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CI.N - Q1 2019 Cigna Corp Earnings Call

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OVERVIEW:

Co. reported 1Q19 consolidated adjusted revenues of $33.4b, consolidated after-tax earnings of $1.5b and EPS of $3.90. Expects 2019 consolidated adjusted revenue to be $132.5-134.5b, consolidated adjusted income from operations to be $6.24-6.40b and consolidated adjusted EPS from operations to be $16.25-16.65. Expects 2021 EPS to be $20-21.

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by for Cigna's First Quarter 2019 Results Review. (Operator Instructions) As a reminder, ladies and gentlemen, this conference, including the Q&A session, is being recorded.

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

William McDowell - *Cigna Corporation - VP of IR*

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

In our remarks today, David and Eric will cover a number of topics, including Cigna's first quarter 2019 financial results as well as an update on our financial outlook for 2019. As noted in our earnings release, when describing our financial results, Cigna uses certain financial measures, adjusted income from operations and adjusted revenues, which are not determined in accordance with accounting principles generally accepted in the United States, otherwise known as GAAP. A reconciliation of these measures to the most directly comparable GAAP measures, shareholders net income and total revenues, respectively, is contained in today's earnings release, which is posted in the Investor Relations section of cigna.com.

We use the term labeled adjusted income from operations and earnings per share on the same basis as our principal measures of financial performance. I will remind you that as previously disclosed, we exclude contributions from transitioning clients from adjusted income from operations and adjusted revenue.

In our remarks today, we will be making some forward-looking statements, including statements regarding our outlook for 2019 and future performance. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our current expectations. A description of these risks and uncertainties is contained in the cautionary note to today's earnings release and in our most recent reports filed with the SEC.

Before turning the call over to David, I will cover a few items pertaining to our financial results and disclosures regarding our results. In the first quarter, we recorded special items totaling to a charge of $108 million or $0.28 per share, primarily to reflect the impact of integration and transaction-related costs. As described in today's earnings release, special items are excluded from adjusted income from operations and adjusted revenues in our discussion of financial results. Please note that consistent with past practice, when we make prospective comments regarding financial performance, including on our full year 2019 outlook, we will do so on a basis that excludes the impact of any future share repurchases or additional prior year development of medical costs.

Finally, I remind you that Cigna will be hosting our upcoming Investor Day on May 31 in New York City. And with that, I'll turn the call over to David.

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Thanks, Will. Good morning, everyone and thanks for joining our call today. Today, I'm going to highlight Cigna's strong financial results in our first quarter as a combined company with Express Scripts, driven by growth, innovation and focused execution across our businesses. I'll then address how Cigna is creating differentiated value in an ever-changing landscape as we remain on the path to deliver attractive growth in 2019 and beyond. I'll also update you on how our team is advancing our integration priorities before turning the call over to Eric for a more detailed overview of our financial results.

I'll begin with our strong first quarter performance, which included exceptional service delivery to our customers, patients and clients; strong retention levels; expansion and deepening of our customer, patient and client relationships; and innovation and growth across our portfolio of businesses.

I'll provide just a few examples of our momentum. In Health Services we added 1.7 million new pharmacy customers since the start of the year. We drove 9% organic medical customer growth in the Select segment year-over-year, reflecting the value of the differentiated, fully integrated solutions we bring to that marketplace.

Within our Integrated Medical business, we further deepened our customer relationships by adding approximately 800,000 behavioral and approximately 600,000 in dental. In addition, Cigna continues to deliver outstanding medical and pharmacy cost trend across our Commercial, Government and Health Service businesses. This momentum has helped to fuel a great start to 2019. Cigna's consolidated adjusted revenue was $33.4 billion and we grew after-tax earnings by 48% to $1.5 billion.

Within our business segments, Integrated Medical delivered a 13% increase in revenue with very strong earnings growth of 16%. And Health Services delivered significant growth in both revenue and earnings. Our other business segments also made solid contributions as we generated very strong cash flows in the first quarter while deploying significant capital to both debt repayment and share repurchase. Collectively, our first quarter results demonstrate Cigna's strong performance and momentum and give us confidence we will achieve our increased outlook for revenue, earnings and EPS in 2019.

Looking beyond our strong first quarter results, we recognize that our company operates in a dynamic environment and that customers and patients need even greater value from the health care system. As more stakeholders seek to improve sustainability, we continue engaging with the regulatory, client, provider and community partners. Our goal in doing this is to better identify and implement proven solutions that improve affordability, choice and predictability, all while accelerating innovation. This path to sustainability is strengthened by our combination with Express

Scripts, leveraging our broad services, depth of informatics and health care partnerships all to accelerate innovation and the value for those we serve.

Let me provide 2 recent examples of how Cigna has already leveraged our combination to deliver additional innovations for our customers, patients and clients. The first relates to diabetes. Approximately 24 million Americans are diagnosed with diabetes and about 6 million of them are insulin-dependent. Too many of these individuals struggle to afford their insulin. In fact, a recent Yale study found that 1 in 4 insulin-dependent individuals with diabetes cut back on the use of insulin because of cost. We view that as unacceptable. And given the importance of the issue, it was one we decided to tackle immediately.

We launched our Patient Assurance Program last month, which addresses the need for greater affordability and increases access to insulin for people with diabetes by ensuring our eligible customers pay no more than $25 for a 30-day supply of insulin. This is a major innovation for people with diabetes, some of whom have to pay hundreds of dollars they can't afford for their 30-day supply. Together, we harnessed our combined strength and accelerated the introduction of this new solution for our customers and patients. Our combination created the opportunity for us to deliver this solution to the marketplace faster than either Cigna or Express Scripts could have achieved independently.

The second example of how we're innovating revolves around improving today's fragmented health care system, which is too frequently marked by episodic uncoordinated care. To help address this, Express Scripts recently launched Health Connect 360, an outcome-based approach to delivering highly personalized clinical support for our clients and patients. The capability comprehensively connects health plans, providers, pharmacists and other clinical partners to ensure each person gets the clinical care support they need when and how they want it. With Health Connect 360, we're able to dramatically expand value-based care programs as well, benefiting customers, patients, clients and those health care professionals who are creating the most value today.

The platform works by integrating otherwise unconnected data through our care insights hub, which provides more comprehensive care programs that lead to better health and greater affordability for our patients and clients. The result is personalized and effective coordination without duplication or confusion. We've already rolled out Health Connect 360 in successful pilot programs covering approximately 500,000 customers and patients. We are receiving significant client interest for implementation later this year and into 2020.

These examples highlight how Cigna is using the full breadth of our capabilities to address the most pressing challenges in health care fueled by our clear strategic direction to maximize the value we create for our customers, patients and clients; our highly engaged 74,000 coworkers; our 4-well position growth platforms; the breadth and depth of our actionable data and analytics, which gives us the tools to holistically understand and address our customer and patient needs; and our strong cash flow, which gives us meaningful financial flexibility and strategic optionality.

Relative to Express Scripts integration activities, we're making very good progress. Specifically, we're executing well against each of our 5 integration priorities, which include, first and foremost, delivering on our commitments to provide outstanding service to our customers, patients and clients in 2019 and as we look to 2020. In the first quarter, our customer Net Promoter Score across our commercial business saw significant improvement year-over-year. In our Health Service business specifically, we continue to earn the trust of our clients, as validated by the outlook introduced this morning for 96% to 98% retention for 2020.

Our second priority is maintaining high level of talent engagement and retention. We are encouraged by our early progress with engagement and retention levels, which are above our already strong pre-combination levels.

Third is realizing shareholder synergies from administrative costs and other efficiencies. We are on track with our targets.

Fourth, delivering medical and pharmacy cost savings. We are well into our program and we are on track to deliver meaningful savings.

And fifth is keeping our vision top of mind as we collaborate to drive accelerated innovation. All in, we are pleased with the progress to date and we look forward to providing you with additional insights on our integration progress at our upcoming Investor Day.

Now to conclude. Cigna delivered strong first quarter financial results, which reflect momentum across our businesses and our first full quarter as a combined company, including continued customer growth and deepening of relationships in Health Services as well as Integrated Medical business and strong medical and pharmacy cost results. In the quarter, we generated strong cash flows and deployed significant capital to both debt repayment and share repurchase. Our first quarter results reflect Cigna's strong performance momentum and give us confidence we will achieve our increased outlook for revenue, earnings and EPS in 2019.

Looking ahead, I'm very confident and excited about our path forward, and we remain on track to achieve our 2021 EPS target of $20 to $21 per share. With that, I'll turn the call over to Eric.

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

Thanks, David, and good morning, everyone. In my remarks today, I will review key aspects of Cigna's first quarter results and discuss our updated outlook for the full year.

Key consolidated financial highlights for first quarter 2019 include adjusted revenues of $33.4 billion; earnings of $1.5 billion after tax; earnings per share of $3.90; and continued strong operating cash flow. These results reflect the underlying strength of our business and the value we deliver to our customers and clients.

Regarding our segments, I will first comment on Health Services. First quarter revenues were $22.5 billion and pretax earnings were $994 million. Results for first quarter reflect organic growth with the addition of 1.7 million pharmacy customers year-to-date and strong volumes, with 292 million adjusted pharmacy scripts fulfilled in the quarter and strong performance in specialty pharmacy. Overall, Health Services delivered good results in the first quarter, consistent with our expectations and reflecting continued focused execution in the first full quarter following our combination with Express Scripts.

Turning to our Integrated Medical segment. First quarter revenues grew 13% to $9.2 billion, driven by customer growth and expansion of specialty relationships, premium growth reflecting underlying cost trends, and the inclusion of the Express Scripts Medicare Part D business. We ended the first quarter with 17 million global medical customers, driven by an organic increase of 224,000 lives quarter-over-quarter and 32,000 lives sequentially, led by growth in our Select and Middle Market segments. First quarter earnings grew 16% to $1.17 billion, reflecting strong Medical and specialty contributions and continued effective medical cost management.

Turning to our total medical care ratio, or MCR. Our first quarter MCR of 78.9% reflects continued strong medical cost performance in both our Commercial and Government businesses and the pricing effect of the suspension of the Health Insurance Tax. First quarter 2019 Integrated Medical earnings benefited from $50 million pretax of favorable net prior year reserve development compared with $51 million pretax in the first quarter of 2018. Overall, Cigna's Integrated Medical segment had a very strong start to the year.

Turning to our International Markets business. Revenues increased to $1.4 billion and first quarter earnings were $206 million, reflecting business growth partially offset by unfavorable foreign currency movements and spending to strengthen our capabilities to further long-term growth.

For our Group Disability and Other operations segment, first quarter revenues were $1.3 billion. First quarter earnings for this segment were $84 million with unfavorable disability claims partially offset by strong performance from our Life business.

For our Corporate segment, the first quarter 2019 loss was $490 million, primarily driven by $449 million of interest costs. Overall, Cigna's first quarter results reflect strong earnings, revenue and customer growth, led by our Health Services and Integrated Medical businesses.

I will now discuss our outlook for 2019. As we've completed our first full quarter as a combined organization, we're proud of the focus and results we have delivered for our customers and clients. Looking ahead, we have considerable momentum as we continue to innovate to deliver affordability and predictability for our customers and clients across our portfolio of businesses.

For full year 2019, we now expect consolidated adjusted revenues in the range of $132.5 billion to $134.5 billion. This represents an increase to our prior outlook of $1 billion, reflecting growth in our customers and Specialty Pharmacy contributions. We now expect full year consolidated adjusted income from operations to be $6.24 billion to $6.4 billion or $16.25 to $16.65 per share. This represents an increase of $0.15 to $0.25 per share over our prior expectations and represents growth in the range of 14% to 17% over 2018.

Regarding the cadence of earnings per share this year, we now expect 45% to 46% of our earnings in the first half of the year. This now includes the $50 million of favorable prior year reserve development recognized in the first quarter, which was not contemplated in our original outlook. For 2019, we continue to project an expense ratio in the range of 10% to 10.5%, which reflects ongoing efficiencies and administrative expense synergies in line with our previous estimate of $112 million pretax. I would also note that our full year expense ratio expectation contemplates a higher ratio over the balance of 2019 than the first quarter results due to the timing of planned spending. For 2019, we continue to project the consolidated adjusted tax rate in the range of 23.5% to 24.5%.

I'll now discuss our 2019 outlook for the Health Services and Integrated Medical segments. For our Health Services business, we continue to expect full year pretax earnings in the range of $5.05 billion to $5.2 billion. We continue to expect adjusted pharmacy scripts in the range of 1.17 billion to 1.19 billion scripts. I would note that this range includes all script volumes associated with Cigna's mail order and Specialty Pharmacy operations in addition to scripts associated with the acquired Express Scripts business. Our 2019 guidance range is consistent with Express Scripts' previous expectation of 2% to 3% growth in core adjusted pharmacy scripts. Our guidance does not include Cigna pharmacy script volumes we expect to transition from OptumRx. And consistent with all of our key performance metrics for this segment, this guidance range does not include pharmacy script volumes associated with transitioning clients.

We now expect full year Integrated Medical earnings in the range of $3.7 billion to $3.8 billion. This outlook reflects strength and growth in our businesses, driven by continued benefits from organic customer growth, deepening of customer relationships and strong medical cost performance. Key assumptions reflected in our Integrated Medical earnings outlook for 2019 include the following: Regarding global medical customers, we continue to expect 2019 growth in the range of 300,000 to 400,000 customers. Turning to medical costs, for our U.S. Commercial Employer book of business, we continue to expect full year 2019 medical cost trend to be in the range of 3.5% to 4.5%. And we continue to expect the 2019 medical care ratio to be in the range of 80.5% to 81.5%. We also expect strong growth in contributions from our International Markets, Group Disability and Other businesses as they continue to deliver more personalized and affordable solutions for the benefit of those we serve.

All in, for full year 2019, we now expect consolidated adjusted income from operations of $6.24 billion to $6.4 billion or $16.25 to $16.65 per share. This represents 14% to 17% growth over 2018. I'd also remind you that our outlook continues to exclude the impact of future share repurchases and any additional prior year reserve development. Overall, our updated outlook reflects the strong fundamentals of our 4 differentiated growth platforms accelerated by our combination with Express Scripts. Our 2019 outlook is also consistent with our multiyear growth expectations and reinforces our confidence in our ability to achieve our 2021 earnings per share target of $20 to $21 per share.

Now moving to our 2019 capital management position and outlook. Our subsidiaries remain well capitalized, and we expect them to continue to drive exceptional free cash flow with strong returns in capital even as we continue reinvesting to support long-term growth and innovation. As previously communicated, our top capital deployment priority is accelerated debt repayment with the objective of returning our debt to capitalization ratio to the upper 30s by the end of 2020.

Additionally, while we reduce leverage over the next 2 years, we expect to also have capacity for additional capital deployment. Our capital priorities are as follows: First, continuing to reinvest back into our businesses to drive further innovation and growth; second, strategic M&A on a targeted basis; and third, returning capital to shareholders, primarily through share repurchase. Consistent with these priorities, in the first quarter, we deployed $1.9 billion to repay debt and we repurchased 2.5 million shares of stock for $462 million. Additionally, in April of 2019, we repurchased approximately 600,000 shares for $94 million.

Our debt to capitalization ratio was 48.8% as of March 31, down from 50.9% as of December 31, 2018. For 2019, we continue to project capital available for deployment of approximately $6.2 billion. In the year, we continue to expect to deploy approximately $4.2 billion to debt repayment and approximately $800 million to capital expenditures.

Our balance sheet and free cash flow outlook remains strong, benefiting from our highly efficient service-based orientation to drive strategic flexibility, strong margins and returns on capital.

Now to recap. Our first quarter consolidated results reflect focused execution and strong delivery of results across our diversified portfolio of global businesses and give us momentum as we continue throughout the year. The fundamentals of our business are strong and sustainable and we are well positioned to achieve the attractive financial targets we've established for 2019 through 2021. We are confident in our ability to achieve our full year 2019 earnings outlook and continue to have a good line of sight toward our $20 to $21 earnings per share target for 2021.

And with that, we'll turn it over to the operator for the Q&A portion of the call.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Kevin Fischbeck with Bank of America.

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

I just wanted to get a little bit more color on the drivers behind the guidance range because it looks like on the health care Integrated Medical business, you've raised guidance essentially by the favorable development in the quarter, in fact, $0 to $50 million versus -- or 0 to $40 million versus a $50 million favorable development number. Wasn't sure if there was anything else kind of going on underneath that number. And then for the full year, though, the EPS number is raised by a little bit more than the favorable development. So just trying to understand. Is that just share repo or was there any kind of moving parts underneath that?

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

Kevin, it's Eric. So thanks for the question. On the raise, I think you've got the headlines right there, raising the Integrated Medical segment by essentially the amount of the prior year development that we reported in the first quarter at the low end of our range. That translates through into the metrics for the enterprise. Really no other pieces to call out. I'd note it's early in the year, but we feel good about our start to the year. In terms of the full year number then, it just reflects the strength of the results as well as the updated share count.

Operator

Our next question comes from A.J. Rice with Crédit Suisse.

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

I just want to ask about Express and how that's transitioning. I guess there are a number of moving parts as we try to get used to the -- what you're reporting. You've got the Part D business, you moved over out of the Health Services division. And I think last time, you talked about $200 million of stranded costs that you were going to absorb over the course -- over this year as you transition the clients. I think -- can you just make some -- a little more comment about how that Express legacy business is performing relative to your expectations? How is the EBITDA relative to your internal expectations? And then in the press release, you talk about the 96% to 98% retention rate heading into next year. That's obviously a high number. Can you comment on what you're seeing on the selling season and the chance to pick up any new accounts and maybe show growth in covered lives next year?

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

A.J., it's David. Let me start with just framing how the transition is going and a little color on the marketplace, and then ask Eric to talk to you a little bit about the specific metrics in the earnings results, et cetera. First, at a macro level, we're really pleased with the performance. It's in line with our expectations and it's quite strong. Secondly, as I noted in my prepared comments, we're well into our integration plan and the focused execution within the integration plan. The teams are working well together, most importantly, putting the customer client patient service relationships front and center and ensuring that there's not only no disruption, there's continued elevation in terms of just strong performance there from that standpoint. And then we're quite proud of some of the already targeted innovations we've been able to bring to the marketplace.

As it relates to kind of hopping over the current results, I'll hand it back to Eric in a moment, we're delighted with -- to be able to talk about another outstanding year of client retention. It's a combination of the commercial and health plan clients obviously coming to bear with a 96% to 98% retention, demonstrating the value proposition is resonating very well in terms of that strong service delivery, outstanding clinical performance, medical cost, pharmacy cost performance in that standpoint. And then within the background, we're winning new business as well. We look forward to providing you more comprehensive update on the outlook for 2020 and beyond at Investor Day. But retention is strong. New business results are strong. So we're pleased with the traction there. I'll ask Eric to talk a little bit about the puts and takes within the segment redefinition and the performance. But again, it's in line with our expectations and we're delighted with that. Eric?

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

A.J., it's Eric. I think David hit the major headlines here. The resegmentation impacts had a couple of moving pieces when compared to prior Express Scripts dynamics. The headline overall is the result was consistent with our expectations. As you noted, the Part D business is now part of the Integrated Medical segment. The legacy Cigna home delivery operations are part of the Health Services segment. Some of the primary moving pieces versus prior periods. Additionally, there are minor items as we just conformed different practices across the organizations and such. But again the headlines would be that Health Services business performed right in line with our expectation. And I'd note that actually we're particularly pleased with the strength in Accredo and the specialty businesses overall.

Operator

Your next question comes from Justin Lake with Wolfe Research.

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

Just first, wanted to follow up on A.J.'s question on the PBM. Can you give us a little more color on the resegmentation on the PBM side? I mean it's clear you had a great quarter on -- look, the year-over-year growth on the Integrated Medical side was very strong, but when I look at the PBM and all I can do is match it up to what Express Scripts did last year. But it actually looks like it was probably down year-over-year when I add in the Cigna mail order. So I'm just wondering if you'd give us some more color to help us model this thing going forward in terms of what the moving parts are that might have transitioned back and forth between those 2 businesses. Or maybe stated another way, was there actually growth in Express Scripts year -- or the Health Services business year-over-year?

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

Justin, it's Eric. Maybe just to drill on that a little bit further then. We talked about, in my prior answer to A.J.'s question, a couple of the biggest items that moved as part of resegmentation. But I'd also note, there's normal differences in terms of just the timing of different generic launches and things along those lines in any one quarter, one. Two, from accounting policies perspective and such, as we've looked at the EVI initiatives that Express Scripts had previously announced, a number of the costs that previously would have been below the line at Express Scripts are things we're including in just the ongoing operating expenses. So there's a little bit of a difference in terms of the expense level that we're driving through in the segment metric versus prior Express Scripts items. And there are other kind of minor items in terms of the timing of different expenses and things along those lines. So again when you pull kind of all of those pieces out and look at the full year guidance, we continue to be on track for a nice growth for that business. And again, overall consistent with our expectations for the quarter as well.

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

Okay. Maybe just a quick follow-up on the membership line. The -- your membership was fairly flat year-over-year. I know - or I should say - sequentially. I know you're still expecting year-over-year growth. Can you give us a little color on where that growth is going to come from through the year? And specifically on the Stop Loss side, it was the first quarter that you guys hadn't seen a double-digit Stop Loss premium growth in the -- gosh, in my history of I think covering the company. So I was curious just with everyone talking more about these product -- these similar products in terms of stable premium, whatever you want to call them, I'm curious if you're seeing the impact of competition there or what you're seeing in the market.

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Justin, it's David. First, from a growth standpoint at a macro level, we're really pleased with the growth trajectory we have stepping into 2019 and our ability to increase our revenue outlook by $1 billion here in the first quarter. Stepping back specific to the book of business performance in the core of your question, we elevated the focus on retention as a critical priority in 2018 as we look to 2019 noting the pendency of our combination. And we're pleased with the exceptional retention performance we had across the totality of our business, the Integrated Medical as well as Health Services, as previously discussed.

Secondly, further intensified the focus relative to deepening the relationships. And I noted in my prepared remarks significant success there in terms of 800,000 additional behavioral relationships, 600,000 additional dental relationships in addition to the 1.7 million additional pharmacy relationships.

As we look to the remainder of 2019, we expect to see strong retention continue, further deepening continue as well as very importantly, additional new Medical Integrated business especially in the second half of the year as the underlying strong performance and power of the Select segment in the Middle Market business performed throughout the course of the year. So taken as a whole, we're pleased with the start to the result. Our intense focus on retention and deepening paid off and we see a good outlook relative to integrated growth.

As it relates to Stop Loss, no change in traction or path. I think we pivoted maybe to a high single-digit number, 9%, approaching 10%. And we just see continued traction. And I would just highlight, it's the integrated nature and coordinated nature of our programs that are resonating, not having your product or not having a product on the shelf. That integrated nature is performing very well and we're excited about the outlook for 2019.

Operator

Our next question comes from Scott Fidel with Stephens.

Scott J. Fidel - *Stephens Inc., Research Division - MD & Analyst*

Just interested if you can update us on how final MA rates came in relative to your expectations, and then how you're thinking at this point about the pacing of geographic expansion in MA in 2020 just also in the context of the HIF returning next year.

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

Scott, it's Eric. I'll start. On the rates, we are estimating it'll be about 2.35% for us, which is a result consistent with how we've been thinking about it. We're in the course of finalizing our bids over the next few weeks here and will work through that in a market-by-market basis as we typically do. I'll let David comment on the expansion path.

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Specific to MA, macro, we continue to see it as a very attractive growth marketplace. We're pleased to be back in the market growing in 2019 with our very focused local individual HMO portfolio and expect to see growth throughout the course of the year. To the core of your question, as we look to 2020 and beyond, we expect to see accelerated growth. We're going to fuel that by market expansion, to your point. We have a meaningful amount of demand for new market expansion with our collaborative partners and that work is well underway. Secondly, continued in-market growth off of our very focused individual HMO portfolio of solutions. And third, expanding our portfolio of offerings to individual PPO offerings. So net-net, we're excited about the growth outlook for that portfolio of businesses with or without the HIF movement on the core fundamentals of our medical cost performance, our Collaborative Accountable Care relationships having an excess of 75% of our lives and 4 STAR+PLUS programs, having a corporate star rating of 4.5 stars for new market entree and having the Cigna white space as it relates to the individual PPO marketplace. We're excited about the growth outlook there.

Operator

Our next question comes from Dave Windley with Jefferies.

David Anthony Styblo - *Jefferies LLC, Research Division - Equity Analyst*

It's Dave Styblo in for Windley. A couple questions on the pharmacy side. First, I appreciate the color on the retention of 96% to 98% for next year. I'm curious, how much of the book do you know at this point? In other words, can that number rise as we move throughout the years or up -- is there upside to that figure? And second of all, David, I'm wondering about within the 2020 selling season as you guys are going to market, how you might be describing Cigna's messaging in the market and how that's evolved with the addition of Express Scripts.

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Dave, appreciate the questions. The way I would think about 2020 as it relates to the Health Service business and the client portfolio, essentially we think about the health plan portion of that portfolio as complete and think about the commercial portion of that portfolio as completing. So there could be some variability in the number. We feel really good about the 96% to 98% and proud of the organization's performance in terms of delivery of our service promise. So I'd break the book out through that portfolio. A bit longer conversation than we can have on the phone call relative to the value proposition. But in a nutshell, first and foremost, think about the core aspect of our value proposition and market message as staying intact, which is a very consultative, client-oriented approach to putting together a solution suite that best works for our clients one at a time, understanding their culture, their strategy, the health burden of their population, their readiness to change and the opportunity for us to drive incentive-based programs and collaborative programs with that. The add to it is further strengthened in a significant way relative to tremendous breadth and flexibility of pharmacy solution and market-defining solutions as it relates to Specialty Pharmacy from that standpoint.

As it relates to the Health Services value proposition, the same core proposition exists. That's expanded with a broader set of tools and programs that can be offered to commercial clients as well as health plan clients who want to broaden services, and the rate and pace of that is being ramped up as we go forward. So core, same, client-focused value creation, engagement-oriented, enhancements on the capabilities as we come forward, but it's one client at a time which we deem to be a very significant strategic advantage as opposed to pushing product that we orient around designing customized solutions on a modular basis for the benefit of our clients and customers and evolving those over time with them across the portfolio. You could expect to feel more of that at our Investor Day as we bring into life not only in words but with some demonstrations some of the capabilities behind our programs.

David Anthony Styblo - *Jefferies LLC, Research Division - Equity Analyst*

Great. And real quick on the disability. Can you spike at how much that drag was? I know it's not a huge part of the business, but how much that drag was? And do you already have visibility to that improving or is some of that pressure going to persist for the rest of the year?

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

David, it's Eric. On the disability piece, we flagged back at the fourth quarter that there's some pressure on the disability line and some favorability in the life insurance business. That continued in January but actually has normalized in February and March. So I won't dimension it here but think of it as small in the context of the enterprise certainly. And February and March, we're back to what we'd call normal and targeted levels of performance.

Operator

(Operator Instructions) Our next question comes from Josh Raskin with Nephron.

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

I wanted to get your thoughts on the Medicaid space and sort of as you guys have now created the integrated entity. And maybe more specifically, your appetite for operating in a bigger size in Medicaid and then maybe in inventory, what capability Cigna has today versus ones you think you would need to develop.

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Josh, it's David. I appreciate the way you framed the question. So first stepping back, as you know, we've continued to prioritize segments outside of traditional Medicaid as our targeted growth segments in the marketplace. You'll also note that one of our inorganic priorities that we have highlighted in the past correlate around state-based risk or performance-based programs as we believe that we're going to see accelerated innovation at the state level to take portions of the population and look at highly integrated clinical offerings that are risk-based and performance-based. We see that as attractive over time.

Two is, as you referenced, within our Health Service portfolio today, we serve Medicaid providers and we serve them well. In fact, recent meaningful wins in the Medicaid specialty space relative to servicing them from a pharmacy -- Specialty Pharmacy and expanding over time off the eviCore platform of services.

And then lastly, in terms of using the best of the both, we see this as a growth opportunity, again, for the collective franchise over time. Some of the capabilities we have today to point to, to the last part of your question, one, we're quite successful in terms of servicing the dual eligible population today, and the core part of the proposition that drives that are our value-based, highly engaged physician programs that take the whole person orientation and the continuity of care from the physician's office to home health care coordination through social services and the like and we can coordinate through the long-term care dimension. We obviously enter that through the Medicare chassis today.

Secondly is through Accredo. As you think about the Specialty Pharmacy capability per prior conversations, our at-home fulfillment capability is quite powerful and we essentially have an Accredo clinician within an hour's drive of 85% of all Americans. So the ability to go into the home with expanded services beyond specialty of services is quite important from that standpoint. So those are just illustrations of some of the capabilities we have today. Net-net on a targeted basis, we see it as a growth opportunity in both platforms today. And over time, we see it as a potential additional growth platform as the marketplace evolves.

Operator

Our next question comes from Steven Valiquette with Barclays.

Steven James Valiquette - *Barclays Bank PLC, Research Division - Research Analyst*

So for the PBM business, I just want to drill in a little bit deeper on that. Curious if you're able to discuss the trend of moderating generic deflation, how that may be affecting the Express Scripts profitability so far in 2019, particularly in the mail order business. But also maybe just compare and contrast that with how this may be impacting Cigna's profitability overall.

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Steven, it's David. Just big picture, as we've discussed in the past looking at the, call it, the deflationary environment more broadly, relative to pharmacy, Express Scripts is early to identify that and continue to make sure they were evolving the products, programs and services with both clients as well as manufacturers in recognition of that.

Two, Express Scripts as well as Cigna were early and deeply committed to a low total cost proposition, balancing obviously appropriate clinical quality. And so long as you're aligned with your partners, a decelerating environment is actually a net positive across the board, although sometimes it may put a little pressure on the traditional measures of revenue for the corporation. So taken as a whole, we see that having a broad portfolio of services, a broad portfolio of funding mechanisms and accelerated alignment with both our manufacturing partners as well as our clients, be they health plan or commercial clients, is actually a strength to be able to moderate our approach relative to a decelerating or an accelerating trend environment as we focus on delivering a total low-cost outcome that, obviously, is fueled by tremendous clinical and service quality.

Operator

Our next question comes from Matt Borsch with BMO Capital Markets.

Matthew Richard Borsch - *BMO Capital Markets Equity Research - Research Analyst*

I was hoping that you could just touch on the integration of Express just in terms of what are the major milestones that you have left as you work through this year and anything that goes into next year, realizing that there's also opportunity harvesting on top of that?

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Matthew, it's David. In my prepared remarks, I commented on the 5 specific priorities that we have that were clear for organization as a whole within days after our successful closure of the combination and we remain focused on those. So that guides you back in terms of what we're seeking to accomplish. Most importantly, sustained outstanding phenomenal service delivery to our clients and customers to ensure that there is no perception or reality of disruption getting in the way of delivering on our promise, and our NPS outlook and our retention outlook reinforce that.

Secondly, throughout the course of this year and into next year, we will -- we have milestones internally as we're continuing to step up leverage of the phenomenal Express assets for the benefit of the legacy Cigna clients. Early on, specialty assets, and that's taking place in line with our targets and expectations throughout the course of this year. And then further leverage of the Express core PBM capability for the benefit of our clients. Per prior comment, that transition takes place throughout '19 and into '20 and will be completed by the end of '20. So a very planful and targeted approach relative to that.

On a final note, something that's less talked about, our clinical teams are deep at work with our eviCore partners accelerating innovation of products, programs and services now that, that capability is in-house and there's just tremendous excitement not just for the benefit of our so-called integrated portfolio but for additional products, programs and services for our health plan clients and service-based commercial clients. So the 5 priorities remain. We're well on track. Leverage of the Express Scripts specialty and pharmacy capability is well under way. The broader pharmacy will be completed by the end of 2020, Specialty being accelerated right now and eviCore program development well underway.

Matthew Richard Borsch - *BMO Capital Markets Equity Research - Research Analyst*

Let me just ask one follow-up. Is there -- within all of that, is there a system consolidation or some type of event that you have to pay particular attention to where there might be some operational risk? I mean I know that stuff is near and dear to you.

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Matthew, very important and I appreciate it. So stepping back to putting it in context, as you and the marketplace very well know, we have a long history of owning, operating and innovating our PBM in terms of the history of Cigna with service partners and modularly successfully managing those service partner relationships over a long period of time while successfully growing our book of business and delivering outstanding results for the benefit of our clients and customers. That same approach is being taken to this integration and coordination activity.

Secondly, we're taking are very disciplined and paced and planful approach to transitioning from some service partners like our great work with Optum to date to Express Scripts over a disciplined time frame that will elapse between 2019 and 2020. Not a hurried approach. So no, there is not one moment in time or one platform transition. It's very orderly and modular in fashion, and we'll leverage our proven track record of managing that way for the last half a dozen years.

Operator

Our next question comes from Stephen Tanal with Goldman Sachs.

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

I guess given the resegmentation, it's making it a bit challenging to kind of compare the underlying results, but helpful commentary around sort of it seems like everything tracking in line with expectations. So I just kind of wanted to better understand a couple of high-level points. Is the deal still expected to be double-digit accretive in Year 1? And how would you frame the cadence of that accretion? Clearly, Express has a different seasonal earnings pattern and synergies ramping, so I'm just trying to make sure we understand that dynamic and maybe in the process, get your thoughts on the cadence of the medical customer growth over the balance of the year and a sense as well for why the upper bound of Integrated Medical segment pretax earnings guidance did not increase by sort of the full amount of the PPD in the quarter.

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

Steve, it's Eric. I'll start and then have David add some additional commentary as well. So just stepping back, so we talked about when we announced the transaction over a year ago now our expectation that the combination would be teens accretive in the first full year of operation, just to give the color there. Now a lot has happened over the course of the last year plus. We ended up finishing with quite a bit stronger results in 2018 than we anticipated at the time, one. So that raised the jump-off point. Two, as we've noted in terms of our initial guidance issuance for the year and such, in particular we had some strong performance in our individual book of business that we didn't believe to be sustainable. We're still performing in line with our targets and expectations but a step down from 2018 into 2019. And so that's a factor as well. When you adjust for those things, Steve, broadly the expectation in terms of income being generated from the various components of Express Scripts, most of which are the Health Services business and the things such as Integrated Medical and such, are in line with where we expected them to be for the year. And so again, the acquisition case from that perspective, hold. So again, those are the pieces. And then the last part of your question on the prior year development, really we did -- we brought up the bottom end of our range by the amount of the prior year development. Again, I just noted, it's early in the year and that's why we have a range in terms of the variability of outcome over the balance of the year.

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

And then, Steve, first and foremost, kudos to you to fit 5 or 6 questions into one. Quite efficient from that standpoint. Just to recap a couple of pieces. Big picture I think to the core of your question, our results demonstrate that we're on track to deliver our commitment to $20 to $21 of EPS in 2021. Second, the raise in the first quarter this year, early in the year, but the raise has our EPS growth in the mid-teens plus for 2019 off of, as Eric referenced, an outstanding 2018. And lastly, just reinforcing all along the way with tremendous free cash flow production, which underlines the kind of quality of the results that we're able to post. So we feel great about the results here.

Operator

Our next question comes from Ralph Giacobbe with Citigroup.

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

Just wanted to go to the enrollment figures. It looks like ASO is flat to slightly down. I know there's employer segments that we need to consider there, but the risk business was also up. So anything to kind of call out that's either happening in the market and/or sort of your positioning? And then just you mentioned the national account losses. Maybe any details there? Any opportunity with the larger employer base now with Express and when you think maybe that -- you could see that perhaps start to show better growth?

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Ralph, it's David. A couple points. First, again to set the stage relative to growth. As I indicated previously, really pleased with the growth trajectory we're stepping into 2019 with. The revenue helped the ability to increase our revenue outlook by $1 billion this early in the year. We're quite pleased with that. Secondly, we had an intensified focus in 2018 with our eye toward 2019 on retention, acknowledging the pendency of the transaction and the potential perceived disruption as well as further deepening results. So we look at growth more holistically than a singular measure of medical customer growth, although I'll come to that, which is a quite important measure. And as noted, we grew our specialty lives and further deepened relationships quite attractively. As it relates to the Integrated Medical customer growth, we feel good about our outlook for the full year. As I noted, we will expect to see continued strong performance and trajectory of the Select and the Middle Market portfolio throughout the residual part of the year, specifically the second half of the year. July tends to be an important -- July 1 is an important month for that portfolio. September 1 is an important month for that portfolio. And that portfolio will perform well. We had a little lighter retention rate in national accounts for 1/1/2019. Last year we had a bit stronger, this year we had a little lighter. There's your ASO answer within the context of that. But again, we further deepened relationships with the specialty portfolio.

On a final note, as a combined corporation, we'll be looking again more holistically at those larger account relationships deciding whether or not we're best positioned to have an expanded services relationship with those clients and/or an integrated relationship or a combination of both. So you'll see again the revenue growth be contributed through both segments, not just one segment on a go-forward basis. Again, taken as a whole, so we feel really good about the result for 2019.

Operator

Our next question comes from Ana Gupte with SVB Leerink.

Anagha A. Gupte - *SVB Leerink LLC, Research Division - MD of Healthcare Services & Senior Research Analyst*

So following up on Ralph's question. (inaudible) 9% indiscernible] market is slightly down and needs to be (inaudible) single. When you look at this again -- so this is obviously early days for you on Express against your stated goal of increased cross-sell because of the overlap being 30% or less. Is it because there is an emergence of new competitors like perhaps Anthem or even Humana in those segments? Or is it because we don't have HIF this year, the whole broader transition from fully insured to self insured is it slower this year? And how has that looked for the differential in (inaudible)?

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Ana, it's David. It was a bit hard to hear you with the background noise, but I think I get the core of your question. The simple answer to the last part of your question is no. We do not see a change in performance relative to the competitive landscape. It has been, is and will continue to be a competitive environment. We need to deliver outstanding value and we need to continue to innovate. Specifically as I noted in my prepared remarks, our Select segment had an outstanding performance in the first quarter of this year and we'll have another strong year this year. Remind you that, that strike zone has expanded from 50 to 250 to 50 to 500. We're successfully selling both our core ASO Stop Loss offering as well as guaranteed cost as we offer choice in the marketplace. And our full integrated as opposed to bundled offering but a full integrated offering continues to resonate very well in that portfolio for us as we go forward. Specifically to the larger account portfolio national, either Cigna's definition of that, 5,000 or more employees commercial and multistate, it's a smaller strike zone than many of our competitors define. And we see that as a marketplace that is essentially in an organic basis, for the marketplace as a whole, not a growth marketplace, but one where we selectively seek to differentiate ourselves and deepen our relationships.

And then just lastly, the services portfolio will enable us to deepen those relationships as we go forward, and we see early traction on that right now that we're pleased with. So net-net, we're pleased with the results and we're happy with the position we have for 2019, especially the second half integrated offerings that we have in the marketplace.

Operator

Our next question comes from Zack Sopcak with Morgan Stanley.

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

I wanted to ask about the diabetes Patient Assurance Program. It looks like the savings that patients are seeing have been by funded by the insulin manufacturers. Just wondering if that's a model that was translatable to either other disease states or other pharmaceutical categories that could benefit you going forward. And then I know it's early, but any early feedback from clients on response to program or uptake, which I would expect would be pretty close to 100%?

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Zach, appreciate the callout for the program. So as we noted, that's an example of the power of the combination and accelerated innovations to put the customer front and center or patient and then looks at their specific needs on affordability and predictability. We were able to essentially -- and we won't go through all the details for both time as well as a competitive differentiator. We were able to rapidly reengineer relationships and alignment, very importantly, with our pharmaceutical manufacturer partners to again put that customer patient front and center and provide that level of predictability. And we just couldn't be more pleased with that client feedback early on. It's extremely positive, and we would expect adoption of that to ramp pretty meaningfully over time.

To the core of your question as well, which I appreciate, there's a platform within the further disease or health burdens states that our team is aggressively focused on right now. So exciting opportunities to give more peace of mind, predictability and customer patient-derived view of affordability to the marketplace. And we stepped into diabetes and insulin specifically because of the size of the population and the need set to be able to address this. But that platform could be leveraged further.

Operator

Our next question comes from Peter Costa with Wells Fargo Securities.

Peter Heinz Costa - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

Related to what A.J. and Justin asked, when we see strong retention and new member growth combined with what looked like margin pressure in the Health Services area, we worry a little bit about pricing. And that, combined with the proposed rebate rule in Medicare and maybe potential legislation on commercial drug rebates, we worry that could mean spread-based pricing, spread-based pricing is giving way to transparent pricing in the pharmacy benefit area and that may have narrower margins. So my question is, where would you see Health Services margins if we were to move to fully transparent pricing? And is that where you think we're going here?

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Peter, let me put this in a couple of blocks. First and foremost, our passionate view is that client retention, when you deal with the affordability and the transparency that exists in all of our products and programs today, is a direct correlation of the clients' view of the value we are delivering to them day in, day out. Reground back to the Health Services portfolio. The commercial pharmacy trend for 2018 was 0.4%, a phenomenal result. Not perfection but phenomenal result with strong service delivery and additional proven innovations as we go forward. That's what enables us to deliver the retention.

Two, to your margin question, the margin levels are aligned with our expectations. There's puts and takes in there that are aligned with our expectations. They're strong, they're shareholder-friendly and we need to get the right balance in terms of alignment with our clients, our customers, our patients as well as from a shareholder return. But they're aligned with our expectations. There will be puts and takes and levers on a go-forward basis. And we see more transparency as an opportunity to drive more alignment. We see alignment as a strategic advantage. It's something we embrace because alignment allows us to accelerate innovation and that it allows us to drive lower total cost and higher total quality on a go-forward basis. And we've been able to prove as an organization that delivering that type of value allows you to get a fair, sustainable margin. And that's what we are on track for. So whether it be spread pricing, a change in posture on rebates or otherwise, those are movements and subcomponents of the portfolio. The total cost -- total value proposition needs to work and we've proven the ability to innovate to make sure we're able to get a fair, sustainable shareholder return through margin. And we're excited about that because we have the ability to lead in that changing marketplace as opposed to resist it.

Operator

Our next question comes from Lance Wilkes with Sanford Bernstein.

Lance Arthur Wilkes - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

I had a question on the PBM. As you're looking at the new business coming in, in '19 and the outlook for '20, is that new business coming in at sort of average margin? Or does it slope? So maybe year one it's at a lower margin than average and then it kind of gets up to a target margin over the life of a contract? And I guess related to that, how are you guys looking at moving to kind of full risk models or things where maybe you're guaranteeing total PMPM pharmacy cost? Is that something where you're piloting it? Or is that something that really doesn't have client interest at this point?

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Lance, it's David. I appreciate the questions. As you might expect, we're not going to tell you what the slope of our pricing curve or approach to the marketplace is. Big picture, though, stepping back, we're pleased with the performance, pleased with the financial results, pleased with the positioning. There are client-by-client decisions that are made because everything we do in our company is oriented around one client at a time, strategic alignment and sustained innovation going forward. And the coexistence of the new business growth with the outstanding retention and the deepening of the relationships reinforces that. So we're pleased with the positioning and the discipline you would expect us to have from a new business standpoint continues in the organization.

As it relates to your second point, there is appetite, no doubt, for dimensions of or examples of deepening alignment, guarantees or otherwise. And we have the capabilities within the portfolio to be able to do that. Again, that's one client at a time. And it all comes back to alignment with your partner, making sure you put the programs in place, financing or otherwise. And then we perform. And we have a track record, knock on wood, of the performance and the alignment, but there's not a one size fits all guarantee program that we're putting in the marketplace. It is a client-by-client set of relationships. And again, we see that as an advantage for us, both in the integrated portfolio as well as in the services portfolio as we go forward. Again, something we embrace and we're driving further change in.

Operator

Our last question comes from Charles Rhyee with Cowen.

Charles Rhyee - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

Just wanted to -- one clarification first and then for Eric a question on sort of how we think about the cadence here in Health Services. Earlier on, you -- I think the question was asked about how do we compare this results to a year ago when you look at the former Express Scripts? Is the best way to look at it right now as -- because I believe last year included Anthem. So is the best way to look at it is your existing results before taking out the transitioning clients for comparability perspective? That's first on the clarification. But then I guess my question, though, is you talked about $200 million sort of stranded costs. Can you give us a sense on is that kind of front end-loaded into the year in terms of the impact on results and should we have that taper off as we go through the rest of the year? And then lastly, related to that, is there anything else in terms of the cadence, in terms of Express we should be thinking about as we model it out?

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

Charles, it's Eric. So a couple of different dimensions to that question there. But the -- first and foremost, year-over-year I'd encourage you -- on a particular quarter there, there are a number of different moving pieces. So there wouldn't -- I wouldn't point you to just one adjustment and then you'd have comparability. As I mentioned in my prior answer, several different dimensions between resegmentation, the normal timing quarter-to-quarter types of items and the conformance of various policies and such just make quarter-over-quarter difficult. The punchline, though, on the full year, in line with our expectation, performing well and we'll expect to deliver growth and such there.

Now on the second part of your question in terms of the $200 million stranded costs that we identified, that's a function of a couple of things. We haven't provided a specific quarter-by-quarter guidance, but think of as the transitioning client, as Anthem works through their migration and the volumes come out, that will increase things, but we'll ultimately work to right size our expense base. So again those will be working to offset each other over the balance of the year.

And then last, but not least, in terms of just the other items, in terms of the sequencing of earnings over the year. So I noted in my prepared remarks continue to expect 45% to 46% of the enterprise's income in the first half of the year. Think about across the segments. Integrated Medical tends to be more front end-loaded, so higher income in the beginning part of the year and that tapers down over the year as customers reach their deductibles and things along those lines. Health Services business tends to have the other dynamic, where the income builds throughout the course of the year and I think you'd see that in the Express Scripts historic results. On top of that, this year we've got the additional effect of the synergies we will build throughout the course of the year. And we'll have the effect of as we work through the deleveraging, interest costs will decline throughout the year. So that probably even further puts the income towards the back half of the year than "a normal year" all else being equal.

Operator

At this time, I'll turn the call back over to David Cordani for closing remarks.

David Michael Cordani - *Cigna Corporation - President, CEO & Director*

Thank you. Just to wrap up our call, I'd like to highlight some key points from today's discussion. Cigna delivered strong financial results in our first quarter as a combined company with Express Scripts driven by growth, innovation and focused execution across our businesses. Relative to our Express Scripts integration activities, we are making very good progress and executing well against each of our 5 integration priorities. Collectively, our first quarter results demonstrate Cigna's strong performance and momentum and gives us confidence we will achieve our increased outlook for revenue, earnings and EPS in 2019. We remain on track to achieve our 2021 EPS target of $20 to $21 per share, and we look forward to going into this deeper with you as well as our long-term growth strategy at our Investor Day later this month.

Thank you for joining our call today and we look forward to our future discussions.

Operator

Ladies and gentlemen, this concludes Cigna's First Quarter 2019 Results Review. Cigna's Investor Relations will be available to respond to additional questions shortly. A recording of this conference will be available for 10 business days following this call. You may access the recorded conference by dialing (800) 839-5571. No passcode is required for the replay. Thank you for participating. We will now disconnect.