NOTE: Cigna has made editorial changes to this transcript.

As used herein, “Cigna” refers to Cigna Corporation and/or its consolidated subsidiaries
CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE
PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Cigna Corporation and its subsidiaries (the “Company”) and its representatives may from time to time
make written and oral forward-looking statements, including statements contained in press releases, in
the Company’s filings with the Securities and Exchange Commission, in its reports to shareholders and in
meetings with analysts and investors. Forward-looking statements may contain information about
financial prospects, economic conditions, trends and other uncertainties. These forward-looking
statements are based on management’s beliefs and assumptions and on information available to
management at the time the statements are or were made. Forward-looking statements include, but are
not limited to, the information concerning possible or assumed future business strategies, financing plans,
competitive position, potential growth opportunities, potential operating performance improvements,
trends and, in particular, the Company’s strategic initiatives, litigation and other legal matters, operational
improvement initiatives in its Health Care operations, and the outlook for the Company’s full year 2011
and beyond results. Forward-looking statements include all statements that are not historical facts and
can be identified by the use of forward-looking terminology such as the words “believe”, “expect”, “plan”,
“intend”, “anticipate”, “estimate”, “predict”, “potential”, “may”, “should” or similar expressions.

By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not
guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions
that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from
those forward-looking statements as a result of a variety of factors. Some factors that could cause actual
results to differ materially from the forward-looking statements include:

1. increased medical costs that are higher than anticipated in establishing premium rates in the
   Company’s Health Care operations, including increased use and costs of medical services;
2. increased medical, administrative, technology or other costs resulting from new legislative and
   regulatory requirements imposed on the Company’s businesses;
3. challenges and risks associated with implementing operational improvement initiatives and strategic
   actions in the ongoing operations of the businesses, including those related to: (i) growth in targeted
   geographies, product lines, buying segments and distribution channels, (ii) offering products that
   meet emerging market needs, (iii) strengthening underwriting and pricing effectiveness, (iv)
   strengthening medical cost and medical membership results, (v) delivering quality service to
   members and health care professionals using effective technology solutions, (vi) lowering
   administrative costs and (vii) transitioning to an integrated operating company model, including
   operating efficiencies related to the transition;
4. risks associated with pending and potential state and federal class action lawsuits, disputes
   regarding reinsurance arrangements, other litigation and regulatory actions challenging the
   Company’s businesses, including disputes related to payments to health care professionals,
   government investigations and proceedings, and tax audits and related litigation;
5. heightened competition, particularly price competition, which could reduce product margins and
   constrain growth in the Company’s businesses, primarily the Health Care business;
6. risks associated with the Company’s mail order pharmacy business which, among other things,
   includes any potential operational deficiencies or service issues as well as loss or suspension of
   state pharmacy licenses;
7. significant changes in interest rates or sustained deterioration in the commercial real estate markets;
8. downgrades in the financial strength ratings of the Company’s insurance subsidiaries, which could,
   among other things, adversely affect new sales and retention of current business; downgrades in
   financial strength ratings of reinsurers, which could result in increased statutory reserve or capital
   requirements of the Company’s insurance subsidiaries;
9. limitations on the ability of the Company’s insurance subsidiaries to dividend capital to the parent
   company as a result of downgrades in the subsidiaries’ financial strength ratings, changes in
   statutory reserve or capital requirements or other financial constraints;
10. inability of the hedge programs adopted by the Company to substantially reduce certain equity
    market and interest rate risks in the run-off reinsurance operations;
11. adjustments to the reserve assumptions (including lapse, partial surrender, mortality, interest rates and volatility) used in estimating the Company's liabilities for reinsurance contracts covering guaranteed minimum death benefits under certain variable annuities;
12. adjustments to the assumptions (including annuity election rates and amounts collectible from reinsurers) used in estimating the Company's assets and liabilities for reinsurance contracts covering guaranteed minimum income benefits under certain variable annuities;
13. significant stock market declines, which could, among other things, result in increased expenses for guaranteed minimum income benefit contracts, guaranteed minimum death benefit contracts and the Company's pension plans in future periods as well as the recognition of additional pension obligations;
14. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the Company's operations, investments, liquidity and access to capital markets;
15. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the businesses of our customers (including the amount and type of health care services provided to their workforce, loss in workforce and our customers' ability to pay receivables) and our vendors (including their ability to provide services);
16. adverse changes in state, federal and international laws and regulations, including health care reform legislation and regulation which could, among other items, affect the way the Company does business, increase cost, limit the ability to effectively estimate, price for and manage medical costs, and affect the Company's products, services, market segments, technology and processes;
17. amendments to income tax laws, which could affect the taxation of employer provided benefits, the taxation of certain insurance products such as corporate-owned life insurance, or the financial decisions of individuals whose variable annuities are covered under reinsurance contracts issued by the Company;
18. potential public health epidemics, pandemics and bio-terrorist activity, which could, among other things, cause the Company's covered medical and disability expenses, pharmacy costs and mortality experience to rise significantly, and cause operational disruption, depending on the severity of the event and number of individuals affected;
19. risks associated with security or interruption of information systems, which could, among other things, cause operational disruption;
20. challenges and risks associated with the successful management of the Company's outsourcing projects or vendors, including the agreement with IBM for provision of technology infrastructure and related services;
21. the ability to successfully complete the integration of acquired businesses;
22. the political, legal, operational, regulatory and other challenges associated with expanding our business globally;
23. the ability of the parties to satisfy conditions to the closing of the transaction with HealthSpring, including obtaining required regulatory approvals and the approval of HealthSpring stockholders;
24. the possibility that HealthSpring may be adversely affected by economic, business and/or competitive factors before or after the closing of the transaction;
25. the ability to successfully complete the integration of acquired businesses, including the businesses being acquired from HealthSpring by, among other things, operating Medicare Advantage coordinated care plans and HealthSpring's prescription drug plan, retaining and growing membership, realizing revenue, expense and other synergies, renewing contracts on competitive terms, successfully leveraging the information technology platform of the acquired businesses, and retaining key personnel;
26. the ability of the Company to execute its growth plans by successfully leveraging its capabilities and those of the businesses being acquired in serving the Seniors segment;
27. any adverse effect to the Company's business or the business being acquired from HealthSpring due to uncertainty relating to the transaction; and
28. the Company's plans to permanently finance the acquisition with internal cash resources and through issuance of new equity and additional debt that would remain outstanding even if the transaction was ultimately not completed.
This list of important factors is not intended to be exhaustive. Other sections of the Company’s most recent Annual Report on Form 10-K, including the “Risk Factors” section, the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011, and other documents filed with the Securities and Exchange Commission include both expanded discussion of these factors and additional risk factors and uncertainties that could preclude the Company from realizing the forward-looking statements. The Company does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Ted Detrick (Vice President, Investor Relations):

Good morning everyone, and thank you for joining today’s call. We appreciate you being with us at this earlier hour. I am Ted Detrick, Vice President of Investor Relations, and with me this morning are David Cordani, our President and Chief Executive Officer, and Ralph Nicoletti, Cigna’s Chief Financial Officer.

In our remarks today, David will begin by briefly commenting on Cigna’s third quarter results in the context of our growth strategy. In addition, David will discuss our pending acquisition of HealthSpring and how this further positions us for continued growth and long-term shareholder value.

Next, Ralph will review the financial results for the third quarter and provide an update on Cigna’s financial outlook for full year 2011.

Finally, David will explain how the continued effective execution of our focused strategy, coupled with our diversified portfolio of businesses, provides Cigna with momentum as we enter 2012. We will then open the lines for your questions, and following our question-and-answer session, David will provide some brief closing remarks before we end the call.

Now, as noted in our earnings release, Cigna uses certain non-GAAP measures when describing its financial results. A reconciliation of these measures to the most directly comparable GAAP measure is contained in today’s earnings release, which was filed this morning on Form 8-K with the Securities and Exchange Commission and is posted in the Investor Relations section of Cigna.com.

In our remarks today we will be making some forward-looking comments. We would remind you that there are risk factors that could cause actual results to differ materially from our current expectations, and those risk factors are discussed in today’s earnings release.

Now, before turning the call over to David, I will review a couple of items that we discussed on our call earlier this week and disclosed in a Form 8-K filed on October 24, 2011.

Relative to our Run-off Reinsurance operations, our third quarter shareholders' net income included an after-tax non-cash loss of $134 million, or 50 cents per share, related to the Guaranteed Minimum Income Benefits business, otherwise known as GMIB. I would remind you that the impact of the Financial Accounting Standards Board fair value disclosure and measurement guidance on our GMIB results is for GAAP accounting purposes only. We believe that the application of this guidance is not reflective of the underlying economics as it does not represent management’s expectations of the ultimate liability payout. Because of the application of this accounting guidance, Cigna’s future results for the GMIB business will be volatile as any future change in the exit value of GMIB’s assets and liabilities will be recorded in shareholders’ net income. Because of this, Cigna’s 2011 earnings outlook, which we will discuss in a few moments, excludes the results of the GMIB business and, therefore, any potential volatility related to the prospective application of this accounting guidance.

Also, as we previously disclosed, effective January 1, 2012, Cigna will adopt new guidance regarding the accounting for the deferral of certain costs related to the acquisition of new or renewal insurance contracts. This accounting change restricts the amount of costs that can be capitalized and accelerates the recognition of certain acquisition costs that previously would have been deferred. Cigna will adopt this
accounting change on a retrospective basis in the first quarter of 2012, recasting prior periods and recording a one-time non-cash charge of approximately $250 million to $300 million after tax directly to shareholders’ equity. We estimate that the impact to full year 2011 of adopting this new guidance would be to reduce earnings for our International business in the range of $60 million to $70 million after tax. We remind you that this accounting change has no impact on the fundamentals of this business. That is, there is no effect on revenues, future cash flows, our statutory capital position or the lifetime profitability of the policies.

This accounting change will not take effect until January 1, 2012, therefore, the impact of this change is not reflected in the full year 2011 outlook that Ralph will discuss in a few moments. However, when David provides commentary on 2012, it will be on a basis that assumes retrospective adoption of this accounting change with both 2011 and 2012 recast on a comparable basis.

In addition, when we discuss our full year 2011 outlook and provide commentary for 2012, it will be on a basis which excludes the pending acquisition of HealthSpring and any additional future capital deployment and assumes breakeven results for our Run-off Guaranteed Minimum Death Benefits, known as VADBe, for all future periods.

With that, I will turn it over to David.

David Cordani (President and Chief Executive Officer):

Thanks, Ted, and good morning. This quarter marks another strong performance from our ongoing businesses and the announcement of the acquisitions of FirstAssist based in the U.K. and HealthSpring here in the U.S.

I’ll briefly touch on our meaningful move into the Seniors and Medicare segments, with the combination of HealthSpring as we see it today, and if you have additional questions we’ll cover them during our Q&A period. In a few moments, Ralph will take you through our results and provide you with an update on our full year 2011 outlook. Before he does this, I’ll briefly comment on our quarter’s performance and share with you how our business strategy continues to build value for our clients, health care professionals and customers, all while generating sustainable, profitable growth for the benefit of our shareholders. Then, we’ll review how Cigna will maintain this momentum in 2012. So let’s jump in.

The headline is we delivered another strong quarter from our ongoing businesses. Our operating results demonstrated top line and bottom line growth as a result of effectively executing on our strategy, and delivering on our fundamentals for pricing discipline and clinical and service excellence.

In our third quarter of 2011, we reported consolidated adjusted income of $370 million or $1.36 per share, excluding the effect of VADBe, with consolidated revenue growth of 6.5%, reflecting positive contributions from each of our ongoing businesses.

As we all know, 2011 continues to be a dynamic year in the global economy. From a health care perspective, the aging populations, declining health status, unsustainable health care economics and the evolution to consumerism are all catalysts for change. Regardless of the outcome of the legislative reform back here in the United States, the future of health care will continue to evolve at an accelerated pace. This is a change that Cigna has embraced in our strategy to Go Deep, Go Global, and Go Individual and in our continued focus on the customer.

Our consultative selling approach continues to add differentiated value, as it enables us to understand our clients’ needs and anticipates their future needs so we can design highly personalized integrated solutions, combined with flexible funding options. Within our U.S. operations, our health and productivity programs continue to deliver compelling growth across each of our customer segments on a year-to-date basis.
In our Select segment, which we defined as clients with 51 to 250 employees, we’ve grown our medical customer base by 14%, the majority of which is ASO. In our Middle Market segment, which we defined as clients with 251 to 5,000 employees, and single side clients with more than 5,000 employees, we’ve grown our medical customer base by 4%. In our National Accounts segment, which we define as clients with more than 5,000 employees across multiple sites, we’ve experienced a decline as a result of repositioning this segment, yet we are expanding existing relationships and winning new clients whose strategies align with health and productivity improvement.

With our physician partners we continue to be an innovator with the emergence of accountable care organizations (“ACO”). Our unique collaborative approach creates the right engagement and offers quality-driven incentives to health care professionals, clients and customers. Last month we launched our 15th Patient-Centered Initiative. Our ACO programs to date encompass more than 115,000 customers and over 1,800 physicians across 13 states. They are developing a track record of delivering measurable health improvements, greater customer satisfaction and quantifiable cost savings.

In our Disability business, we delivered top line growth of 10% year-over-year as employers continue to value our leading return to work programs.

In our International portfolio, we have delivered strong top line growth of 34% year to date, reflecting solid organic premium and fee growth. Today, we have well over seven million individual Health, Life and Accident policies, as we supplement the health and sense of security solutions for our customers around the world. Our expertise and leveraging our direct-to-consumer distribution methods is driving our success here.

We are also continuously evaluating opportunities to invest in new global markets where there is increasing demand for our services. Earlier this month, I was in Istanbul to celebrate the opening of our office in Turkey, which represents another attractive high growth market for us.

We also committed capital to acquire FirstAssist Insurance, a leading travel and protection company based in the U.K. The acquisition will enhance our international portfolio by expanding our presence in the U.K., increasing the number of affinity partners we have access to, and providing a new capability to offer travel insurance solutions across the world. In addition, there are exciting and strong cross-selling opportunities between the two organizations. We can now offer our existing customers protection against the unexpected medical and travel-related emergencies and extend our Health, Life and Accident products to FirstAssist’s customer base.

Now, returning to our news about our HealthSpring acquisition, as expected, we have received great feedback from our customers, health care profession partners, employees and the investment community regarding the quality of this company. In fact, Monday after our call with you, HealthSpring’s CEO, Herb Fritch, and I had the opportunity to spend the afternoon with almost 1,000 of its employees in Nashville, Tennessee. These highly talented and passionate team members have great enthusiasm about our combination and how together we can fuel further growth.

The addition of HealthSpring is well aligned with our strategy. As one of the largest and fastest growing U.S. Medicare Advantage plans, HealthSpring will provide Cigna expertise and a proven physician engagement model for sustainable growth in the future.

While both companies are operating from a position of strength and have attractive growth prospects on a stand-alone basis, we believe that together we will generate even greater value for customers and shareholders. Specifically, we have identified five main advantages that this combination creates.

- First, accelerating growth for HealthSpring’s existing business by providing a feeder pool into their Medicare Advantage solutions for 65 year-old retirees from Cigna’s employer-sponsored plans;
- Second, leveraging our combined customer footprint to fuel HealthSpring’s growth by expanding and deepening its presence in geographies, as well as entering new ones;
• Third, maximizing HealthSpring’s highly effective physician engagement model and capabilities to accelerate our retail programs as we look toward a post-2014 exchange environment;
• Fourth, leveraging Cigna’s specialty and clinical capabilities for the benefit of HealthSpring’s customer base; and
• Fifth, delivering on operating expense synergies of the combined companies.

As we begin to work closely with Herb and his leadership team you can expect to hear more about our growth strategy in the Senior segment.

Now, before I hand it over to Ralph, I want to reiterate a few key points about this quarter.

Our third quarter results delivered strong top line and bottom line growth reflecting our disciplined focus on executing our growth strategy. We are delivering differentiated solutions by engaging and incenting customers and effectively partnering with physicians. And we continue to invest for our future success. Examples include:
• the pending acquisition of HealthSpring,
• the launch of our business in Turkey and the pending acquisition of FirstAssist,
• the launch of our new branding campaign, and
• ongoing smart innovation in technology.

Based on the strength of our third quarter results, we feel confident in achieving our increased outlook for 2011, our full year strategic, financial, and operating goals.

With that, I’ll turn the call over to Ralph to review our third quarter performance, and then I’ll come back to provide some early insights into 2012.

Ralph Nicoletti (Chief Financial Officer):

Thanks, David, and good morning everyone.

In my remarks I will review Cigna’s third quarter 2011 results, link these results to our growth strategy and provide some additional comments on the updated full year 2011 outlook we shared with you earlier this week.

In my review of consolidated and segment results, I will comment on adjusted income from operations. This is shareholders’ net income, excluding realized investment results, GMIB results and special items. This is also the basis on which I will provide our earnings outlook.

Our third quarter consolidated revenues grew to $5.6 billion. This is an increase of 6.5% over the third quarter of 2010. Revenues reflect premium and fee increases of 4% in Health Care, after excluding the impact of our planned exit from the Individual Medicare Private Fee for Service business, 5% in Group Disability and Life, and 33% in International, driven by continued growth in our targeted customer segments.

Our third quarter consolidated earnings were $370 million, or $1.36 per share, excluding the impact of VADBe. That represents EPS growth of 11% over the third quarter of 2010. These results reflect strong earnings from each of our ongoing operations as we continue to leverage our global diversified portfolio of businesses and capitalize on differentiated opportunities to deliver value to our customers and shareholders.

Turning to Health Care, third quarter 2011 premiums and fees grew 4% on a quarter-over-quarter basis, excluding the impact of the exited Medicare business, and earnings were $248 million. The premium and fee increase reflects solid growth from each of our ongoing lines of business. We also achieved year-to-date medical membership growth of 1.7%, adjusting for the planned non-strategic exits. Third quarter
earnings for Health Care reflect contributions from sustained growth in our medical and specialty businesses and the impact of favorable prior period claim development.

Turning to medical costs, medical costs in the quarter include favorable prior period claim development of $25 million after tax across our risk book of business, primarily from lower than expected medical utilization trends. Of this amount, $5 million is related to the prior year.

Specific to guaranteed cost, our medical care ratio in the quarter was 80.9% on a reported basis. Excluding prior year claim development, the guaranteed cost medical care ratio for the first nine months of 2011 was 80.4%, including the effect of recoding our rebate accrual.

Overall, we are pleased with the results in our medical risk businesses, and they continue to reflect good pricing and underwriting discipline, as well as sustained clinical quality for our clients and customers.

For the third quarter of 2011, total operating expense ratio is 27.2%, which is consistent with our expectations.

Now, we’ll discuss the results of our other segments.

For Group Disability and Life, third quarter earnings were $62 million. This result was in line with our expectations as this business continues to deliver value through our market-leading disability management model, which focuses on early customer engagement and leverages Cigna’s proven clinical capabilities.

Premiums and fees grew 5% quarter-over-quarter, including solid growth in our targeted disability business. Earnings include the impact of favorable life and accident claims experience, partially offset by higher disability claims incidence.

Cigna’s International businesses continued to deliver very attractive growth and strong margins. The results reflect strong retention and further product penetration of existing customers, as well as targeted new sales. Premiums and fees grew 33% quarter-over-quarter, driven by improved customer retention and new sales within the Health, Life and Accident business, particularly in Korea and Taiwan, and the Expatriate Benefits businesses, including contributions from Vanbreda International.

Our top line growth drove strong earnings of $79 million in the quarter. That represents earnings growth of 58% over the third quarter of 2010. The third quarter results also reflect continued strategic investments for future growth.

The results for our remaining operations, including Run-off Reinsurance, Other Operations and Corporate, totaled to an after-tax loss of $64 million for the third quarter. As we previously mentioned, this includes a reserve strengthening of $45 million after tax related to our Run-off VADBe book of business. This loss is primarily related to the impact of a continued low interest rate environment and volatile equity markets. This increase in reserves does not materially impact our capital position or outlook.

To recap, our third quarter results reflect continued strong revenue and earnings growth of each of our ongoing businesses.

Now I’ll discuss our investment portfolio. Results in the quarter include solid net investment income and net realized investment gains of $9 million after tax.

Overall we continue to be pleased with the quality and diversification of our investment portfolio. Our strong investment management capabilities and disciplined approach to risk management has consistently delivered attractive risk-adjusted returns for our clients and shareholders.

Now turning to our outlook, based on the strength of our third quarter results, we now expect full year 2011 consolidated adjusted income from operations of $1.385 billion to $1.445 billion. This range reflects
an increase of $30 million to $50 million from our ongoing businesses, primarily reflecting the increase in our Health Care outlook.

We now expect full year earnings per share to be in the range of $5.05 to $5.30 per share, which is an improvement of 5 cents to 10 cents per share over our previous expectations. This outlook includes the third quarter VADBe reserve strengthening of 16 cents per share and assumes breakeven VADBe results in the fourth quarter of 2011.

I will now discuss the components of our 2011 outlook starting with Health Care. We now expect full year Health Care earnings in the range of $965 million to $995 million, which is an improvement of $35 million from our previous expectations. This increase reflects the impact of favorable prior period claim development recognized in the third quarter and continued effective execution of our growth strategy.

Relative to medical membership, we continue to expect full year 2011 membership growth of approximately 2%, excluding the planned market exit. Based on our current view of business mix, we expect to deliver a full year total Health Care operating expense ratio of approximately 27% as compared to 27.7% in the prior year.

Turning to medical costs, for our guaranteed cost book of business we now expect the full year medical cost ratio to be approximately 79.5%, which is 50 basis points lower than our previous expectation of 80% and includes the benefit of the prior year claim development. This improvement is net of our rebate accrual related to the minimum loss ratio requirements.

We now expect our full year medical cost trend for our total book of business to be in the range of 5.5% to 6%, which is lower than our previous outlook.

Moving to other components of our outlook, recognizing our performance to date in 2011 we have also slightly increased our expectation for full year earnings from the International and the Disability and Life businesses. The outlook for our remaining operations including Run-off Reinsurance, Other Operations and Corporate is now expected to be a loss of $135 million to $145 million, which includes the third quarter VADBe reserve strengthening of $45 million after tax.

So all in for full year 2011 we now expect consolidated earnings per share in the range of $5.05 to $5.30 per share.

I will now cover our capital management position and outlook. We continue to have good financial flexibility as our subsidiaries are generating significant free cash flow to the parent, reflecting the strong return on capital in each of our ongoing businesses.

As we have indicated previously, a key component of our capital deployment strategy is strategic M&A with a focus on acquiring capabilities and scale to grow in our targeted areas of focus. HealthSpring clearly aligns to this strategy.

We believe that the financing structure that we have put in place for the HealthSpring acquisition allows us to maintain good financial flexibility. We plan to finance the acquisition with cash on hand of $850 million and a combination of debt and equity financing.

Subsequent to the acquisition, we expect to maintain approximately $500 million of capital at the parent to meet short-term liquidity needs. We believe this financing structure will allow us to maintain a strong balance sheet and good liquidity, and our capital position has been affirmed this week by the rating agencies following our announced acquisition of HealthSpring.

Regarding our pension plan, we will update our pension liability as of December 31, 2011. If the discount rates and asset returns remain at their September 30th levels, we would record an increase to the pension liability at year end. Importantly, this change does not have a material impact on either our annual pension funding amount or pension expense.
Overall, our capital position and outlook remain positive, our subsidiaries remain well capitalized and we continue to evaluate each of these levers to ensure we deliver sustainable value for the benefit of our customers and shareholders over the long term.

Now to recap, our third quarter 2011 consolidated results reflect the strength of our global diversified portfolio businesses and continue the effective execution of our growth strategy with strong revenue growth in our targeted customer segments.

Our investment portfolio continues to deliver strong results.

Finally, we are confident in our ability to achieve our increased full year 2011 earnings outlook and carry that momentum into 2012.

With that, I will turn it over to David, who will provide you with insights into our expectations for 2012.

David Cordani (President and Chief Executive Officer):

Thanks, Ralph.

Turning to 2012, as Ted pointed out in his opening remarks, my comments around 2012 will exclude the impact of certain items including, most notably, the pending acquisition of HealthSpring.

When we have more clarity on the timing of the HealthSpring close we will provide specifics for our 2012 outlook. At this point we expect to provide that guidance in early 2012.

Having said that, I’ll provide some early insights. To set the stage, we expect to maintain the momentum we have built over the last two years since implementing our Go Deep, Go Global and Go Individual Strategy to deliver continued growth.

We expect to see revenue growth in each of our ongoing businesses. This is driven by a continued expansion of our client and customer relationships as our value proposition continues to resonate very well in the marketplace.

Focusing on Health Care membership, in the second quarter call we noted a positive trajectory in the National account business for 2012. We now expect growth in National accounts in 2012 driven by strong client retention, expansion of existing relationships and the addition of new relationships.

We expect to deliver continued growth in our Middle Market and Select segments driven by continued increased interest in our industry-leading clinical engagement programs and our differentiated funding arrangements. In total, we expect to grow by at least 400,000 Health Care customers in 2012, predominantly in ASO relationships.

Stepping back, we view that the global economy and economic environment will continue to be dynamic. The economy will present challenges, including employment levels and interest rate conditions.

In the face of this environment, we expect to achieve solid earnings growth in our ongoing businesses through continued focus and strong execution of our strategy.

More specifically, our results will reflect top line growth, operating expense efficiencies and strong fundamentals, including pricing discipline, clinical and service quality.

All in, we expect consolidated earnings and EPS growth in 2012 versus 2011.

And with that, we’ll be glad to take your questions.
Charles Boorady (Credit Suisse):

Thanks. Good morning. It sounds like you’re seeing an outlook for terrific organic growth in your commercial business in 2012, and I’m wondering if you can share a little bit more about any assumptions for in-group attrition or in-group growth if you’re assuming employment growth?

Also a little bit more on where you’re seeing that growth, which markets, what size of employer, which geography or which specific products?

David Cordani (President and Chief Executive Officer):

Charles, good morning. It’s David. Specific to the first part of your question, at this point in time we don’t project and we’re not projecting any major change in the economic outlook. If you think about the unemployment levels as a major driver of change, at this point our assumptions are for the level of unemployment to be about equal to 2011 and therefore no major swings in net in-group growth.

To the macro part of your question, we look at 2012 as a continuation of a few years of continued strong progress in our Select and our Middle Market segments, where our ASO value proposition resonates quite well but, more broadly, where we see the consumer and engagement capabilities and health improvement and productivity capabilities resonating. As we look into 2012, beyond the maintenance of that very strong performance, is a meaningful uptick in our National Accounts segment.

As you recall, we’ve gone through a couple years of repositioning and seeking to focus on those employers that value incentive engagement-based capabilities to improve health and productivity. And we’re pleased to see the retention rates, the growth by selling additional sites for National Account customers and then the addition of meaningful National Account customers. So a continuation of strong progress in Select and Middle Market and then a move to some momentum building in the National Accounts is the way I’ve positioned it.

Charles Boorady (Credit Suisse):

That’s terrific. And just on geography, David?

David Cordani (President and Chief Executive Officer):

Geography is reasonably balanced when you think about the National Accounts. As you recall, stepping back our Select segment focus is a bit tighter geographical focus. The Go Deep strategy really guides us into key geographies. Middle Market is reasonably broad, and National Account is much more of a national proposition.

I would not call out any geographies as the driving force of our growth.

Charles Boorady (Credit Suisse):

Great. Nice work. Thanks.

Scott Fidel (Deutsche Bank):

Thanks. Just wanted to follow up and ask a question on HealthSpring. If you could talk a little bit about the margins that you think HealthSpring can generate in the long term. Clearly the company has generated above average margins, and they’ve been able to sustain that.

Also, can you frame the expected EPS accretion that you expect from HealthSpring, excluding transaction costs, or at least give us some of the key swing factors that you think we should be thinking about in terms of EPS accretion.
David Cordani (President and Chief Executive Officer):

Scott, its David, good morning. I’m going to start just macro on the margins, and then I’m going to ask Ralph to give you direction on the accretion.

Broadly speaking on the margins, at this point obviously we’re not providing 2012 guidance, and it’s a pending acquisition so I’m going to leave you wanting for a little bit.

I’d step back and suggest that if you look at HealthSpring they’ve been able to generate very attractive margins on a relative basis. That is a direct result of their ability to effectively partner with physicians and improve clinical quality outcomes. As a result, they have lower costs and return those costs to individuals in terms of better quality, better service and, in many cases, more comprehensive benefit richness and, in part, earn meaningful margins.

At this point we would suggest that the overall margin profile would not change materially as we look forward over the coming several years.

I’m going to ask Ralph to frame the macro accretion view.

Ralph Nicoletti (Chief Financial Officer):

Scott, I think on accretion, there are a few ways to look at this.

With all in costs, that being integration costs, transition costs and ongoing amortization, we do expect the transaction to be accretive in the first full year.

If you look at it on the full year basis, excluding the one time integration and transaction costs, it will be highly accretive. Clearly, if you exclude the amortization, so more on a cash accretion basis, we would expect to see it very solidly accretive, approaching double digits. Again, we feel it is highly strategic and financially attractive both near term and long term.

Scott Fidel (Deutsche Bank):

So close to double digit accretion ex-transaction costs. That’s helpful.

Ralph Nicoletti (Chief Financial Officer):

On a cash basis.

Scott Fidel (Deutsche Bank):

Then just - on a cash basis, okay, got it. I had a follow-up question. You had to add $45 million to reserves in the third quarter for VADBe strengthening.

Over the course of the last year-and-a-half or so you’ve talked about trying to develop an exit strategy for VADBe. I’m interested in how the HealthSpring acquisition could affect that strategy, if at all, and an update on your efforts to try to minimize the volatility that we see every time the equity markets get volatile in the VADBe business.

Ralph Nicoletti (Chief Financial Officer):

Scott, we accomplished a lot in addressing the run-off business this year.

We created the separate structure with Arbor. We continue to refine our hedging strategies. We increased the level of capital in that business in the earlier part of 2011 and are very committed to continue to explore different options for this business to manage those liabilities. We do have the capabilities to
address any opportunities that do come about. We think the exposure is manageable and don’t believe that the HealthSpring acquisition is going to necessarily impede us in any way of addressing that.

Scott Fidel (Deutsche Bank):
Okay, thanks. And what was your RBC ratio at the end of 3Q?

Ralph Nicoletti (Chief Financial Officer):
Over 300%. I don’t have the exact number.

Scott Fidel (Deutsche Bank):
Got it. Thanks.

Josh Raskin (Barclays):

Thanks. Good morning. Regarding hospital contracting, could you talk a little bit about what you’re seeing in terms of rate increases to the hospitals and how that rate of increase compares to previous years. Do you think that’s having any impact on your membership growth? It seems like you have seen a little bit of an inflection there in recent years around the growth. And I understand the Go Deep and Go Individual Strategy. I’m just curious how the hospital contracting has played into the membership impact as well.

David Cordani (President and Chief Executive Officer):

Josh, good morning. It’s David. I appreciate your comment. Stepping back, if we look and benchmark over the past several years, we’ve seen meaningful progress in our overall medical cost position in key geographies aided by contracting improvement. As we’ve discussed in the past, some of that has come from geographic focus. Some of it has come from partnering with the hospitals to collaborate on revenue management processes, working to ease some administrative burdens that go along with that and partnering on clinical programs and protocols.

To the first part of your question, our early look into 2012 hospital contracting in broader physician contracting is in line with our expectations carrying into the year. On a national basis we would suggest no major change in the year-over-year pattern, slight movements here or there but the headline is in line with our expectations and a good continuity of what we’ve seen over the last several years.

We would point a lot of that back to more effective communication and partnering with the hospitals and physicians.

Josh Raskin (Barclays):

So, David, does that mean similar rate increases in 2012 for the hospitals or payment increases relative to what you’re seeing this year?

David Cordani (President and Chief Executive Officer):

If you look at the average nationally, yes.

Josh Raskin (Barclays):

Okay, that’s good. A follow-up question on HealthSpring, could you talk a little bit about the timing of the acquisition, in particular, why now? Is there some change in the Medicare world that’s happened recently?
Obviously, with the exception of private fee-for-service, you haven’t really been talking Medicare Advantage for a long time. So I’m just curious why now?

Then one follow-up - RADV audits, any expectation around that? Does that play into the timing as well?

David Cordani (President and Chief Executive Officer):

Josh, if we go back to our strategy that we laid out a little over two years ago, we articulated three areas that we viewed were very attractive to growth for us on a go forward basis and would largely pursue inorganically: further our global profile, seniors, including Medicare, and retail, including individual capabilities. It’s been an important part of our strategy. We also said that it was a three to five year strategy and that we would be patient within reason to find models and capabilities that we thought were truly differentiated and able to be sustained.

We view that HealthSpring brings a significantly differentiated proposition in the way they partner with physicians, and we view that it’s an opportunity for sustainable value for customers going forward.

As it relates to RADV, it did not factor in materially to our timing in any way, shape or form.

Josh Raskin (Barclays):

Okay, perfect. Thanks.

Justin Lake (UBS):

Thanks. Good morning. Looking ahead -- David, I appreciate the commentary on 2012, but I was hoping you might provide more details on how you think about the outlook for health care or anything we should consider in terms of the typical growth rates for these businesses?

I think you've talked about Health Care and Group businesses being kind of mid single-digit growers, International being a double-digit grower. Anything there that we should consider as far as headwind/tailwinds to that growth, or should we expect something similar to that as well in 2012?

David Cordani (President and Chief Executive Officer):

Justin, again, we're not going to provide detailed guidance. And I appreciate your question, in terms of trying to dig in another notch.

Let me see if I could help out a little bit. First and foremost, over the long term, your macro conclusions are the right macro conclusions. As it relates to headwinds/tailwinds, we're not going to go over those by business unit. I'll give you two or three items for consideration, in terms of forming 2012. First and foremost, we have strong momentum in 2011 and the objective to carry momentum in 2012. That was our objective last year, stepping into 2011. It's our objective this year.

As it relates to 2012, we consider the underlying patterns of medical costs and disability occurrence across our line of business. Secondly, consideration of the level of aggressiveness of the pricing environment; we have demonstrated and committed to demonstrate pricing discipline across all of our lines of business, and we will seek to do so in 2012 as well. And third, as I mentioned in the prepared remarks, we take the overall economic environment into consideration. So stepping back, relative to our prepared remarks, we indicated that we expect our ongoing businesses to contribute to EPS growth on an overall basis. So your long-term assumptions are correct. Some moving pieces may be in between, but we feel good around the building momentum coming out of the year.

Justin Lake (UBS):
You mentioned a pricing environment. Maybe you can just flush that out as far as what you're seeing? And then specifically talk to Vanbreda and the contribution there next year. I think you had previously spiked that out as an expectation of about $35 million of accretion.

David Cordani (President and Chief Executive Officer):

First, as it relates to pricing, as we've noted in the past several years, we've indicated that the pricing environment is competitive. Having said that, we've seen some pockets recently of elevated competitiveness, especially in the risk business. We view that the diversity of our product portfolio helps us from that standpoint. I'd note that for our 2011 projection, the majority of our progress and success has been in ASO.

As I noted in the 2012 early projection, the vast majority of that 400,000 growth in lives is going to be ASO, again in a competitive pricing environment. We've seen some elevation of competitiveness in geographic pockets.

As it relates to Vanbreda, again, at this point we're not providing detailed 2012 guidance. I would suggest to you that for 2011 the Vanbreda results have played out well for us and remind you of the strategic rationale of why we pursued this.

It helps us meet the needs of the globally mobile, while positioning us as the leading player of Expatriate Benefits and, very importantly, strategically positioned us in a new segment, which are the IGOs, the inter-governmental organizations.

When we provide more detailed guidance for 2012, in the early part of the year, we'll talk about this in a little more specificity.

Justin Lake (UBS):

Okay, great and if I could just sneak in one follow-up on HealthSpring. You mentioned how positively the street, and the managed care community, views HealthSpring's management team. I'd certainly second that. So I was hoping you might be willing to share with us how long the contractual lockup here is among those key managers, especially Herb Fritch.

David Cordani (President and Chief Executive Officer):

Justin, you're sneaking a lot of questions. But they're good ones, so I appreciate it.

First, relative to the HealthSpring leadership team, first I want to reiterate, as I said on the call before, how impressed I've been and our team has been with Herb, specifically, and his leadership. Their passion, coupled with capabilities, are extremely impressive.

Secondly, while you might take pause at this, I think the opportunity for our two organizations together beyond contractual relationships, which I'll comment on in a moment, are mostly going to be delineated in terms of our shared view of both the responsibility and the opportunity to drive change in the health care marketplace. That's what motivates Herb, that's what motivates his leadership team, that's what's the driving force, in terms of their effectiveness, and in terms of partnering with the physicians. We share that passion.

Our ability to continue the direction that they have, to fuel further growth and innovation, that's the big opportunity. Having said that, in some of the filings, you'll be able to see that Herb and key members of his team have signed on for a variety of level of years. And that's a bit of the contractual formality that exists. We feel good about that as well, but what's most important is the philosophical alignment and collectively going out and building the next stage of what the marketplace needs.

Christine Arnold (Cowen):
Hi there. On HealthSpring, do you see an opportunity to apply the way that they're contracting with physicians and other providers to your commercial business over time and how does that dovetail with your ACO strategy? On these 400,000 members, could you speak to the specialty sell-through for those - particularly at the smaller end of the market where it seems like that's a lot of the earnings opportunity?

David Cordani (President and Chief Executive Officer):

Good morning, Christine. It's David. On the first part, as we noted, one of the value creators we see for our two organizations is just what you said -- expanding the focus and the ability to bring that physician partnership incentives and alignment model to the commercial space. And we see it two different ways. One, we see offerings in capabilities to be brought forth for today's commercial employer market, with a product and a choice alternative. And then secondly, we see an exciting set of opportunities to bring forward for what we'll call the evolving retailer/individual market, in light of the 2014 exchanges.

So point one, we see that as a very important part of the opportunities in front of us, and Herb and his team share that. In the early interaction that Herb has had with his physician partners, they see that and embrace that opportunity.

As it relates to our ACO model, we see them as highly aligned. In some ways, Herb's model is more sophisticated and has driven the incentive alignment further and faster. But the overall ACO model we have, shares the exact same framework. As I mentioned, we've entered our 15th patient-centered initiative very recently. It's incentive alignment, it's the use of targeted information to drive quality and service improvement and it's care coordination capabilities, like case managers, nutritionists and the like.

So philosophically, we are aligned, and I would suggest that his model's a bit more sophisticated.

As it relates to the 400,000 members, you should assume that our basic rule of thumb still holds. In the Select segment, the level of specialty pull-through is extraordinarily high. In the Middle Market segment, generally speaking, the level of specialty pull-through is high, a little less so than Select. And then in the National Account space, generally speaking, lower.

The last comment I'll make is a string to pull throughout. Generally speaking, when we sell consumer-directed or high engagement-based capabilities, the level of specialty pull-through is higher, regardless of the segment, because the employer understands the benefit of integration and the benefit of the overall program delivery – so there are good trajectories there.

Christine Arnold (Cowen):

So can I assume that there's more specialty sell-through in 2012 versus 2011, given that you're selling more Select and Middle Market? Or is that reading too much?

David Cordani (President and Chief Executive Officer):

No, Christine, I would not say that.

I would say there's a continuation of our progress in the Select and Middle Market segments, and you should view that there's therefore a continuation of the Specialty trajectory. Secondly, as I mentioned before, the increase in our outlook is driven by an improvement in our National Accounts outlook. So with National Accounts as I referenced before -- on average, there's less Specialty pull-through. On our overall portfolio, since we expect an increase of at least 400,000 covered lives, we'll have lift in our Specialty portfolio.

Carl McDonald (Citi):
Great, thank you. I wanted to clarify the comment that you'd grow earnings in 2012. That's making the adjustment for the change in international accounts in accounting, so in other words, growth off the $4.80 to $5.05 per share for 2011?

David Cordani (President and Chief Executive Officer):

Correct. As Ted mentioned in our prepared remarks, the base will be reset. The trajectory, though, is what we're referencing.

Carl McDonald (Citi):

Got it. Okay, and then second, you talked last quarter about seeing increased interest from risk accounts converting to ASO. Now that we're actually through a lot of the selling season, I'd be interested in the results there. Did the risk employers look at it and decide not to do it? Or did you see more conversions than are normal?

David Cordani (President and Chief Executive Officer):

Sure, Carl. As I mentioned, if you think about a 2011 membership outlook, the majority of our membership performance in 2011 is ASO. As I referenced for 2012, within the 400,000 net growth of health care customers -- we said the vast majority of that is ASO. So stepping back, I'd suggest if you look at the pattern, what we've seen in the marketplace is continued increased demand for more transparent products, of which ASO is the most transparent product in the portfolio, as well as an increasing demand as you go down market, moving beyond the traditional middle market account of 500 to 800 employees -- down to the Select segment of 250 or 200 or 150 and beyond employees.

So for Cigna, ASO continues to be the largest portion of our traction and trajectory and we see increasing demand in the marketplace, both in the traditional middle market space, but also down market and the Select segment space.

Ana Gupte (Sanford Bernstein):

Hi, thanks. Good morning. My question is again about the HealthSpring acquisition. To what extent did group retiree conversions play into your strategic and financial rationale for doing the deal? Specifically, as we think about 2013 or even 2012, what is the pipeline that you are seeing for this? And to what extent do you think the Cigna/HealthSpring combination would be able to capture some of that?

And then finally, around the type of employers that are doing this, given that you don't have a broad national footprint, is this more the national accounts? Is it more state governments? And if it is more about having a national system, how are you planning to build that out?

David Cordani (President and Chief Executive Officer):

Good morning. It's David. First, the first two are tied together, which are relative to the group retirees. Simple answer is yes and this absolutely factored into our strategic thinking. We think about it two ways. One, we think about the large cadre of emerging Medicare eligibles, think about the pre-65 retirees and soon-to-be-retirees, and begin to position to coordinate and having continuity of service as best we can as they age into Medicare eligible status.

In addition, we see a large pipeline of current Medicare eligible retirees and an opportunity to systematically have a set of offerings to assist them. As it relates to the marketplace looking forward, we think over time, as I mentioned in our prepared remarks, that having the HealthSpring solution will bode very well for both the existing marketplace that HealthSpring targets, as well as bringing additional pipeline of opportunities off of our book of business.
Your question then goes to the type of employers. I'd first step back and go and merge us up against our Go Deep strategy. Everything we've been focused on over the last 2-1/2 years has been around Go Deep. HealthSpring, as well, understands, knows and has done an extraordinarily good job with Go Deep, so Herb's team and our team talks the same language. So this will be about focus, focus, focus. Then, as we indicated in our prepared remarks, we'll talk about expanding their platform in key geographies where we see the highest need for our clients and customers and the highest opportunity going forward.

Ana Gupte (Sanford Bernstein):

Okay, thanks. After doing this deal, would you be more open to considering a sale of your captive PBM? And then, have you totally ruled out Vitality Re type transactions? Do they not apply to your book as a way to free some capital and improve your balance sheet?

David Cordani (President and Chief Executive Officer):

First, relative to our PBM, we continue to believe that our PBM is performing very well and, as we've noted before, is an important part of our clinical value proposition. Second, as we've indicated before, we've built a lot of structural flexibility into our PBM, because that space continues to grow from the more traditional aspects of retail and mail-ordered, to putting in place the specialty programs, et cetera.

Relative to the opportunities that present themselves with HealthSpring coming into the fold, we see further opportunity to add value through the PBM space. Over time, we're going to seek meaningful opportunities to add value over that space for HealthSpring. We'll make sure we have a detailed understanding of that relationship and make sure that whatever we're doing first and foremost puts their customers, or soon to be our customers, first, and then evolve our PBM strategy. Most importantly, there are several significant opportunities for further value creation there.

As it relates to your broad question on capital, you should view that we continue to look at a variety of mechanisms for capital flexibility. And as Ralph noted in his prepared remarks and his follow-up relative to VADBe, we believe we do and will continue to have good capital flexibility on a go-forward basis. So we would not rule that out as a concrete example, but we also would not limit to that as a sole example of how to get additional capital flexibility.

Ana Gupte (Sanford Bernstein):

Thanks for taking my questions.

Peter Costa (Wells Fargo):

Good morning. I'd like to expand a little bit on the capital question, post the HealthSpring closing. Couple questions about what your capital priorities would be. On Arbor will you replace the $150 million in capital that's now arguably used up here by the $170 million of charges in the quarter?

Additionally, how will cash be coming out of HealthSpring? Will you have to put more cash into HealthSpring, in terms of refinancing some of the debt? Would we expect to see share repurchases going forward and further international acquisitions? Finally, where will paying down your acquisition debt be, in terms of priorities?

Ralph Nicoletti (Chief Financial Officer):

Sure, Peter, it's Ralph. Couple points within your question. First, our capital deployment priorities remain unchanged. We want to support the internal business, pursue acquisitions that are both strategic and financially attractive and then look at opportunities beyond that to return value to shareholders.
Regarding HealthSpring specifically, as we look at the capital levels of the business today, we have modeled that we will, over time, increase their capital level. But that could be done within the cash generation of the business, so we would not envision infusing additional capital from the parent level into the business to bring up the capital ratio from where it is. We have looked at that, and we certainly believe that there is sufficient cash flow within that operation to step that up.

Regarding overall capital and deployment, as we set up the equity and debt financing going forward, our plan would be, as I mentioned in the call earlier this week, to bring our debt to capitalization ratio down to more of our historic target levels, in the 25% to 30% range in a reasonable period of time. That becomes a near-term priority to bring some of that level down, but that also enables us to have enough flexibility to look at other opportunities, both inside and outside the U.S., consistent with our strategies.

Importantly, throughout all of this, both businesses generate very strong cash flows. So we would expect to be seeing cash moving up to the parent from the subsidiaries of both companies.

Peter Costa (Wells Fargo):

How long do you think it'll take before the cash moves up from HealthSpring?

Ralph Nicoletti (Chief Financial Officer):

It's hard to say what the rate and pace would be exactly. We would think certainly over the next 24 months we're going to see an upward trend in the RBC ratio as well as some cash generation up to the parent, as well.

Peter Costa (Wells Fargo):

Okay, and then can you talk a little bit about the market overlaps between yourselves and HealthSpring and then what to do outside of HealthSpring’s markets? Will you continue to use the Humana JV or will that go away altogether? What else will you do in terms of acquisitions? Will M&A be something that you’ll pursue in Medicare?

David Cordani (President and Chief Executive Officer):

Relative to the market overlap, first, to be clear, I think as you very well know, we do not have overlap relative to Cigna and HealthSpring as it relates to Medicare solutions and geographies. So from a regulatory standpoint that should aid us in the process. From a geographic standpoint and understanding which markets are most important to their growth and our growth we have a shared alignment around that and a way to approach the market. As it relates to M&A and growth of the markets, it will be over time a combination of organic growth of markets leveraging our collective capabilities and then opportunistically acquiring additional footprints that benefit the organization.

As it relates to the Humana alliance, as you recall, we put the Humana alliance in place to accommodate the needs of our employer, clients and customers as more of a national solution. At this point in time we would expect post-closing of the HealthSpring acquisition that both solutions would coexist and then we would work with the Humana leadership to ensure that the solution we have is mutually beneficial to both organizations over time.

Kevin Fischbeck (Bank of America – Merrill Lynch):

Thank you. Question on the HealthSpring deal. I've got a pretty good sense of what HealthSpring's going to be able to do, but the one missing piece in my model when thinking about it is the amortization number. Do you have any guidance on what amortization might be pro forma for the deal?

Ralph Nicoletti (Chief Financial Officer):
Yes, Kevin, it’s Ralph. At this point in time, it hasn’t been finalized yet. So what I would suggest is that there could be a range of estimates in there. I’d prefer not to lock into any one particular estimate. As we said, excluding amortization, we think the transaction would be highly accretive. I think that’s very important. But the actual amortization estimate still needs to be finalized.

**Kevin Fischbeck (Bank of America – Merrill Lynch):**

Okay. If you could then comment a little bit on cost trends. Obviously, you took your cost trend estimate down for the year. Any commentary directionally on Q3 costs trend versus Q2 and what the major drivers of trend are right now?

**Ralph Nicoletti (Chief Financial Officer):**

The cost trend has been largely consistent for the first three quarters of the year. So what we saw in Q3 was largely similar to Q2. As I mentioned in our outlook for this year, our assumption is that we would start to see the utilization trends in particular begin to move back to more historical levels. So that’s what we’ve anticipated in our guidance for the full year. David, do you want to add any color on what you see in the marketplace?

**David Cordani (President and Chief Executive Officer):**

One piece I will add is that we have noticed, and it’s important in the utilization trend, that within our portfolio of clients, specifically for those clients who have some of the more innovative clinical programs attached, we continue to see an uptick in utilization of many of what we’ll call the important and right services, so wellness, prevention, medication, compliance rates, et cetera. And all of that is taking place in a book of business that, as Ralph mentioned, is showing a good overall medical cost trend. When we talk about utilization decelerating, it’s important to understand that the right types of utilizations of services of prevention and wellness supporting the appropriate clinical programs are actually upticking. That benefits individuals and it benefits clients.

**Kevin Fischbeck (Bank of America – Merrill Lynch):**

So you’re expecting trends to return, although right now you’re not seeing a change in trend?

**David Cordani (President and Chief Executive Officer):**

That’s correct.

**Kevin Fischbeck (Bank of America – Merrill Lynch):**

Okay, great. Thanks.

**David Windley (Jefferies & Company):**

Thanks for taking the questions. I wondered on the HealthSpring acquisition if their early and small push -- but nonetheless push -- into Medicaid would change or soften your views that I think have been somewhat cautious about Medicaid? And what would be your outlook for the Medicaid business?

**David Cordani (President and Chief Executive Officer):**

Since those views were views that I put forth, I’ll address that question. As we go back to the senior solution when we walked through our strategy what we did indicate was that when we secure a seniors platform we view that that was an opportunity in targeted geographies to selectively explore the Medicaid population, especially ABD population. We have a shared philosophy and a shared orientation with Herb and his team that it’s a market specific decision if you are going to leverage the seniors’ capability, the infrastructure and very importantly the clinical capabilities and programs.
What we were trying to be clear on is that as Cigna was configured we do not believe we had differentiated capabilities to enter the Medicaid space. While we saw it as a growing market, we did not have the capabilities to differentiate and ultimately win. But if we sought to do it off of a differentiated senior solution and do it opportunistically in key geographies, then that’s the direction you should expect to see going forward.

David Windley (Jefferies & Company):

Okay great. Thank you for that and on rebates – I have a two-part question here. First of all, could you comment on what portion of your book of business is in rebate status based on a percentage of sales or something like that? And then I’m curious on your comments around hospital contracting. You were careful to comment that pockets of geography might be different, but on average in line. I’m wondering if rebate status can have some influence on being creative on your hospital contracting side geography by geography?

David Cordani (President and Chief Executive Officer):

Yes. I’ll start on the contracting and ask Ralph to add on the rebates and maybe speak more toward our rebate position in total. Relative to contracting, first, my comments on geography were not meant to be coded. When you’re managing a national portfolio clearly you’re going to have higher and lower results -- that was the reference I was making.

In total, the pattern of contracts in 2012 is not materially different than the patterns of the contracts in 2011 or 2010. As it relates to the orientation of whether or not rebates correlate to the contracting piece, I would say generally speaking no, and would remind you of the size of the book of business; we have 9-10% of guaranteed cost members of the total population of our portfolio. When you take that and whittle it down and go to any specific geography and any specific cell that you’re dealing with from a rebate standpoint, from a Cigna point of view it would not be that significant to influence in any way, shape or form. Ralph, anything else you’d like to add on the rebates?

Ralph Nicoletti (Chief Financial Officer):

A couple of points. Obviously, there’s a lot of moving parts to that. In the quarter, for perspective, we recorded an additional $19 million after tax on rebates. Year to date $44 million after tax is what we have on the rebate accrual.

David Windley (Jefferies & Company):

Okay, great. Thank you.

John Rex (J.P. Morgan):

Thanks. With respect to some of your 2012 commentaries, you referred to your current trend running 5-1/2 to 6-1/2 as you look at ‘11 now, so where do you anticipate commercial trend to run in ‘12? And does your renewal pricing that you’ve locked in so far match that?

David Cordani (President and Chief Executive Officer):

John, our prepared remarks said 5-1/2 to 6 for 2011. We’ve seen a continued downtick in that. And as you may have heard in my prior comments, very importantly, we continue to see for prevention, wellness, some kind of key service utilization, actually some uptick there. To the core of your question, we are not providing 2012 specific guidance. You should assume that as we’ve talked directionally we are making directional assumptions that the rate and pace of utilization increases throughout the course of 2012 relative to what it’s been in 2011 more to historic levels. Time will tell whether or not that’s correct. Our basic assumptions you should think about are not a step function on January 1 but that it would transpire throughout the course of the year. And lastly, a general assumption is that our pricing assumptions would
be pricing more toward our projected trend and continue to get trued up as we learn more on each monthly cycle.

**John Rex (J.P. Morgan):**

A historical level if I look at trend in this country over the last 50 years, its averaged about 8%. Is that commensurate with what you’d call historic levels?

**David Cordani (President and Chief Executive Officer):**

John, I’m not going to put a number out there. What I might ask you to think about is if you take our 5-1/2 to 6, for example, of which we’ve said 2012 relative to 2011 contracting is about intact in terms of rate pay size. And if you assume that 2011 had a lighter overall utilization rate, whatever your personal assumptions are in terms of normal utilization, then you could put it on top of the 5-1/2 to 6 and move it up to your projection. Clearly, when we provide you guidance we’ll provide more clarity for you. But that’s the way we would think about it.

**John Rex (J.P. Morgan):**

All right, you know what I’m trying to do here, I’m trying to understand what kind of margin for error exists here. That is, can I withstand 100 basis points of trend deceleration in your guidance or can I withstand 50? I’m just trying to get an order of magnitude so we can get a sense of how much margin for deceleration that 2012 could withstand.

**David Cordani (President and Chief Executive Officer):**

John, I’ll try to be helpful here. First, as you know, but its important to remember, that 80 plus percent of our business is ASO, approaching 10% in terms of shared returns, and in round numbers 10% guaranteed cost, to set the frame in terms of the exposure to trend acceleration in any given point in time. In our guarantee cost or risk business our case size continues to be higher than average versus the industry because, for example, we’re not in the under 50 market. The relevance there is that we use case specific experience to set rates on a go forward basis.

Last relevant data point, greater than 50% of our overall portfolio business renews on January 1. So as you’re thinking about an environment where we have three quarters of 2011 with moderate utilization, Ralph indicated that we’re assuming that the fourth quarter has some uptick in utilization, and my comment relative to 2012 suggests we’re projecting an increase in utilization but not on January 1, somewhat ratably throughout the course of the year, you could draw your conclusion.

Our conclusion is that we are less exposed than most as it relates to accelerated changes in either direction for medical costs largely because we have a highly transparent portfolio and our incentives are directly aligned with our employer clients.

**Matt Borsch (Goldman Sachs):**

Yes, thanks guys. On the pricing where you talked about elevated competitiveness, can you give us any granularity there in terms of whether you’re seeing that in the risk business more from the public or more or from not-for-profit areas and if you think it’s largely driven by the MLR rebates? And of course I’d be interested if you can spike out any geographies.

**David Cordani (President and Chief Executive Officer):**

Matthew, good morning, it’s David. So to try to give you a little bit more color, first and foremost what we’ve seen is, broadly speaking, the continuation of a competitive environment as I’ve indicated. Within that, I flagged an uptick in the level of competitiveness in some key pockets. I referenced earlier that it was specifically in the risk space.
Relative to Cigna, I noted that in 2011 the majority of our growth has been in the ASO space. And when we flagged our 400,000 of customer growth for 2012 we said the vast majority of that would be ASO. In part we’ve seen pockets of movement in the risk portfolio that we backed away from and we’re leveraging our ASO space a little more aggressively. If it’s public or privates we would say both, in geographies a few. Southern California is a good concrete example and the tri-state region on the East Coast is a second example.

Matt Borsch (Goldman Sachs):

Great that -- yes, that triangulates with what we’ve heard as well. Just as a last question, could you remind us what the adjustment is, the rebates for 2011 relative to your statement that earnings will grow in 2012?

Ralph Nicoletti (Chief Financial Officer):

Yes, year to date, our accrual was $44 million on an after-tax basis.

Matt Borsch (Goldman Sachs):

Okay. Thank you.

David Cordani (President and Chief Executive Officer):

I want to thank everybody for participating in our call. In closing I’ll briefly highlight key quarterly performance highlights and our 2012 outlook.

Our third quarter operating results delivered strong top line and bottom line growth. We continue to invest for our future success including the pending acquisition of HealthSpring. Based on the strength of our third quarter results we are confident in achieving our increased outlook for 2011.

Given our sustainable profitable growth during the past two years we expect to continue this momentum into 2012 with revenue growth from each of our operating businesses. And we expect to grow our health care membership by at least 400,000 customers in 2012. In 2012 we expect to achieve solid consolidated earnings and EPS growth. We thank you for joining us on the call today and look forward to speaking with you in the future. Have a great day.

END