

Cigna Corporation

Quarterly Financial Supplement March 31, 2019

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Cigna Corporation
March 31, 2019 Quarterly Financial Supplement
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BASIS OF PRESENTATION:

All dollar amounts are in millions, unless otherwise noted.

Cigna measures its financial results on a consolidated basis using adjusted income from operations and adjusted revenues. Adjusted income from operations and adjusted revenues on a consolidated basis are not determined in accordance with accounting principles generally accepted in the United States of America ("GAAP") and should not be viewed as a substitute for the most directly comparable GAAP measures which are shareholders' net income and total revenues. Cigna also uses adjusted income from operations to measure the results of its segments, however the segment metric is determined before income taxes.

Adjusted income from operations is defined as shareholders' net income (or income before income taxes for the segment metric) excluding the following adjustments: net realized investment results, amortization of acquired intangible assets, special items and earnings contributions from transitioning pharmacy benefit manager clients, Anthem Inc. and Coventry Health Care, Inc. (the "transitioning clients"). Adjusted income from operations is used as our principal financial measure of operating performance because management believes it best presents the underlying results of operations of Cigna's businesses and permits analysis of trends in underlying revenue, expenses and profitability.

Adjusted revenues is defined as total revenues excluding the following adjustments: revenue contributions from transitioning clients, special items and Cigna's share of certain realized investment results of its joint ventures reported in the International Markets segment using the equity method. These items are excluded because they are not indicative of past or future underlying performance of our businesses.

In some financial tables in this Quarterly Financial Supplement, we present percentage changes. When those changes are so large as to become not meaningful, we present "N/M" in place of the computed percentage.

Cigna Corporation
Financial Highlights (unaudited)

	Three Months Ended March 31,			% Change	
	2019	2018			
Total revenues	\$ 37,946	\$ 11,413		232 %	
Revenue contributions from transitioning clients	(4,489)	-		N/M	
Net realized investment (gains) losses from equity method investments	(28)	2		N/M	
Adjusted revenues ⁽¹⁾	\$ 33,429	\$ 11,415		193 %	
Shareholders' net income	\$ 1,368	\$ 915		50 %	
Pre-Tax Adjusted Income (Loss) From Operations by Segment					
Health Services	\$ 994	\$ 83		N/M	
Integrated Medical	1,170	1,012		16 %	
International Markets	206	217		(5)	
Group Disability and Other	84	116		(28)	
Corporate	(490)	(92)		N/M	
Consolidated pre-tax adjusted income from operations	\$ 1,964	\$ 1,336		47 %	
Income tax expense	466	326		43	
Consolidated after-tax adjusted income from operations	\$ 1,498	\$ 1,010		48 %	
Diluted earnings per share					
Shareholders' net income	\$ 3.56	\$ 3.72		(4) %	
After-tax adjustments to reconcile to adjusted income from operations					
Adjustment for transitioning clients	(1.31)	-			
Net realized investment (gains) losses	(0.10)	0.10			
Amortization of acquired intangible assets	1.47	0.08			
Special items					
Integration and transaction-related costs	0.28	0.21			
Adjusted income from operations	\$ 3.90	\$ 4.11		(5) %	
Weighted average shares (in thousands)	384,024	245,788			
Adjusted EBITDA ⁽²⁾	\$ 2,571	\$ 1,510		70 %	
Operating cash flow (see page 12)	\$ 3,192	\$ 2,025		58 %	
SG&A expense ratio ⁽³⁾	9.3 %	23.5 %		N/M	
CUSTOMER RELATIONSHIPS					
	As of March 31,			As of December 31,	
<i>(Relationships, lives and policies in thousands)</i>	2019	2018	% Change	2018	% Change
Total Medical Customers (see page 7)	16,993	16,769	1 %	16,961	- %
Pharmacy excluding transitioning clients	74,935	8,796	N/M	73,230	2
Behavioral care	28,046	26,998	4	27,215	3
Dental	17,122	16,521	4	16,544	3
Medicare Part D	3,302	784	N/M	3,295	-
International Markets policies	12,576	12,061	4	12,569	-
Group Disability and Life covered lives (estimated)	15,200	15,300	(1)	14,800	3
Total customer relationships	168,174	97,229	73 %	164,614	2 %

(1) Adjusted revenues is defined as total revenues excluding the following adjustments: revenue contributions from transitioning clients, special items and Cigna's share of certain realized investment results of its joint ventures reported using the equity method. These items are excluded because they are not indicative of past or future underlying performance of our businesses.

(2) Adjusted income from operations excluding interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-GAAP measure, defined as shareholders' net income excluding income taxes, contributions from transitioning clients and the before-tax impact of special items, interest expense, total depreciation and amortization, and net realized investment results.

(3) SG&A expense ratio is calculated as follows: Cigna's total selling, general and administrative expenses excluding special items and expenses from transitioning clients divided by Cigna's consolidated adjusted revenues.

Cigna Corporation
Consolidated Income Statements (unaudited)

(Dollars in millions)

Three Months Ended March 31,

	2019	2018	% Change
Revenues			
Pharmacy revenues	\$ 25,179	\$ 717	N/M
Premiums	9,971	8,999	11 %
Fees and other revenues	2,450	1,368	79
Net investment income	346	329	5
Total revenues	37,946	11,413	232
Benefits and expenses			
Pharmacy and other service costs	24,050	561	N/M
Medical costs and other benefit expenses	7,620	6,772	13
Selling, general and administrative expenses excluding special items	3,167	2,685	18
Amortization of acquired intangible assets	743	27	N/M
Special items	136	60	127
Total benefits and expenses	35,716	10,105	253
Income from operations	2,230	1,308	70
Interest expense and other	(452)	(57)	N/M
Net realized investment gains (losses)	10	(33)	130
Income before income taxes	1,788	1,218	47
Total income taxes	416	301	38
Net income	1,372	917	50
Less: Net income attributable to noncontrolling interests	4	2	100
Shareholders' net income	1,368	915	50
After-tax adjustments to reconcile adjusted income from operations			
Adjustment for transitioning clients	(504)	-	
Net realized investment (gains) losses	(38)	25	
Amortization of acquired intangible assets	564	20	
Special items			
Integration and transaction-related costs	108	50	
Adjusted income from operations	\$ 1,498	\$ 1,010	48 %

Cigna Corporation
Health Services
Segment Results (unaudited)

	Three Months Ended March 31,	
	2019	2018
<i>(Dollars in millions)</i>		
Revenues		
Pharmacy revenues	\$ 25,920	\$ 1,070
Fees and other revenues	1,014	-
Net investment income	15	1
Total revenues	26,949	1,071
Benefits and expenses		
Pharmacy and other service costs	24,835	968
Gross profit	2,114	103
Selling, general and administrative expenses	458	20
Amortization of acquired intangible assets	713	-
Income from operations	943	83
Interest expense and other	(1)	-
Income before income taxes	942	83
Pre-tax adjustments required to reconcile to adjusted income from operations		
Adjustment for transitioning clients	(660)	-
Pre-tax (income) attributable to noncontrolling interests	(1)	-
Amortization of acquired intangible assets	713	-
Pre-tax adjusted income from operations	\$ 994	\$ 83
Pre-tax adjusted margin	4.4 %	7.7 %
Reconciliation of total revenues to adjusted revenues		
Total revenues	\$ 26,949	\$ 1,071
Revenue contributions from transitioning clients	(4,489)	-
Adjusted revenues ⁽¹⁾	\$ 22,460	\$ 1,071

First quarter 2019 segment results include contributions from the acquired Express Scripts business.

(1) Adjusted revenues is defined as total revenues excluding the following adjustments: revenue contributions from transitioning clients, special items and Cigna's share of certain realized investment results of its joint ventures reported using the equity method. These items are excluded because they are not indicative of past or future underlying performance of our businesses.

Cigna Corporation
Health Services
Key Metrics (unaudited)

(Dollars and adjusted scripts in millions)

Three Months Ended
 March 31, 2019

Selected Financial Information ⁽¹⁾

Adjusted EBITDA ⁽²⁾ \$ 1,031

Pharmacy revenue by distribution channel ⁽¹⁾

Network revenues \$ 9,268
 Home delivery and specialty revenues 11,041
 Other revenues 1,122
 Total pharmacy revenues \$ 21,431

Pharmacy script volume

Adjusted network scripts ⁽³⁾ 222
 Adjusted home delivery and specialty scripts ⁽³⁾ 70
 Total adjusted scripts ⁽³⁾ 292

Generic fill rate

Network 87.8%
 Home delivery 84.4%
 Overall generic fill rate 87.4%

(1) Health Services segment metrics on this page are presented excluding contributions from transitioning clients.

(2) Adjusted income from operations excluding interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-GAAP measure, defined as shareholders' net income excluding income taxes, contributions from transitioning clients and the before-tax impact of special items, interest expense, total depreciation and amortization, and net realized investment results.

(3) Non-specialty network scripts filled through 90-day programs, and home delivery scripts are multiplied by three. All other network and specialty scripts are counted as one script.

Cigna Corporation
Integrated Medical
Segment Results (unaudited)

(Dollars in millions)

Three Months Ended March 31,

	2019	2018	% Change
Revenues			
Premiums	\$ 7,583	\$ 6,676	14 %
Fees and other revenues	1,489	1,363	9
Net investment income	123	111	11
Total revenues ⁽¹⁾	9,195	8,150	13
Benefits and expenses			
Medical costs	5,985	5,174	16
Selling, general and administrative expenses	2,040	1,964	4
Amortization of acquired intangible assets	18	22	(18)
Total benefits and expenses	8,043	7,160	12
Income from operations			
	1,152	990	16
Net realized investment gains (losses)	5	(18)	128
Income before income taxes			
	1,157	972	19
Pre-tax adjustments required to reconcile to adjusted income from operations			
Net realized investment (gains) losses	(5)	18	
Amortization of acquired intangible assets	18	22	
Pre-tax adjusted income from operations			
	\$ 1,170	\$ 1,012	16 %
Pre-tax adjusted margin			
	12.7 %	12.4 %	30 bps

(1) Total revenues were equal to adjusted revenues in the Integrated Medical segment for the periods presented.

Cigna Corporation
Integrated Medical
Revenue and Medical Care Ratio (unaudited)

(Dollars in millions)

Three Months Ended March 31,
2019 2018

% Change

Premiums:

Commercial Premiums

Risk	\$	3,039	\$	2,611	16	%
Stop loss		1,069		980	9	
Other		<u>278</u>		<u>258</u>	8	
Total Commercial premiums		<u>4,386</u>		<u>3,849</u>	14	

Government Premiums

Medicare Advantage		1,607		1,498	7	
Medicare Part D		525		228	130	
Other		<u>1,065</u>		<u>1,101</u>	(3)	
Total Government premiums		<u>3,197</u>		<u>2,827</u>	13	

Total premiums		7,583		6,676	14	
Fees and other revenues		1,489		1,363	9	
Net investment income		<u>123</u>		<u>111</u>	11	

Total revenues	\$	<u>9,195</u>	\$	<u>8,150</u>	13	%
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Medical Care Ratio		78.9	%	77.5	%	(140)	bps
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Cigna Corporation
Total Medical Customers (unaudited)

COVERED LIVES BY FUNDING TYPE:	As of March 31,			As of December 31,			COVERED LIVES BY MARKET SEGMENT: ⁽³⁾	As of March 31,			As of December 31,		
	2019	2018	% Change	2018	% Change	2019		2018 ⁽⁴⁾	% Change	2018 ⁽⁴⁾	% Change		
<i>(Lives in thousands)</i>						<i>(Lives in thousands)</i>							
Medical customers: ⁽¹⁾						Medical customers: ⁽¹⁾							
Commercial risk	1,991	1,844	8 %	1,911	4 %	National Accounts	3,664	3,757	(2) %	3,738	(2) %		
Government risk						Middle Market	8,119	8,027	1	8,105	-		
Medicare Advantage	442	433	2	436	1	Select	2,232	2,040	9	2,138	4		
Other ⁽²⁾	963	956	1	971	(1)	Small	1	1	-	1	-		
Total government risk	1,405	1,389	1	1,407	-	Total Commercial	14,016	13,825	1	13,982	-		
Services only customers - Integrated Medical	12,025	11,981	-	12,071	-	Total Government	1,405	1,389	1	1,407	-		
Total Integrated Medical	15,421	15,214	1	15,389	-	Total Integrated Medical	15,421	15,214	1	15,389	-		
International Markets	1,572	1,555	1	1,572	-	International Markets	1,572	1,555	1	1,572	-		
Total medical customers	16,993	16,769	1 %	16,961	- %	Total medical customers	16,993	16,769	1 %	16,961	- %		

(1) Includes individuals in our Integrated Medical and International Markets segments who meet any one of the following criteria: are covered under a medical insurance policy, managed care arrangement, or service agreement issued by Cigna; have access to Cigna's provider network for covered services under their medical plan; or have medical claims and services that are administered by Cigna.

(2) Includes Medicaid, Medicare Supplement and Individual customers. As of March 31, 2019, individual business includes on-exchange Patient Protection and Affordable Care and Education Reconciliation Act ("ACA") business (281,000 customers), off-exchange ACA business (9,000 customers) and off-exchange non ACA business (34,000 customers).

(3) Market Segments are defined as follows:

- the National Accounts market segment includes multi-state employers with more than 5,000 U.S. based, full-time employees in more than one state*
- the Middle Market segment includes employers with more than 500 but fewer than 5,000 U.S. based, full-time employees, single-site employers with more than 5,000 employees, Taft Hartley plans, and other third party payers;*
- the Select market segment includes employers with more than 50 but fewer than 500 eligible employees;*
- the Small market segment includes employers with 2-50 employees. Cigna has made a strategic business decision to exit this Market Segment.*
- the Government market segment offers Medicare Advantage (both to individuals who are post-65 retirees, as well as employer group sponsored pre- and post-65 retirees), Prescription Drug Program, Medicare Supplement and Medicaid products as managed care alternatives to publicly funded healthcare programs. The segment also offers individual health insurance coverage both on and off the public exchanges.*
- the International Markets segment is focused on health care and supplemental products and services to meet the needs of local and multinational individuals and organizations and their local and globally mobile employees and dependents.*

(4) Prior year lives have been reclassified to reflect current market segment presentation at the employer level, according to the definitions discussed in note 3. Additionally, prior year lives for Middle Market and Select market segments have been updated to reflect those definitions.

Cigna Corporation
International Markets
Segment Results (unaudited)

(Dollars in millions)

Three Months Ended March 31,

	2019	2018	% Change
Revenues			
Premiums	\$ 1,304	\$ 1,260	3 %
Fees and other revenues	80	42	90
Net investment income	38	37	3
Total revenues	1,422	1,339	6
Benefits and expenses			
Medical costs and other benefit expenses	746	710	5
Selling, general and administrative ⁽¹⁾	437	410	7
Amortization of acquired intangible assets	11	4	175
Total benefits and expenses	1,194	1,124	6
Income from operations			
	228	215	6
Interest expense and other	(1)	-	N/M
Net realized investment gains (losses)	(5)	(2)	(150)
Income before income taxes			
	222	213	4
Pre-tax adjustments required to reconcile adjusted income from operations			
Pre-tax (income) attributable to noncontrolling interests	(4)	(4)	
Net realized investment (gains) losses	(23)	4	
Amortization of acquired intangible assets	11	4	
Pre-tax adjusted income from operations			
	\$ 206	\$ 217	(5) %
Pre-tax adjusted margin			
	14.8 %	16.2 %	(140) bps
Reconciliation of total revenues to adjusted revenues			
Total revenues	\$ 1,422	\$ 1,339	6 %
Net realized investment (gains) losses from equity method investments	(28)	2	N/M
Adjusted revenues ⁽²⁾	\$ 1,394	\$ 1,341	4 %

(1) Selling, general and administrative expenses include policy acquisition expenses of \$171 million for the three months ended March 31, 2019 and \$173 million for the three months ended March 31, 2018.

(2) Adjusted revenues is defined as total revenues excluding the following adjustments: revenue contributions from transitioning clients, special items and Cigna's share of certain realized investment results of its joint ventures reported using the equity method. These items are excluded because they are not indicative of past or future underlying performance of our businesses.

Cigna Corporation
Group Disability and Other
Segment Results (unaudited)

	Three Months Ended March 31,		
	2019	2018	% Change
<i>(Dollars in millions)</i>			
Revenues			
Premiums	\$ 1,088	\$ 1,066	2 %
Fees and other revenues	28	30	(7)
Net investment income	180	175	3
Total revenues ⁽¹⁾	1,296	1,271	2
Benefits and expenses			
Benefit expenses	939	891	5
Selling, general and administrative expenses	272	264	3
Amortization of acquired intangible assets	1	1	-
Total benefits and expenses	1,212	1,156	5
Income from operations	84	115	(27)
Interest expense and other	(1)	-	N/M
Net realized investment gains (losses)	10	(12)	183
Income before income taxes	93	103	(10)
Pre-tax adjustments required to reconcile adjusted income from operations			
Net realized investment (gains) losses	(10)	12	
Amortization of acquired intangible assets	1	1	
Pre-tax adjusted income from operations	\$ 84	\$ 116	(28) %
Pre-tax adjusted margin	6.5 %	9.1 %	(260) bps

(1) Total revenues were equal to adjusted revenues in Group Disability and Other for the periods presented.

Cigna Corporation
Corporate
Earnings (unaudited)

	Three Months Ended March 31,		
	2019	2018	% Change
(Dollars in millions)			
Total revenues and eliminations ⁽¹⁾ ⁽²⁾	\$ (916)	\$ (418)	(119) %
Total expenses and eliminations excluding special items ⁽¹⁾	(875)	(383)	(128)
Special items	136	60	127
Total expenses and eliminations	(739)	(323)	(129)
(Loss) from operations	(177)	(95)	(86)
Interest expense and other	(449)	(57)	N/M
Net realized investment (losses)	-	(1)	100
(Loss) before income taxes	(626)	(153)	N/M
Pre-tax adjustments required to reconcile adjusted income from operations			
Net realized investment losses	-	1	
Special items	136	60	
Pre-tax adjusted (loss) from operations	\$ (490)	\$ (92)	N/M %

(1) Includes amounts for elimination of intercompany revenues and expenses.

(2) Total revenues were equal to adjusted revenues in Corporate for the periods presented.

Cigna Corporation
Consolidated Balance Sheets

(Dollars in millions)

	As of March 31, 2019 (Unaudited)	As of December 31, 2018 (Unaudited)		As of March 31, 2019 (Unaudited)	As of December 31, 2018 (Unaudited)
Assets			Liabilities		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 4,976	\$ 3,855	Insurance and contractholder liabilities ⁽²⁾	\$ 7,060	\$ 6,801
Investments	1,662	2,045	Pharmacy and service costs payable	11,145	10,702
Accounts receivable, net	10,941	10,473	Accounts payable	4,488	4,366
Inventories	2,382	2,821	Accrued expenses	7,361	7,071
Other current assets	1,175	1,236	Short-term debt and current maturities of long-term debt	2,915	2,955
Total current assets	21,136	20,430	Total current liabilities	32,969	31,895
Long-term investments	27,257	26,929	Insurance and contractholder liabilities	20,043	19,974
Reinsurance recoverables ⁽¹⁾	5,385	5,507	Deferred tax liabilities, net	9,403	9,453
Deferred policy acquisition costs	2,817	2,821	Other non-current liabilities	3,832	3,470
Property and equipment	4,523	4,562	Long-term debt	37,571	39,523
Goodwill	44,537	44,505	Separate account liabilities	8,079	7,839
Other intangibles	38,338	39,003	Total liabilities	111,897	112,154
Other assets	2,276	1,630			
Separate account assets	8,079	7,839	Redeemable noncontrolling interests	38	37
			Shareholders' Equity		
			Common stock	4	4
			Additional paid-in capital	27,855	27,751
			Accumulated other comprehensive (loss)	(1,282)	(1,711)
			Retained earnings	16,426	15,088
			Less treasury stock, at cost	(595)	(104)
			Total shareholders' equity	42,408	41,028
			Noncontrolling interests	5	7
			Total equity	42,413	41,035
Total assets	\$ 154,348	\$ 153,226	Total liabilities and equity	\$ 154,348	\$ 153,226

(1) Includes \$4.86 billion as of March 31, 2019 and \$4.99 billion as of December 31, 2018 related to: 1) the sale of Cigna's Individual Life & Annuity business in 1998 and Cigna's Retirement Benefits business in 2004, which were primarily in the form of reinsurance arrangements; and 2) the reinsurance transaction with Berkshire in 2013. Corresponding liabilities are primarily reported in Insurance and contractholder liabilities.

(2) Insurance and contractholder liabilities includes \$2.96 billion as of March 31, 2019 and \$2.70 billion as of December 31, 2018 for medical costs payable in the Integrated Medical Segment. For additional details about this balance, see the Unpaid Claims and Claim Expenses rollforward in the Insurance and Contractholder Liabilities footnote in Cigna's Form 10-Q for the period ended March 31, 2019, filed on May 2, 2019.

Cigna Corporation
Condensed Consolidated Statements of Cash Flows (unaudited)

(Dollars in millions)

Three Months Ended March 31,
2019 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$	1,372	\$	917
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		897		140
Realized investment (gains) losses		(10)		33
Deferred income taxes (benefits)		(162)		9
Net changes in assets and liabilities, net of non-operating effects:				
Accounts receivable		(396)		(53)
Inventories		440		94
Deferred policy acquisition costs		(51)		(76)
Reinsurance recoverable and other assets		124		51
Insurance liabilities		360		849
Pharmacy costs and service costs payable		444		(124)
Accounts payable and accrued expenses and other liabilities		91		193
Other, net		83		(8)
Net cash provided by operating activities		3,192		2,025
Net cash provided by (used in) investing activities		475		(1,700)
Net cash (used in) financing activities ⁽¹⁾		(2,534)		(530)
Effect of foreign currency rate changes on cash and cash equivalents		(12)		4
Net increase (decrease) in cash and cash equivalents		1,121		(201)
Cash and cash equivalents, beginning of year		3,855		2,972
Cash and cash equivalents, end of year	\$	4,976	\$	2,771

(1) Includes \$1 billion for the repayment of Term Loan and \$942 million for the repayment of commercial paper for the period ended March 31, 2019.

Cigna Corporation
Summary of Debt Securities by Sector (unaudited)
Fair Value

(Dollars in millions)

Sector	As of March 31, 2019				As of December 31, 2018			
	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Fair Value	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Fair Value
United States government	\$ 513	\$ 221	\$ 1	\$ 733	\$ 507	\$ 204	\$ 1	\$ 710
State and local government	851	77	-	928	920	66	1	985
Foreign government	2,126	183	4	2,305	2,214	155	7	2,362
Government	3,490	481	5	3,966	3,641	425	9	4,057
Basic industry	3,304	136	23	3,417	3,309	82	80	3,311
Capital goods	2,251	79	24	2,306	2,295	56	64	2,287
Communications	946	37	4	979	964	23	20	967
Consumer	3,874	125	37	3,962	3,948	73	122	3,899
Electric and utility	2,262	129	15	2,376	2,264	91	50	2,305
Energy and natural gas	1,650	67	12	1,705	1,651	37	42	1,646
Financial	3,654	100	15	3,739	3,794	48	68	3,774
Other	211	3	3	211	178	1	7	172
Corporate	18,152	676	133	18,695	18,403	411	453	18,361
Mortgage and other asset-backed	494	21	7	508	506	16	12	510
Total debt securities	\$ 22,136	\$ 1,178	\$ 145	\$ 23,169	\$ 22,550	\$ 852	\$ 474	\$ 22,928