. I would like to thank all of our associates for their efforts that drive our Company's success and importantly our transformation into a performance-based culture.

Thank you all for joining us this morning and for your interest in Anthem. We look forward to speaking with you next quarter. All the best.

Operator

Thank you. Ladies and gentlemen, this conference will be made available for replay after 11 o'clock today through February 11. You may access the AT&T Executive Replay system at any time by dialing 1-800-475-6701 and entering the access code 341160. The international number is 320-365-3844. Again the numbers are 1-800-475-6701 and 320-365-3844 with the access code 341160.

That does conclude our conference for today. Thank you for your participation and for using Executive Teleconference. You may now disconnect.
