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CI - Q4 2017 Cigna Corp Earnings Call

EVENT DATE/TIME: FEBRUARY 01, 2018 / 1:30PM GMT

OVERVIEW:

Co. reported 2017 consolidated revenue of $41.6b, consolidated earnings of $2.7b and adjusted EPS from operations of $10.46. Expects 2018 consolidated revenues to grow 7-8% and adjusted EPS from operations to be $12.40-12.90.

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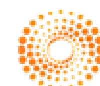

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by for Cigna's Fourth Quarter 2017 Results Review. (Operator Instructions) As a reminder, ladies and gentlemen, this conference, including the Q&A session, is being recorded.

We'll begin by turning the conference over to Mr. Will McDowell. Please go ahead, Mr. McDowell.

William McDowell - *Cigna Corporation - VP of IR*

Good morning, everyone, and thank you for joining today's call. I am Will McDowell, Vice President of Investor Relations. Joining me this morning are: David Cordani, our President and Chief Executive Officer; and Eric Palmer, Cigna's Chief Financial Officer.

In our remarks today, David and Eric will cover a number of topics, including Cigna's full year 2017 financial results as well as our financial outlook for 2018.

As noted in our earnings release, when describing our financial results, Cigna uses certain financial measures which are not determined in accordance with accounting principles generally accepted in the United States, otherwise known as GAAP. Specifically, we use the term labeled adjusted

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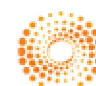

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income from operations and earnings per share on this same basis as our principal measures of financial performance. A reconciliation of these measures to the most directly comparable GAAP measure, shareholders net income, is contained in today's earnings release, which is posted in the Investor Relations section of cigna.com.

In our remarks today, we will be making some forward-looking statements, including statements regarding our outlook for 2018 and future performance. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our current expectations. A description of these risks and uncertainties is contained in the cautionary note in today's earnings release and in our most recent reports filed with the SEC.

Before turning the call over to David, I will cover a few items pertaining to our financial results and disclosures.

Regarding our results, I note that in the fourth quarter, we recorded special item charges to shareholders net income totaling $221 million or $0.88 per share, primarily to reflect the impact of the recently passed U.S. tax reform legislation. Specifically, this fourth quarter charge was related to the revaluation of the company's deferred tax assets and liabilities at the new statutory rate and a onetime tax on overseas earnings. As described in today's earnings release, special items are excluded from adjusted income from operations in our discussion of financial results.

Lastly, and as previously disclosed, effective January 1, 2018, Cigna will adopt a new accounting standard titled Revenue from Contracts with Customers or ASU 2014-09, which addresses recognition of revenues under GAAP. Cigna will adopt this accounting change on a retrospective basis in the first quarter of 2018 and will recast prior periods. This accounting change requires reclassifications that impact certain financial ratios but importantly, have no impact on the fundamentals of the business and no impact to earnings or cash flows. Because this accounting change is effective January 1, 2018, the impact of the new standard is not reflected in our 2017 results that David and Eric will discuss in a few moments. However, when David and Eric provide commentary on our 2018 outlook, it will be on a basis that assumes retrospective adoption of this accounting change with both 2018 and 2017 discussed on the basis of the new standard.

To assist analysts in modeling the impact of this accounting change, we have included a supplemental schedule of financial information on Page 17 of our quarterly financial supplement, which shows the impacts to our financial statements and ratios for the years ended December 31, 2017 and 2016.

Finally, consistent with best practices, when we make any prospective comments on earnings or EPS outlook, we will do so on a basis that excludes the impact of any future capital deployment or prior year development of medical costs.

And with that, I will turn the call over to David.

David M. Cordani - *Cigna Corporation - President, CEO & Director*

Thanks, Will. Good morning, everyone, and thank you for joining our call today. I'll begin my comments by reviewing the highlights of our 2017 financial results, which reflect exceptionally strong performance across our portfolio of businesses.

Our sustained and differentiated results were driven by the effective execution of our Go strategy, along with the ongoing contributions of our talented and focused team who always put our customers at the center of what we do. I will also highlight how we're committed to deliver differentiated value and growth in our U.S. Commercial Employer market, where we seek to consultatively engage and customize solutions that improve our clients' business and the quality of life for our customers. I'll then offer initial insights into our expectations for 2018, which includes sustained momentum across our businesses and a strong capital position driven by the organic results we'll deliver as well as the enhanced impact from recently passed tax legislation. Eric will then address our fourth quarter and full year 2017 results in more detail and will provide the specifics for our outlook for 2018 before we take your questions, and then I'll follow Q&A with some wrap-up comments.

Let's dive in with some highlights from last year. Our results include strong performance across each of our priority growth platforms: Commercial Employer, U.S. Seniors, Global Supplemental Benefits and Group Disability and Life, led by delivery of continued industry-leading medical cost

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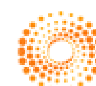

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trend. For 2017, our full year consolidated revenue increased by 5% to $41.6 billion. We reported full year adjusted income from operations of $2.7 billion or $10.46 per share, representing a per share increase of 29%, with each of our business segments delivering strong growth over 2016.

In addition, in 2017, Cigna grew to serve more than 95 million customer relationships worldwide, all while continuing to generate strong margins and significant free cash flow for the benefit of our shareholders. Overall, we delivered very strong results in 2017, and as I'll discuss in more detail, we're positioned to, once again, deliver competitively attractive revenue and earnings growth in 2018.

Now I'll spend the next few minutes delving further into our U.S. Commercial Employer business. We continue to view the employer marketplace as a very attractive growth opportunity. In a highly dynamic and disruptive environment, we continue to create value for our employers by pursuing the right balance of affordability and personalization to a greater emphasis on alignment, transparency and being their undisputed partner of choice. We improve our clients' business by helping to ensure they have healthy, present and engaged employees, all on a more affordable and predictable basis. We achieve this in 3 key ways.

First, through a strategic orientation and focus on alignment and engagement, which helps our employer clients better manage costs and leverage integration to improve health and productivity, all in a personalized fashion. This approach enables us to drive growth across our U.S. portfolio of businesses, including significant opportunities to continue to add new clients in the Select and Middle Market segments and on a targeted basis within our national accounts segment.

Second, we continue to retain, develop and attract the best talent around the world, which enables us to operate with a high-touch consultative service orientation for the benefit of our customers and clients. As we simplify many of the complexities in the health care ecosystem such as making it easier for our customers to connect to the right doctors, coaches and clinicians, and to customize employer benefit programs.

And third, our ongoing investment in our Commercial Employer business to further enhance affordability and personalization is, in large part driven by effective ongoing integration. Relative to integration, Cigna's approach differs considerably from traditional cross-selling, which simply combines multiple products into one sale, and it differs from bundling, which improves only the pricing structure of a sale. Rather, Cigna's integrated model goes beyond, meaning we use combined data across our solutions to develop insights to drive improved health outcomes. For example, our behavioral and medical teams work closely to identify Cigna customers with conditions which frequently lead to co-morbidities in the behavioral realm such as depression, positioning our behavioral colleagues to intervene on a preventative basis. In addition, we continue to embed lifestyle coaching into our medical programs. This approach helps our customers achieve their specific health goals such as smoking cessation, achieving a healthier weight or better and more effectively managing their chronic conditions.

Pharmacy integration is another key driver for us to help improve overall health and affordability. Our integrated approach provides us with additional customer touch points to help ensure individuals are taking their medication and to drive increased health engagement in specialty condition management, case management and health coaching. In addition, our Specialty Pharmacy capability drives significant opportunities to improve affordability for the most complex cases because our integrated model manages both the pharmacy and the medical side of the costs. I would note that our approach here helped us drive the lowest medical cost trend in the industry again in 2017. Going forward, we will continue to define industry-leading integration by bringing innovative and new approaches to the market. For example, our initiative to reduce the use of opioids has pharmacy, behavioral as well as medical components, including close collaboration with our network partners to improve prescribing patterns. Our approach to integration, in addition to helping to drive clinical outcomes and affordability, also helps to further improve the overall customer experience. An additional example of our ongoing investments in innovation is our recent acquisition of Brighter, one of health care's most innovative technology companies. Brighter engages customers and health care providers to more effectively and efficiently deliver high-value healthcare in a personalized and seamless way. This acquisition further accelerates our ability to develop new digital platforms as well as to further innovate new end-to-end experiences that connect individuals and health care providers with the guidance, support and incentives they need to further improve affordability and personalization. Taken together, our broad and diverse capabilities, integrated solutions and customer-centric approach have consistently fueled our ability to deliver best-in-class medical cost trend for many years running.

To illustrate the importance of the impact of medical trend, I'll provide a specific employer example. A 1,000 life employer working with Cigna would have experienced nearly $2 million of medical cost savings over the last 5 years relative to the industry average medical cost trend of 6 to 7%, thereby providing opportunities for them to strengthen their business in this highly competitive environment, whether through further

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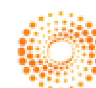

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investments in innovation, expansion of their workforce or margin growth. And with approximately 85% of our U.S. Commercial customers being serviced through transparent ASO funding arrangements, Cigna's medical cost trend results directly benefit our employer clients, their employees and families.

Now looking ahead to our overall expectations for 2018. We will continue creating strong value for our customers, clients, and as a result, for our shareholders through our consistent focus on delivering affordability and personalization as well as partnering with health care professionals to ensure our customers receive the highest quality health care. We expect to deliver revenue growth in line with our long-term objective of high single-digit annual growth. Our outlook anticipates a 19% to 23% EPS growth rate over 2017, and I would note, consistent with prior practice, our EPS outlook does not include the impact of prior year reserve development or any future capital deployment in 2018.

Regarding recent U.S. tax reform. We anticipate a positive earnings impact in 2018 inclusive of further investments in 3 critical areas: furthering our capabilities relative to innovation for the benefit of our customers, clients and health care professional partners; furthering investments in market-based initiatives benefiting our external stakeholders, including our communities; and further investments in our Cigna colleagues. Overall, for 2018, we expect continued strong financial health and free cash flow inclusive of these investments.

Now stepping back, at our Investor Day in June of 2017 we introduced an attractive EPS target of $16 per share for 2021. Each of our forward growth platforms has remained well positioned for sustained growth. We have momentum from our 2017 performance, and expect to deliver another strong result in 2018, all augmented by the U.S. tax reform. In addition to the strong positioning, we are further aided by our tremendous ongoing capital position. As a result, today, we are pleased to increase our long-term EPS target from $16 per share to $18 per share for 2021.

Before I turn the call over to Eric, I want to recognize what our talented team of approximately 45,000 colleagues around the globe are positioned to achieve in 2018. As a team, we are poised to continue driving attractive growth and significant value creation for our customers, clients as well as our shareholders. As a team, we remain driven by our unwavering mission of helping to improve the health, well-being and sense of security of those we serve around the world, and our innovative approach to meeting the needs of our customers and clients furthers our ability to deliver top and bottom line growth, and gives us confidence we will achieve our very attractive full year 2018 outlook as well as our long-term objectives.

With that, I'll turn the call over to Eric.

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Thanks, David, and good morning, everyone. In my remarks today, I will review Cigna's 2017 results and provide our outlook for 2018.

Key financial highlights for 2017 include consolidated revenue growth of 5% to $41.6 billion, consolidated earnings growth of 27% to $2.7 billion, earnings per share growth of 29% to $10.46 and continued strong free cash flow and $2.8 billion returned to shareholders through share repurchase in 2017. These results reflect the underlying strength of our franchise and provide us with considerable momentum for continued growth in 2018.

Regarding our segments. I will first comment on Global Health Care. 2017 premiums and fees grew 5% to $29 billion driven by strong customer growth and specialty contributions across all commercial market segments and as expected, this growth was partially offset by lower seniors enrollment. We ended 2017 with 15.9 million global medical customers, an organic increase of 710,000 lives, which represents 5% growth over 2016. Full year earnings were $2.17 billion, reflecting growth in medical customers and specialty relationships, continued effective medical cost management and operating expense discipline.

Turning to medical costs. We continued to deliver medical costs that reflect better health outcomes as a result of our deep engagement and collaboration with customers, clients and physicians, our focus on personalization of care and the power of our differentiated specialty integration model. For our total U.S. Commercial book of business, full year medical cost trend for 2017 was better than the low end of our previous guidance range of 3% to 4%. As David discussed, our commercial medical trend result once again reflects industry-leading performance and enabled our employer clients to make further investments in innovation, expand their workforce and grow their margins. The total commercial medical care ratio, or MCR, of 79.9% for full year 2017 reflects the continued effectiveness of our medical cost management capabilities as well as the impact of

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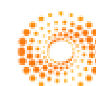

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the health insurance tax suspension. This MCR also reflects better-than-expected medical costs in our U.S. individual business, which generated a small profit in 2017.

The total Government medical care ratio of 84.9% for full year 2017 reflects the impact of our innovative physician engagement model within Medicare Advantage, and is consistent with our expectations. Full year 2017 Global Health Care earnings also included favorable net prior year reserve development of $112 million after tax. The Global Health Care operating expense ratio of 20.9% for full year 2017 reflects the impact of the health insurance tax suspension, business mix changes and continued effective expense management. Overall, we've had another strong year in Global Health Care.

Turning to our Global Supplemental Benefits business. Our full year 2017 results reflect continued attractive growth and profitability as premiums and fees grew to $3.7 billion, an increase of 14%, and full year 2017 earnings grew 26% to $369 million, reflecting business growth, favorable claims experience and continued operating expense discipline.

Group Disability and Life full year 2017 premiums and fees were $4.1 billion. Full year earnings in our group business increased to $285 million, reflecting strong performance in both our Disability and Life businesses. Overall, as a result of the continued effective execution of our strategy, Cigna delivered strong revenue and earnings contributions from our Global Health Care, Global Supplemental Benefits and Group Disability and Life businesses in 2017. We also continued to generate strong free cash flow across our enterprise and maintained significant financial flexibility.

Now I will discuss our outlook for 2018. As we continue to drive strong value for our customers and clients, we step into 2018 with momentum in each of our businesses. As a result, in 2018, we expect to deliver attractive financial growth by deepening our customer and client relationships, delivering ongoing superior medical quality and cost outcomes and continuing to invest in innovative solutions to more effectively engage with our customers and health care professionals. For full year 2018, we expect consolidated revenues to grow in the range of 7% to 8% over 2017, with continued growth across our targeted market segments. We expect full year 2018 consolidated adjusted income from operations to be $3.08 billion to $3.2 billion or $12.40 to $12.90 per share. This represents growth in the range of 19% to 23%. This outlook includes approximately $425 million of incremental after-tax earnings resulting from the U.S. corporate tax reform. I would note that this incremental earnings estimate is net of $150 million after tax of additional investments in our employees, communities and partners as well as our capabilities that enable us to better serve our customers and clients while accelerating long-term growth.

For 2018, we project the consolidated adjusted tax rate in the range of 24% to 25%. Consistent with prior practice, our outlook excludes any contribution from future capital deployment as well as prior year claim development.

Now putting our 2018 outlook and our 2017 actual results on a comparable basis, that is adjusting for the reserve development reported in our 2017 results and excluding the impact from tax reform, our outlook for earnings in 2018 reflects 4% to 9% growth over 2017, and our outlook for EPS growth is 7% to 12% before considering the impact of additional capital deployment.

I will now discuss the components of our 2018 outlook. Starting with Global Health Care. We expect full year Global Health Care earnings in the range of approximately $2.6 billion to $2.68 billion. This outlook reflects strength in our Commercial Employer business driven by continued benefits from organic customer growth, specialty contributions and effective medical cost management as well as continued solid performance in our Medicare Advantage business. Key assumptions reflected in our Global Health Care earnings outlook for 2018 include the following: regarding total medical customers, we expect 2018 growth in the range of 300,000 to 500,000 customers driven by continued strong customer and client retention and new growth in our Commercial business, and approximately 3% growth in Medicare Advantage customers.

Turning to medical costs. For our U.S. Commercial Employer book of business, we expect full year 2018 medical cost trend to be in the range of 4% to 5% with the increase over 2017 full-year trend due to expected increases in utilization and pharmacy costs.

For our total Commercial book of business, we expect the 2018 medical care ratio to be in the range of 77.5% to 78.5%, reflecting the impact from the health insurance tax in 2018.

For our total Government book of business. We expect the 2018 medical care ratio to be in the range of 84% to 85%.

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Regarding operating expenses. We expect our 2018 Global Health Care operating expense ratio to be in the range of 22.5% to 23.5%, reflecting the impact from the health insurance tax in 2018.

Now moving to our Global Supplemental Benefits business. We expect full year 2018 earnings in the range of $380 million to $400 million, reflecting business growth and continued strong operational performance.

And regarding the Group Disability and Life business, we expect full year 2018 earnings in the range of $330 million to $350 million driven by ongoing performance momentum in both our Disability and Life businesses.

Lastly, regarding our remaining operations, that is Other Operations and Corporate. We expect a loss of $230 million for 2018. But all in, for full year 2018, we expect consolidated adjusted income from operations of $3.08 billion to $3.2 billion, or $12.40 to $12.90 per share. I would also remind you that our outlook continues to exclude the impact of prior year reserve development or any future capital deployment. Overall, these expected results represent a competitively attractive outlook and underscore the strong performance of our diverse and differentiated portfolio of businesses.

Now moving to our 2018 capital management position and outlook. Overall, we continue to have excellent financial flexibility. Our subsidiaries remain well capitalized and are generating significant free cash flow to the parent, with a strong return on capital in each of our business segments while we maintain significant free cash and leverage capacity available at the parent company.

Our capital deployment strategy and priorities remain: first, funding our businesses to support long-term growth; next, pursuing strategic M&A; and lastly, after considering these first 2 items, we would return capital to shareholders, primarily through share repurchase.

Regarding free cash flow. During 2017, we repurchased 15.7 million shares of common stock for $2.8 billion, and we ended the year with parent company cash of $1.2 billion, including $250 million held for liquidity purposes. Considering sources and uses of parent company cash, we expect to have approximately $2.8 billion available for capital deployment in 2018, including approximately $260 million we deployed to repurchase 1.2 million shares in January 2018. Our balance sheet and free cash flow outlook remain strong, benefiting from industry-leading margins and returns on capital in our businesses and a high level of capital efficiency, particularly from our fee-based businesses.

Now to recap. Our full year 2017 consolidated results reflect the strength of our diversified portfolio of global businesses and a continued track record of effective execution of our focus strategy. The fundamentals of our business are strong, and we are confident in our ability to achieve our full year 2018 earnings outlook.

With that, we will turn it over to the operator for the Q&A portion of the call.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from A. J. Rice with Crédit Suisse.

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

Maybe just a broad question. But earlier this week, this sector got a little bit roiled by an announcement out of the 3 large employers that they were going to try something innovative and set up a joint venture. I wonder if you -- it's an open-ended question, but I wonder if you would comment on -- are you seeing that kind of activity among other large employers? What kind of opportunities and challenges might that present for Cigna? And I think there is a specific discussion in the investment community about whether that'd have any implications for ASO business, which I know is important for you, and give you a chance to offer your thoughts on that as well, maybe.

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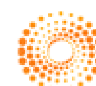

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David M. Cordani - *Cigna Corporation - President, CEO & Director*

It's David. Clearly, the announcement was not lost on us. So stepping back at the (inaudible), we look at the announcement as -- this reinforces something we've been talking about for quite some time, which is -- it's a pretty dynamic industry and the older orientation around focusing only on insurance or a fee-for-service health care delivery model is just fundamentally not sustainable as employers and customers demand more. Secondly, from our point of view, it reinforces the imperative of focusing on transparency, focusing on alignment and focusing on, in a demonstrable way, helping to ensure that you have the ability to drive healthy, productive, present employees and making an employer's business better and more effective. I would point to as an example, something we're quite proud of, not only the lowest medical cost trend in the industry year in, year out, but this year, for 2017, we ended favorable to the lower end of our improved range so less than 3% medical cost trend for the benefit our clients and customers. But before, we actually see initiatives like this as actually presenting more opportunities than not. To your question, there have been other different forms of coalitions forming, although this is a different coalition. Coalitions forming through the National business group on health, coalitions forming, you can look at it through private exchanges and over time, each of them have presented opportunities, interestingly, for additional growth for us for both our medical and specialty offerings because we're oriented around transparent, aligned funding relationships. So taken as a whole, we view it as indicative of the changing dynamic environment, indicative of employers seeing this more of a strategic investment in their human capital and employers seeking opportunities to get more leverage, more impact for the benefit of running their business, and we see more opportunities in that.

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

Okay, that's great. And maybe just a quick follow-up on another topic. Eric, I think you mentioned that the guidance now assumes 3% MA growth this year. I know you're in that sort of rebuilding back to growth. I guess my question would generally be, what are -- what -- to get back to like market type of growth, what needs to happen over the next 6 to 12 months? And are you optimistic, as you look at '19 and beyond, you could maybe get back to a market-based growth in MA?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

A. J., it's Eric. Yes. So as I said, 3% growth is the number we expect for the year. I think in terms of getting back to our long-term targets, which should be high single-digits growth rate in terms of the revenue and the associated lives in the Medical Advantage really reflects our momentum and such, no obstacle whatsoever, from my perspective, in terms of achieving that over the longer term. As we enter this year, we had the effect of some exits of counties. We didn't open up any new counties or any new markets this year. But as we cleared through that January cycle and look ahead to the future, I don't see any reason why we couldn't get back to our -- and won't get back to our long-term averages.

Operator

Our next question is from Josh Raskin with Nephron Research.

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

Just a quick clarification. You talked about the $150 million sort of an offset on the tax benefit. I just want to clear that up. Does that include some minimum MLR and rebates and things like that? I know you guys don't have as much risk business. But is that included in the $150 million? And if so, how much? And then my real question is just more on the retail presence and your views on the necessity there. Maybe you remind how the HealthSpring clinics are working? How many of those you have? And sort of what the plans are? But I'm just curious what your perspectives are in terms of sort of that retail market for health care?

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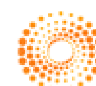

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Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Josh, it's Eric. I'll start with the first part of your question. Just to be clear, yes. Any impact from minimum MLR rebates and such are included in the $150 million. The amount is small in terms of the portion of that given the profile of our book of business and such, but that is included in the $150 million. And I'll ask David to comment on the other item.

David M. Cordani - *Cigna Corporation - President, CEO & Director*

Two comments, specific and general. Specific to your question, think about us today as we operate before we have HealthSpring, we are able to operate and deliver quite good services for our employer clients through on-site clinic management and coordination, on-site health coaches, management and coordination in select instances on-site pharmacy, management and coordination. So think about that as one retail point of interaction that we do on a highly integrated basis. Secondly, to your HealthSpring question. The HealthSpring model, as you recall, there are different footprints in different geographies. We can go as broad as the Cigna-owned medical group in Arizona to owning bricks-and-mortar of real estate in Tennessee and having independent physicians rotate through that and everywhere in between. I think more broadly, stepping back, as it relates to retail footprint, our strategic view is that virtual vertical integration is a preferred approach versus wholesale vertical integration on a hardened basis. So what we mean by that is, we're -- through virtual vertical integration, we're able to drive improved alignment, choice and transparency where we aggressively embrace technology to expand access and choice. And where we partner to create a more open framework, to expand choice and impact through affordability and personalization. So again, we have a variety of footprints, but we really prefer and are driving aggressively the vertical integration through a virtual mechanism to get that alignment, the impact, the choice and embrace technology.

Operator

Our next question comes from Ralph Giacobbe with Citi.

Ralph Giacobbe - *Citigroup Inc, Research Division - Director*

First, I just want to ask about the $18 in EPS in 2021. Obviously, some of that is tax reform. But if I just look at it on a CAGR basis, it suggests about 12.5% growth. And if I look at the $16 number is closer to 11%. So just wanted to sort of bridge that in terms of where you expect sort of faster underlying growth beyond tax reform from where we were not that long ago when you threw out the $16 number?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

When we discussed the $16 number at our Investor Day, obviously, we walked through a pretty methodical framing of that. So stepping back, we're quite pleased to be able to put that forth, the framing of the 4 growth platforms and the very attractive growth profile of each of those platforms led by strong retention, further relationship expansion and net new business adds. To your question, what's net new? I'd ask you to think about 2 things, right? The underlying strength of our platform. We ended 2017 ahead of our strategic glide path, period. We delivered an EPS growth rate of 29%, we're able to step into 2018 with an outlook that we've articulated to grow EPS by 19% to 23% before reserve development or any additional capital deployment. So point 1 is, the organic fundamentals ended the year stronger, which gives us more leverage power stepping into 2018. Second, is the impact of tax reform and our belief in terms of the combination of both of those enabled us to increase the outlook from a very attractive $16 to even a more attractive $18.

Ralph Giacobbe - *Citigroup Inc, Research Division - Director*

Okay, that's helpful. And then just a follow-up. Has there been any pushback on ASO fees from existing customers just on the fee itself? And as you look across your book at sort of the average cost trend that you mentioned sort of below the 3% level. Do you see differences in trend between large national that may not be willing to adopt some of your medical management approaches versus the smaller Select and mid-markets that maybe more willing to adopt your approach?

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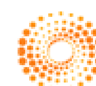

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David M. Cordani - *Cigna Corporation - President, CEO & Director*

Ralph, first, relative to ASO fees, as you may recall from prior conversations, we typically don't look at an employer relationship as a fee-only relationship. Our entire approach with our employer clients at all levels, so from Select to Middle Market to International, is to look at the portfolio of services that best suit their strategy, their change agenda and have the highest opportunity for impact, vis-à-vis some of the integrated offerings I made comments on before in my prepared remarks, and then get an economic relationship with them that works in a quite transparent basis. So we've long since moved from kind of micromanagement of the fee environment, and candidly, I would view the fee environment as a smaller part of the overall conversation. To your broader question relative to medical cost trend and the like, the positive thing here is, it transcends the portfolio, right? As you recall, ASO aided by further shared returns, encompasses over 90% of all of our relationships. So that positive medical trend performance is indicative of the entire portfolio and the performance of the portfolio. And what tends to drive it to such a powerful level is the alignment with the employer and transparency, highly innovative clinical programs and engagement incentive-based programs and then increasing leverage of the Collaborative Accountable Care relationships that we're able to deliver for the benefit of our clients.

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

And Ralph, this is Eric. Just to add one other point on to what David said there, and as David noted in his prepared remarks this morning, the effectiveness of the integration of the specialty model helps to drive even more effectiveness in terms of trends. So as we have highly integrated offerings in the small end of the market, I generally see even better results than the models that are a little more a la carte or fragmented.

Operator

Our next question comes from Zack Sopcak with Morgan Stanley. (Operator Instructions) Our next question will come from Matt Borsch with BMO Capital Markets.

Matthew Richard Borsch - *BMO Capital Markets Equity Research - Managed Care and Providers Analyst*

I was hoping to just maybe expand a little bit on the reaction to the joint venture of the 3 companies. And maybe just -- I get the consideration of the employer coalitions and the ones that we've seen before. I think maybe what also rattled investors though is -- couple of things, the tone of dissatisfaction and frustration with the medical cost outcomes somehow being juxtaposed with poor profit orientation in health care as well as the prospect of this gigantic tax behemoth that's disrupted other industries. Maybe they're just coming in to do this coalition but perhaps, it's more than that. Can you just address that? I know it's wide open, but whatever you can say.

David M. Cordani - *Cigna Corporation - President, CEO & Director*

Matthew, it's David. First, nice job trying to displace Zack from the call queue. And Zack, we'll get back to you as quickly as we can. Matt, I think just part of your question, and I appreciate the way you framed it. I mean, at the end of the day, we have talked for quite some time while the industry, as a whole, for example, may step back and we have a narrative around a more stabilized or more muted medical cost trend. We, as a company, have been very consistent. It is still unsustainable. So as I illustrated in my prepared remarks, for example, a 1,000 life employer experiencing our medical cost trend versus the industry average, is a multimillion dollar savings, and we believe we need to do even better. So when you look at the size and the impact of medical cost trend growth being an industry average of 6% or 7% or our industry-leading trend of below 3% this year, employers will rightfully continue to push for more value from their sizable investment and increasingly, they see their -- this investment as a strategic investment and will manage it as a strategic investment to help them run their business more effectively. Over time, we think that creates more opportunity versus less for us because we seek to be an integrated partner from a services standpoint, providing the services that deliver the value. As you know, our industry is capital-intensive as well as relatively low margin -- single-digit margin so this is not going to get solved with extracting a couple points of margin out of the equation. The solution here is helping to keep people healthy in the first place to avoid health risk, health consumption, lowering the health risk for the 25% of Americans that are medium or high risk who will be chronic or acute in 2 years if those risks don't get mitigated and getting the best possible evidence-based care compliance for those with chronic conditions and then optimizing

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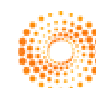

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care delivery for those confronting acute conditions. That's how the sustainability of the system is driven, and employers flexing them also and becoming more vocal in terms of driving and even more demanding on that, we actually view as a net positive because within the employer market is a positive aggregation of individuals in a way to get strategic alignment. So to recap, we should not view that an industry with stable medical cost trend at 5%, 6%, 7% as sustainable. We're proud of the fact that we've delivered half of that. We need to do better and we do better by engagement, alignment and driving health improvement and getting the best possible quality of care when care is consumed.

Operator

Our next question will come from Justin Lake with Wolfe Research.

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

Just a handful of numbers questions here for me. First, on the 2021 numbers change. Sounds like to a great extent, this is the improvement in taxes and some improved business momentum. On the tax side, you're looking out 3 years and obviously, assuming that a lot of this is sustainable, can you walk us through kind of your thought process on sustainability of higher effective net income margins as you go through kind of competitive iteration over a few years?

David M. Cordani - *Cigna Corporation - President, CEO & Director*

Justin, it's David. I guess, a couple of thoughts. First, to reinforce. The $16 starting point was based on strong fundamental-sustained organic growth for our franchise and then effective capital deployment yielding, as you would recall, a very attractive result to step up these 2 items. I don't want to walk away from the stronger results we delivered in 2017, which put us ahead of our strategic glide path and gives us leverage going forward. Specific to the taxes. As you know, in the U.S., we're predominantly a service-based business that has higher transparency versus not. As Eric articulated earlier, there's a relatively de minimis impact of the taxes on minimum MLRs and the like so we have more flexibility or choice with which to deploy it. For 2018, we made a very disciplined assessment of how to invest, if you will, those assets for sustained growth on a go-forward basis, looking at our customers, our clients, our community, our coworkers and our shareholders. And we're quite confident that so long we -- as we have continued innovation and effective execution, we'll be able to both deliver the value for our clients and customers as well as realize a fair return for our shareholders. So we see a lot of opportunities we look forward between, '18, '19, '20 and '21.

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

Great. And then on the -- 2 things. One on Disability and Life, 7.5%, 8% margins is where you were before the issues kind of occurred there. By my estimate, it doesn't look like you've got back to your 7.5% to 8% margin that you used to do there with the guidance. Is there some reason for that? And is that true? And then on membership growth, could you just give us some color on where the segments beyond Medicare Advantage, ASO versus Commercial risk versus experience-rated, would you expect that membership to come?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Justin, it's Eric. Yes. As it relates to Disability and Life, we think that the guidance we have provided is attractive and in line with our long-term strategic targets. So again, we think that, that business is performing in line with the strategic targets that we've set for it over the long term. As it relates to membership, I would note a couple of things that tie in the comments David made in his prepared remarks. First of all, continued really strong momentum in the Select segment and the Middle Market segment. In particular, we would see growth there and across the insured versus ASO split, again, we'd expect growth across each one of the funding arrangements as we go into 2018.

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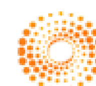

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Operator

Our next question is from Zach Sopcak with Morgan Stanley.

Zachary William Sopcak - *Morgan Stanley, Research Division - VP on the Healthcare Services and Distribution Team*

Sorry about the difficulty earlier. I just wanted to circle back on the comment Eric made on cost trend for 2018, and he mentioned potentially increased utilization. Is there anything that you're seeing in January that makes you think that utilization is going to be up a bunch? Or is it just coming off of a low in 2017?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Zack, it's Eric. Nothing specific I would call out in terms of things that we're seeing that would -- I would point to. I think it's more of just coming off of the low trend that we delivered in the course of 2017. In particular, we had a very favorable pharmacy trend in the course of 2017. We finished 2017 with pharmacy trend at essentially 0. We wouldn't expect that to be the rate going forward but again, the -- if you pull those pieces together, overall, nothing I would point to in terms of specifically higher utilization.

Operator

Our next question is from Kevin Fischbeck with Bank of America Merrill Lynch.

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

When -- if you go back to when the deal with Anthem broke, how you guys outlined about $7 billion of kind of capital available for deployment for share repurchase, and up to $14 billion if you wanted to do M&A. Where do we stand in those numbers now? And then I guess, you mentioned that there was, I guess, a foreign tax -- onetime tax in the quarter. So that mean that you're going to be repatriating cash in 2018?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

It's Eric. A couple of parts to that question there. So first of all, as it relates to the $7 billion to $14 billion item. So we issued the $7 billion to $14 billion range at the time of the Anthem break just to help provide some framing. At that time, the $7 billion end of the range represented capital available for deployment that we had on the balance sheet plus the impact of the break fee, plus the additional leverage capacity that we had to return to a more normal range. The upper end of that range represented what we could do with additional leverage and pursue a strategic M&A transaction. As I noted in my prepared remarks, we expect to have 2.8-or-so billion dollars available in 2018 plus still significant balance sheet capacity. So again, the overall framework that we described in terms of the $7 billion to $14 billion continues to apply. We'll continue to be disciplined in terms of our approach on deployment and such, overall. On the second part of your question. Could you just repeat the specifics? I want to make sure I'm answering it appropriately.

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

Well, I think somewhere in your prepared remarks, you indicated that you're going to take a onetime tax on foreign earnings as part of tax reform. I wasn't sure if that meant that you're repatriating cash in 2018. Or I guess, are you repatriating cash in 2018 is the question? And if so, how much of that is in the $2.8 billion?

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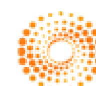

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Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Yes. The specific item there that we talked about in the -- in terms of the tax associated with the foreign earnings is the deemed repatriation portion of the recent reform tax law. We're not anticipating significant repatriation in the tax law. It hasn't really changed our plans in terms of how we bring dollars back. We generally have used our overseas capital to support the growth outside the United States, and we continue to do so.

Operator

Our next question is from Christine Arnold with Cowen.

Christine Mary Arnold - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

Two questions. First, your less than 3% trend. Is -- can you remind us, does that include or exclude buy-downs? And if it includes buy-downs, could a reduction in the corporate tax rate cause kind of a pause in that? How are you thinking about that? And then second, you've talked a lot about Medicare Advantage. I understand that 2018 is a repositioning year. How do you think about Medicare Advantage long term? Do you feel like you can get to the footprint and the growth rate you need organically? Or do you feel that maybe something more strategic, from an M&A perspective, might be required in that area?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Christine, it's Eric. I'll start with the trend item and then ask David to comment on the Medicare Advantage pieces. So the trend statistics we've talked about on this call represent our U.S. Commercial Employer paid claim trend across all of our book of business. And again, just as a reminder, given that over 85% of our customers are self-funded, this statistic represents the amount that our clients are spending per customer per month year-over-year. There's no other adjustments or anything in terms of how we calculate that trend. Now the difference in that paid trend and what you might call an allowed trend. The allowed trend will also include the effect of costs borne by the individual customer in terms of deductibles and copays, et cetera. Given that we tend to have high customer retention from period to period and our clients have pretty stable benefits from period to period, we haven't seen much difference between paid or allowed trend. But if you look at that allowed basis, that includes the effect of cost sharing and such. For 2017, our trend actually would have been even a little bit lower yet than the paid trend that I talked about in my prepared remarks. David, if you want to tackle the Medicare Advantage question?

David M. Cordani - *Cigna Corporation - President, CEO & Director*

Christine, relative to Medicare Advantage and Medicare growth. We continue to see it as an attractive opportunity, intermediate and long term for us. I would ask you to think about it in a couple of ways. First, relative to further accelerating organic growth. As Eric indicated, we view '18 as a transition year. As we step into '19 and beyond, we believe we'll have significant opportunity to open new markets in adjacent counties. We are aided by the fact that we have deep Collaborative Accountable Care relationships in multiple states, in multiple markets that are highly attractive for us for growth. Those relationships are focused on Commercial today, and many of those collaborative partners are excited to open up new Medicare Advantage relationships with us. So we see the organic new market entry opportunities for '19 and beyond as very attractive. And in addition, as you recall, we continue to have Medicare and Seniors footprint growth as one of our M&A priorities. So it's one of our 5 M&A priorities so we see both opportunities through both organic expansion as well as inorganic expansion to generate sustained growth there.

Operator

Our next question is from Steve Tanal with Goldman Sachs.

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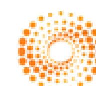

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Stephen Vartan Tanal - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

I just wanted to circle up on tax reform and close the loop on this. The $150 million of reinvestment sounds like an after-tax figure and just using the tax rate, I guess, the pretax amount is maybe closer to $200 million. I just wanted to confirm that the wage hikes announced yesterday are sort of $45 million of that amount? And maybe get some color on specifics of where the rest will be reinvested. And then just finally, tying up some comments earlier around sustainability of medical cost trend, generally. When do you see deflation if the -- we continue down this path?

David M. Cordani - *Cigna Corporation - President, CEO & Director*

Steve, it's David. I'll address the taxes, and I'll ask Eric to talk about the medical cost trend and your interesting twist with deflation. Specifically, relative to investments, you've framed it correctly. We're talking about after-tax numbers, what are the implications, et cetera, but we're talking about a meaningful investment back into multiple key constituency groups. So you articulated, rightfully, the significant amount of investments back into our coworkers. And the next part that I'd ask you to think about is furthering investments back in the company relative to innovation and innovative capabilities. We have had a long sustainable track record of designing and bringing new solutions and capabilities to market. We're going to take this opportunity to even further accelerate that in 2018 so a meaningful portion of $150 million will make its way there. And then third category we referenced is, returning it back to the marketplace beyond that. So opportunities relative to furthering our community initiatives through our foundation and the like. Taken as a whole, that equates to approximately the 25% in aggregate of the impact that we talked about, making up the $150 million. Eric, if you share your thoughts relative to the medical trend?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Yes, Steve. On the medical trend, I think a couple of points that I want to make sure I land here. First of all, our trend results reflect the power of the incentivized, aligned, and the power of our integrated model. And again, we're really proud of the results that we generated there, but as David said before, there is more work to be done. Not -- to build this to be able to predict the day or time that we hit the -- a point of deflation but there's more work to be done and we think there's quite a bit more we can tackle with the integrated model that we bring to the market.

Operator

Our next question is from Gary Taylor with JPMorgan.

Gary Paul Taylor - *JP Morgan Chase & Co, Research Division - Analyst*

Just wanted a little more detail on some of the segment guidance that you provided. Is it possible -- just walk through by segment, what tax rates would look like by segment for 2018 embedded in your guidance?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

It's Eric. Not planning to enumerate the exact kind of tax rates by segment, but I would encourage you to think about the things in the following way: so within the Global Health Care and Group Life and Disability business, the largest share of those businesses are here in the U.S. and that's where the bulk of our business is, so you would expect to see the biggest impact there. And those businesses are impacted by U.S. tax reform. The Global Supplemental Benefits business has a net tax headwind year-on-year that some of our non-U. S. jurisdictions have actually increased income tax rates so just a slight increase in terms of the Global Supplemental Benefits business. And then within Corporate and Other Operations, there's a tax rate favorability, but earnings headwind reflecting that segment where we're operating at a loss in total. So those would be that piece that I would point you to.

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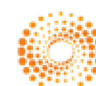

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Gary Paul Taylor - *JP Morgan Chase & Co, Research Division - Analyst*

And as a quick follow up. So when we look at the corporate cost increasing 45% or so year-over-year, there's a tax that's -- I guess, that primary delta you're seeing is the tax treatment within that segment. Is that correct?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Gary, year-on-year, there's 2 things that point there are both tax-related. First of all is the effect of the lower tax rate in 2018 and the second is the absence of some tax favorability that we had in 2017. So some tax-related items. So it's separate from the income tax rate that we talked about earlier in the year in 2017. We don't expect those to return next year.

Gary Paul Taylor - *JP Morgan Chase & Co, Research Division - Analyst*

So the $230 million, that's a good go-forward on corporate expense though?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Yes.

Gary Paul Taylor - *JP Morgan Chase & Co, Research Division - Analyst*

To out-years? Okay.

Operator

Our next question is from Ana Gupte from Leerink Partners.

Anagha A. Gupte - *Leerink Partners LLC, Research Division - MD, Healthcare Services and Senior Research Analyst*

So coming back to the Bezos-Buffet-Dimon coalition. I guess, at the end of the day, is it because insurance companies are not communicating the value that they are delivering well enough for? Should the company be thinking of it from the point of view of the American consumer and make it simple? Do you see lack of transparency on the pharmacy side of the house and is there anything that can be done by Amazon on that? Secondly, on the buy-downs and increase in deductibles, consumers think of the insurance at this point is just becoming catastrophic coverage at best. And then finally on -- kind of breaking it down between pricing and utilization, do you see the opportunity for the private managed care industry to improve things on pricing? Or might it even get worse as we're seeing even more consolidation among the large not-for-profit hospitals at this point?

David M. Cordani - *Cigna Corporation - President, CEO & Director*

Ana, it's David. So multiple different questions, and let me try to address a couple of the themes and invite Eric to add to it. I'm not sure we're going to be able to address every complexity you referenced in your questions. In the first part -- question, I think about it in a couple of ways, right? As I indicated before, this is an example of 3 large impactful voices, essentially suggesting that there's an opportunity to do more, and they're going to lean in aggressively to enable more to be done whether it's through technological leverage, whether it's through insight and data, whether it's through a variety of items. But each one of those entities, essentially, are ASO-serviced. So if they're ASO-serviced, they're bearing their own risk and they're going to elevate the demands both for the parties they do business with as well as for their coworkers who are engaging in the overall equation. To your inference, I think there is opportunity in transparency, there's further opportunity in alignment, there's further opportunity in simplifying the complex. That's all on strategy from our point of view, and we believe we have an opportunity to add value in every one of those

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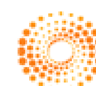

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areas. But it also means that the consumer and the employer need to more aggressively embrace change along the way. Net-net, we see all of it as a positive. On your last point, I don't know. I don't know relative to the inference, relative to the consolidation and not-for-profits cost implications, et cetera. I would put in the face of that, 2 forces that are indisputable right now. One, you made reference to yourself, which is a relentless increased drive for transparency and demonstrable value delivery. And second, your word alignment relative to value-based care. I think those forces are indisputable and will confront any level of change and configuration of the supply chain or otherwise to push for a more demonstrable value delivery and then elevation and transparency of customer quality. Eric, anything to add?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Yes. Ana, it's Eric. Just one other thing I would add relative to your comment about buy-downs and such. I think one of the things I've noted -- and I've actually noted in the -- my response to Christine's question about paid versus allowed trend is, actually, our allowed trend would have been a little bit lower that's because in 2017 versus 2016, our employers paid a little bit higher percentage of the cost than the employees. So it's actually the opposite of cost shift in terms of 2017 versus 2016. I think what's most important, rather than just figure the shift between how much the employer pays versus how much the employee pays is the power of getting incentives aligned with appropriate and well-designed plans to help reduce the overall cost burden of the programs and such overall. So making sure there's a smartly designed benefit plan helps to bring the cost down for both parties rather than just doing kind of that cost shifting as the -- for the mechanism for employers to move things.

Operator

Our next question is from Chris Rigg with Deutsche Bank.

Christian Douglas Rigg - *Deutsche Bank AG, Research Division - Research Analyst*

Just wanted to ask about the Global Supplemental business, particularly relative to where you started the year in terms of guidance and where you ended the year. You outperformed that number by about 20-ish percent. Can you give us a sense of what drove that outperformance? And then when we think about 2018, it sounds like there might be some kind of tax impact there. But is there any sort of core reset to the profits that you're assuming given the outperformance in '17?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Chris, it's Eric. I'll start with a couple of comments there for you. So first of all, within the Global Supplemental Benefits business, we're really pleased with the year that we delivered in that segment that point to 3 macro drivers in terms of the results that we generated in the course of 2017. First of all, we've had -- continued to have favorable claims experience relative to our initial expectations. We've had continued growth in the business, we've been -- continue to be very disciplined in terms of the expense leverage and the expense management that we've delivered there. Additionally, at the beginning of 2017, based on where the spot rates were at the time, we had anticipated the potential for some potential foreign exchange headwind, and that has actually turned into a bit of a tailwind for us. So that was all pulled together in terms of the drivers of our results in 2017. Now looking forward, the things I would point to in terms of drivers there, we do assume that there would be a bit of normalization in terms of that claim experience as we look ahead to 2018, one. Two, we, as I noted on the tax rate question from a prior caller, we do expect a little bit higher tax rate on that segment going forward. And then as it relates to foreign exchange or FX, no particular headwind or tailwind we'd call out at this point.

Operator

Our next question is from Sarah James with Piper Jaffray.

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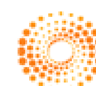

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Sarah Elizabeth James - *Piper Jaffray Companies, Research Division - Senior Research Analyst*

First, a clarification on guidance. Interest rate is expected to increase 2x or 3x this year. So does guidance reflect increasing interest rates as a benefit to investment income either for the '18 guidance or the 2021 guidance?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

Sarah, it's Eric. As it relates to interest rates, so our guidance and our outlook assume our macro case, which does reflect a bit of rising interest rates. But I note that the impact of interest rates tends to play out over a number of years. We tend to be buy-and-hold investors and as a result, any changes up or down in interest rates play themselves out through the P&L over a pretty long period of time.

Sarah Elizabeth James - *Piper Jaffray Companies, Research Division - Senior Research Analyst*

And no material impact on your '18 guidance then from interest?

Eric Palmer - *Cigna Corporation - Executive VP & CFO*

No. Nothing that I would call out, Sarah, as a driver.

Sarah Elizabeth James - *Piper Jaffray Companies, Research Division - Senior Research Analyst*

Okay. And in the past, you stated that there is some interest in LTSS. But if I looked historically, companies with a strong Medicaid background are primarily the winners. So would you be opening -- open to strengthening your prospects by acquiring Medicaid assets with some mixed books, including high and low acuity? If not, how do you feel that Cigna can get an edge in competing on LTSS without a track record of cost savings and Medicaid?

David M. Cordani - *Cigna Corporation - President, CEO & Director*

Sarah, it's David. Our view has been and continues to be that over time, states will continue to modify their approach to populations both as defined today but defining on a go-forward basis, additional subsegments of the population and then seek the vendors, carriers or partners that can give them the best value relative to the populations. As you articulate today, we're not a large player in any of those spaces. But over time, we see that marketplace change as a potential future opportunity for growth. And we will leverage both organic capabilities and opportunistically, inorganic activity relative to that. But we think the marketplace is going to evolve over time, this presents an additional possible long-term growth opportunity for us as the marketplace changes.

Operator

Our next question is from Dave Windley with Jefferies.

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

I wanted to come back to Medicare Advantage. David, I think you've talked about 2018 being a year where you will, maybe, improve margins but not get back to target levels in 2018. So point of the question: number one would be, kind of what's your view on glide path on MA margins? Second, that I would presume in that, you would expect growth to help you leverage that business and bring margins back up. You've talked about 3% enrollment growth over the course of this year. It looks like your performance, at least in the AEP, was strongest in what would have been HealthSpring and Bravo had a long-standing markets and less well in maybe some of the more recent expansion markets. Curious what that --

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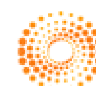

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what your views are? What that tells us about the ability to expand that HealthSpring-specific model into adjacent markets? And how you view that over the next year or 2? And then finally, STARs mitigation and how that influences that growth as well over the course of '18 for '19?

David M. Cordani - *Cigna Corporation - President, CEO & Director*

David, you had packed a lot in there. So maybe quickly and simply, we see further margin expansion opportunity, period, relative to the line of business over time both driven by disciplined performance in the MLR range as well as expense leverage as you articulated. So we'll see opportunity to further expand the margin over time. Second, your articulation of the growth profile in terms of the immediate time frame is right. That was deliberate in terms of our positioning in those market places, and it further validates or reinforces that where we have highly aligned value-based physician relationships, the performance and the value return to customers, beneficiaries and physicians is quite strong, but where we don't -- the value proposition is a bit less strong. As I mentioned in prior remarks, we're delighted with the fact that we now have multiple markets with quite mature, highly performing collaboratives where we have demand from those physician groups or integrated hospital systems to aggressively enter the MA marketplace with us over time. So it's a good reinforcement and learning relative to the value of having the aligned physician relationship and the proven performance as opposed to starting that build from scratch. Lastly, relative to STARS, we were, in '18, about 60% from a 4 star plus plan with all of our mature markets but one performing where we expected it to be. For 2019, we're optimistic that we will get recognition to the proper positioning of our products and our capabilities. Our Net Promoter Score and HEDIS outcomes continue to be quite strong, and we have multiple levers and tools to work with CMS to ensure that we're properly positioned for 2019. So we're looking forward to the '19 selling season.

Operator

Our last question will come from Michael Newshel with Evercore ISI.

Michael Anthony Newshel - *Evercore ISI, Research Division - Associate*

So last summer, you announced a collaboration with CVS to leverage pharmacy interaction to the MinuteClinic. Is there any change to how you see that evolving given the pending transaction with Aetna? And are you considering doing anything similar with other partners? And also, is there any change that you're thinking about the future of your PBM relationship with Optum given the recent actions among peers?

David M. Cordani - *Cigna Corporation - President, CEO & Director*

So Michael, it's David. Two points. You're correct. First, stepping back, we view partnering with others as a critical capability. In fact, you would recall from our Investor Day dialogue, being the undisputed partner of choice is our #1 strategic imperative to continue to drive the right value for our customers and clients as we go forward. That relationship we had with CVS down in Florida was an innovation that both parties wanted to do to try to drive improved outcomes. We don't have any discernible, deliberate, differentiated outcomes to point to at this point in time but it's indicative of our test-and-learn approach, our collaboration and our willingness to work with multiple partners. So you can view that as indicative of both today and in the future, we could either have multiple partnership arrangements up and running today. As it relates to the PBM, as Eric articulated, we delivered a pharmacy trend in 2017 of essentially 0, with high clinical outcomes and continue to grow that business. So our proprietary-owned PBM continues to perform quite well. Back to partnership, we have an orientation around willingness and ability to partner with others to increase value for the benefit of our customers and clients, and I think it's a spectacular example of smart, well-aligned partnership capabilities and being able to deliver better value for customers and clients as indicative of high clinical quality outcomes, growing the platform and zero medical cost trends. So we view partnership as mission-critical on a go-forward basis and a lot of bright spots to point to over the recent past.

Operator

I will now turn the call back over to David Cordani.

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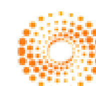

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David M. Cordani - *Cigna Corporation - President, CEO & Director*

Thank you, everyone. Let me just move to wrap up our call with a few headlines. First, overall, we delivered very strong results in 2017 with good performance across all of our priority growth platforms: Commercial Employer, U.S. Seniors, Global Supplemental Benefits and Group Disability and Life, led by a delivery of continued industry-leading medical cost trend. In addition, in 2017, Cigna grew to serve more than 95 million customer relationships worldwide.

Relative to our overall expectations for 2018, we will continue to create differentiated value for our customers and clients, and as a result, for you, our shareholders, through consistent focus on delivering affordability and personalization as well as partnering with health care professionals to ensure our customers receive the highest quality health care. Each of our 4 growth platforms remains well positioned for sustained growth. In addition, we have an exceptionally strong ongoing capital position. We expect to deliver revenue growth in line with our long-term objective of high single-digit growth rates, and we have an outlook for 2018 that anticipates a 19% to 23% EPS growth rate over 2017, all of which gives us confidence to increase our long-term EPS target from $16 per share to $18 per share by 2021.

We thank you for joining our call today, and look forward to further conversations.

Operator

Ladies and gentlemen, this concludes Cigna's Fourth Quarter 2017 Results Review. Cigna Investor Relations will be available to respond to additional questions shortly. A recording of this conference will be available for 10 business days following this call. You may access the recorded conference by dialing (888) 566-0596 or (203) 369-3072. Thank you for participating. We will now disconnect.

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