

Elevance Health

3Q 2024 Earnings Presentation

October 17, 2024



Key Highlights

1 3Q 2024 Results

- **Elevance Health third quarter results were below expectations primarily due to the unprecedented mix shift in Medicaid membership related to eligibility redeterminations**
- 3Q 2024 operating revenue of \$44.7B grew 5.3% year-over-year
- 3Q 2024 adjusted diluted EPS of \$8.37
- 3Q 2024 adjusted operating gain of \$2.4B

2 2024 & 2025 Outlook

- **2024 adjusted diluted EPS guidance of approximately \$33 accounts for the timing mismatch between Medicaid rates and the higher acuity of our members**, partially offset by targeted medical management and proactive actions to enhance operating efficiencies
- We now expect the **2024 benefit expense ratio to be approximately 88.5%** and **operating cash flow to be approximately \$4.5 billion**, principally due to headwinds in the Medicaid business
- **We expect strong acceleration in revenue growth in 2025**, in line with our long-term growth algorithm, **in the high single-digit percentage range** and, at this point in time, **growth in 2025 adjusted diluted EPS in at least the mid single-digit percentage range**
- **Commercial businesses performing well and on track to achieve financial objectives**; individual exchange business delivering particularly strong growth, as we prepare to expand our footprint in 2025
- Scaling our **enterprise flywheel for growth** as we **accelerate capabilities and services in Carelon** through an expanding customer base and the buildout of a home-based care management business

3 Strategic Focus Areas

- **Earnings power of our diverse and complementary businesses remains strong**, and we are making the right investments to position Elevance Health for long-term, sustainable growth
- Issues impacting the **Medicaid managed care industry are timebound**, and we are partnering with states **to ensure rising acuity is reflected in rates**
- Pleased with positioning for **2025 Medicare Advantage bids**, which promote access to high-quality, comprehensive care for our members; we expect to grow in line or slightly better than the market
- **Expanding Carelon capabilities** in support of long-term growth and value creation



3Q 2024 Results

Elevance Health	3Q 2024	3Q 2023	Change
Operating Revenue ¹	\$44.7B	\$42.5B	5.3%
Medical Loss Ratio	89.5%	86.8%	270 bps
Adjusted Operating Expense Ratio ^{1,2}	9.6%	11.1%	(150) bps
Adjusted Operating Gain ^{1,2}	\$2.4B	\$2.5B	(5.6%)
Adjusted Operating Margin ^{1,2}	5.3%	6.0%	(70) bps
Net Investment Income	\$551M	\$493M	11.8%
Adjusted diluted EPS ²	\$8.37	\$8.99	(6.9%)
Operating Cash Flow	\$2.7B	\$2.6B	\$0.1B

Key Highlights

- Elevance Health third quarter results reflect a challenging and dynamic operating environment primarily due to the timing mismatch between Medicaid rates and acuity
- Operating revenue of \$44.7B on improved premium yields in Health Benefits, partially offset by the impact of membership attrition in Medicaid
- Benefit expense ratio of 89.5% increased 270 basis points driven primarily by pressure in Medicaid
- Adjusted operating expense ratio of 9.6% highlights disciplined and proactive expense management



1. See "Basis of Presentation" on slide 10 herein.
 2. See "GAAP Reconciliation" on slides 11 and 12 herein.

3Q 2024 Results

Health Benefits	3Q 2024	3Q 2023	Change
Operating Revenue ¹	\$38.3B	\$36.7B	4.2%
Operating Gain ¹	\$1.6B	\$1.8B	(12.5%)
Operating Margin ¹	4.2%	5.0%	(80) bps
Membership ²	45.8M	47.3M	(3.3%)

Key Highlights

- **Health Benefits revenue growth re-accelerating**
- Operating revenue grew 4.2% driven primarily by higher premium yields, partially offset by declines in Medicaid membership
- Operating gain was impacted by unfavorable mix shift in Medicaid membership related to eligibility redeterminations
- Membership of 45.8M reflects attrition in Medicaid, partially offset by strong growth in Employer Group fee-based and ACA health plan membership



1. See “Basis of Presentation” on slide 10 herein.
 2. Health Benefits Membership for the three months ended September 30, 2023, is restated to reflect a change in BlueCard® membership to align to the Blue Cross Blue Shield Association reporting methodology. For the three months ended September 30, 2023, BlueCard® membership has been restated lower by 19K.

3Q 2024 Results

Carelon	3Q 2024	3Q 2023	Change
Operating Revenue ¹	\$13.8B	\$12.0B	14.6%
Operating Gain ¹	\$803M	\$669M	20.0%
Operating Margin ¹	5.8%	5.6%	20 bps
Adjusted Scripts	80.2M	77.3M	3.8%
Consumers Served	101.3M	104.8M	(3.3%)

Key Highlights

- **Carelon is delivering innovative solutions aligned with our strategy of controlling the levers that matter**
- Serves as the **enterprise flywheel for growth**, integrating physical, behavioral, social and pharmacy services to deliver whole health, affordably
- **CarelonRx** operating revenue of \$9.1 billion includes the acquisition of Paragon Healthcare and strong external member growth; operating gain of \$619 million reflects growth in product revenue
- **Carelon Services** operating revenue of \$4.6 billion grew 32% driven by the launch and growth of risk-based products and is on track to exceed the upper end of our initial outlook of low twenties percentage revenue growth; operating gain of \$184 million



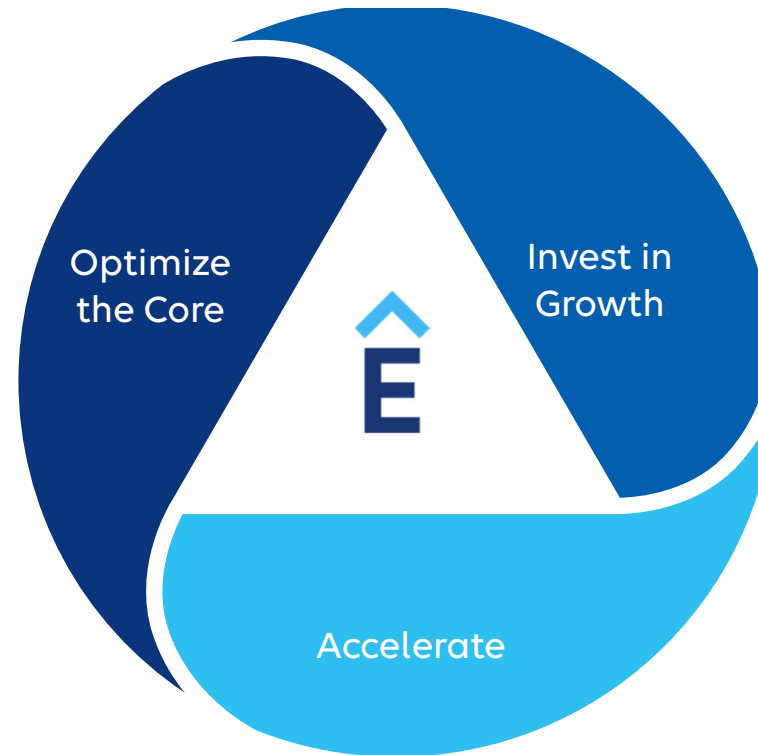
1. See “Basis of Presentation” on slide 10 herein.

Flywheel Supports Our Long-Term Growth Algorithm

Health Benefits



Approximately 46M medical members balanced across commercial, Medicaid and Medicare, leveraging the assets and capabilities of Carelon to accelerate growth



Health Services



Integrated portfolio of whole health solutions connecting care across physical, behavioral, social, and pharmacy needs to bend the cost curve, enhance consumer experiences, and deliver whole health, affordably

Targeting at least 12% average annual growth in Adjusted Diluted Earnings Per Share



Long-Term Growth Algorithm

Targeting at least 12% average annual growth in Adjusted Diluted EPS

Adjusted Operating Gain – Upper Single Digit to Low Double Digit CAGR¹



Revenue Growth
Upper Single Digit CAGR¹



Adjusted Operating Margin
Expanding to 6.5% - 7.0% by 2027



Capital Deployment
Approximately 4% Contribution to
Adjusted Diluted EPS CAGR¹

Health Benefits

Mid to Upper Single Digit CAGR
Driven by membership growth, cost trend, geographic expansion, and growth in specialized populations

Carelon Services

Upper Teens to Low Twenties CAGR
Driven by risk-based revenue growth including M&A

CarelonRx

Low-Double Digit CAGR
Driven by script volumes and drug mix

Transforming our business processes by leveraging new technologies across operations

Commitment to operating efficiency and optimizing core businesses

Effective medical management

Underwriting discipline

Share Repurchases

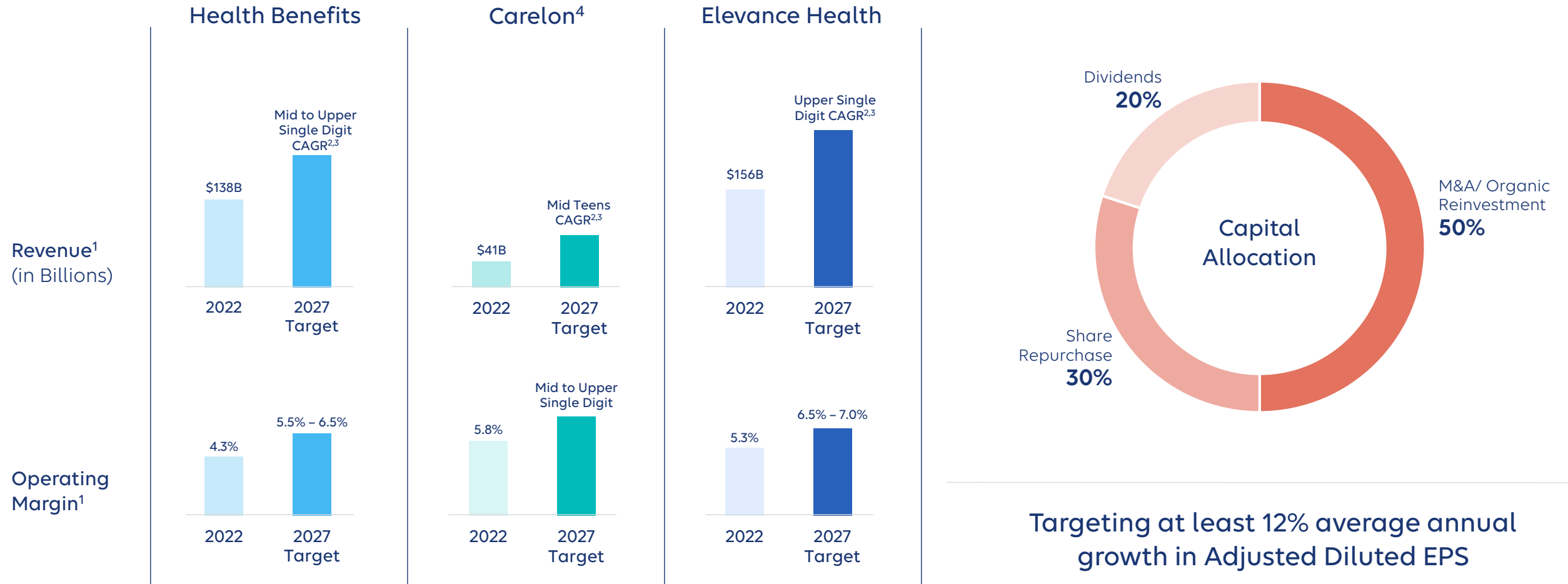
Organic Reinvestment

Programmatic M&A targeting integrated solutions that strengthen health plan competitiveness



1. CAGR = Compound Annual Growth Rate Target.

Committed to Strong Growth Over the Long-Term



- 2022 Operating Revenue and Operating Margin for Health Benefits, Carelon, and Elevance Health have been updated to reflect restated financials.
- CAGR = Compound Annual Growth Rate Target.
- Five-Year CAGR target for 2022 – 2027.
- The CAGR target for revenue from 2022 – 2027 and the operating margin target in 2027 for Carelon includes: (i) a low double-digit revenue CAGR and 6.0% – 6.5% operating margin target for CarelonRx, and (ii) an upper teens to low twenties revenue CAGR and mid to upper single-digit operating margin for Carelon Services.

Forward-Looking Statements

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



Non-GAAP Measures and Basis of Presentation

This document references non-GAAP measures. These non-GAAP measures are intended to aid investors when comparing Elevance Health's financial results among periods and are not intended to be alternatives to any measure calculated in accordance with GAAP. Reconciliations of these non-GAAP measures to the most directly comparable measures calculated in accordance with GAAP are available on the last slide of this document.

Operating revenue and operating gain/loss are the key measures used by management to evaluate performance in each of its reporting segments, allocate resources, set incentive compensation targets and to forecast future operating performance. Operating gain/loss is calculated as total operating revenue less benefit expense, cost of products sold and operating expense. It does not include net investment income, net gains/losses on financial instruments, interest expense, amortization of other intangible assets and gains/losses on extinguishment of debt or income taxes, as these items are managed in a corporate shared service environment and are not the responsibility of operating segment management. Operating Margin is defined as operating gain divided by operating revenue. Each of these measures is provided to further aid investors in understanding and analyzing Elevance Health's operating and financial results.



Elevance Health GAAP Reconciliation — Shareholders' Net Income and Shareholders' Earnings Per Diluted Share

(In millions, except per share data)	Three Months Ended Sep 30			Change	Nine Months Ended Sep 30		
	2024	2023			2024	2023	Change
Shareholders' net income	\$1,016	\$1,289	(21.2%)	\$5,562	\$5,131	8.4%	
<i>Add / (Subtract):</i>							
Litigation and settlement expenses ¹	669	2		680	5		
Business optimization charges ¹	268	697		268	697		
Net losses on financial instruments	125	124		371	358		
Amortization of other intangible assets	122	212		400	668		
Transaction and integration related costs ¹	42	73		158	154		
Loss (gain) on sale of business	39	—		(201)	—		
Tax impact of non-GAAP adjustments	(329)	(270)		(432)	(470)		
Net adjustment items	936	838		1,244	1,412		
Adjusted shareholders' net income	\$1,952	\$2,127	(8.2%)	\$6,806	\$6,543	4.0%	
Shareholders' earnings per diluted share	\$4.36	\$5.45	(20.0%)	\$23.81	\$21.56	10.4%	
<i>Add / (Subtract):</i>							
Litigation and settlement expenses ¹	2.87	0.01		2.91	0.02		
Business optimization charges ¹	1.15	2.95		1.15	2.93		
Net losses on financial instruments	0.54	0.52		1.59	1.50		
Amortization of other intangible assets	0.52	0.90		1.71	2.81		
Transaction and integration related costs ¹	0.18	0.31		0.68	0.65		
Loss (gain) on sale of business	0.17	—		(0.86)	—		
Tax impact of non-GAAP adjustments	(1.41)	(1.14)		(1.85)	(1.97)		
Net adjustment items	4.01	3.54		5.33	5.93		
Adjusted shareholders' earnings per diluted share	\$8.37	\$8.99	(6.9%)	\$29.14	\$27.49	6.0%	

(In millions)	Three Months Ended Sep 30			Change	Nine Months Ended Sep 30		
	2024	2023			2024	2023	Change
Income before income tax expense	\$1,373	\$1,654	(17.0%)	\$7,298	\$6,714	8.7%	
Net investment income	(551)	(493)		(1,524)	(1,296)		
Loss (gain) on sale of business	39	—		(201)	—		
Net losses on financial instruments	125	124		371	358		
Interest expense	300	259		845	771		
Amortization of other intangible assets	122	212		400	668		
Reportable segments operating gain	\$1,408	\$1,756	(19.8%)	\$7,189	\$7,215	(0.4%)	



1. Adjustment item resides in the Corporate & Other reportable segment.

Elevance Health GAAP Reconciliation — Operating Gain, Operating Expense Ratio, and 2024 Outlook

(In millions)	Three Months Ended Sep 30			Change	Nine Months Ended Sep 30		
	2024	2023			2024	2023	Change
Reportable segments operating gain	\$1,408	\$1,756	(19.8%)	\$7,189	\$7,215	(0.4%)	
Add / (Subtract):							
Litigation and settlement expenses ¹	669	2		680	5		
Business optimization charges ¹	268	697		268	697		
Transaction and integration related costs ¹	42	73		158	154		
Net adjustment Items	979	772		1,106	856		
Reportable segments adjusted operating gain	\$2,387	\$2,528	(5.6%)	\$8,295	\$8,071	2.8%	

(In millions)	Three Months Ended Sep 30			Change	Nine Months Ended Sep 30		
	2024	2023			2024	2023	Change
Operating expense	\$5,269	\$5,470	(3.7%)	\$15,221	\$15,088	0.9%	
Add / (Subtract):							
Litigation and settlement expenses ¹	(669)	(2)		(680)	(5)		
Business optimization charges ¹	(268)	(697)		(268)	(697)		
Transaction and integration related costs ¹	(42)	(73)		(158)	(154)		
Net adjustment items	(979)	(772)		(1,106)	(856)		
Adjusted operating expense	\$4,290	\$4,698	(8.7%)	\$14,115	\$14,232	(0.8%)	
Operating revenue	\$44,719	\$42,480	5.3%	\$130,215	\$127,755	1.9%	
Operating expense ratio	11.8%	12.9%	(110) bp	11.7%	11.8%	(10) bp	
Adjusted operating expense ratio	9.6%	11.1%	(150) bp	10.8%	11.1%	(30) bp	

	Full Year 2024
	Outlook
Shareholders' earnings per diluted share	Approximately \$26.50
Add / (Subtract):	
Litigation and settlement expenses ¹	\$2.93
Amortization of other intangibles	\$2.21
Net losses on financial instruments	\$1.93
Business optimization charges ¹	\$1.15
Transaction and integration related costs ¹	\$1.03
Gain on sale of business	(\$0.86)
Tax impact of non-GAAP adjustments	Approximately (\$1.89)
Net adjustment items	\$6.50
Adjusted shareholders' earnings per diluted share	Approximately \$33.00

1. Adjustment item resides in the Corporate & Other reportable segment.



